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# Crypto income: Budget 2025 tightens crypto transaction monitoring, other tax norms

**Synopsis**

Crypto announcements in Budget 2025: The Budget 2025 has proposed to tighten certain rules for crypto trading. As per the amendments made, income from VDAs will be part of the undisclosed income under the Search and Seizure. Further, the government has inserted new section under the Income Tax Act for mandatory reporting requirements.

By ET Online

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Budget 2025 has tightened the norms for taxpayers engaged in cryptocurrency trading. Budget 2025 has put virtual digital assets such as cryptocurrency and NFTs, which will now be part of undisclosed income, attracting higher tax rates. Further, disclosure requirements have been widened for taxpayers having income from crypto trading according to The Times of India report.

In fact, other amendments have been made in this realm, which only tighten the reins for those who engage in crypto trading. For instance, in search cases, virtual digital assets will now be part of undisclosed income, attracting a higher tax rate. Earlier, income from crypto trading was not part of the search and seizure procedure. While taxpayers had to disclose income from crypto trading in income-tax returns, disclosure requirements have widened.

Kunal Vyas, Partner at Gandhi Law Associates, says, "Budget 2025 has inserted new section 285BAA mandating reporting entities dealing in crypto-assets to furnish information on transactions related to such assets. This means that exchanges, intermediaries, or any other prescribed entities will have to report details of crypto transactions to the income-tax authorities. This requirement is similar to the reporting obligations imposed on mutual fund companies, stock exchanges, and other financial institutions for tax compliance purposes."

Aaron Kamath, Leader, Technology and Commercial Law Practice, Nishith Desai Associates says, "The Finance Bill, 2025 presented seeks to clamp down on undisclosed transactions and tighten oversight by broadening the definition of VDAs and obligating reporting entities dealing with crypto-asset transactions to furnish transaction details to the income tax authorities, with the leeway to rectify a defect in reporting within 30 days. The Bill also gives the Government the power to issue rules for entities to register with the income tax authorities, and for them to conduct due diligence to identify crypto users or owners."

The key provisions of Section 285BAA as proposed in Budget 2025 include:

**i) Mandatory Reporting:** Reporting entities (as prescribed) must submit transaction details in a specified format and within a prescribed timeline.

**ii) Correction Mechanism:** If the submitted statement is found defective, the concerned entity will be notified and given 30 days (or an extended period) to rectify the issue. If not corrected, it will be treated as inaccurate reporting.

**iii) Non-Compliance Consequences:** If a required entity fails to submit the statement within the prescribed period, authorities can issue a notice demanding compliance within a specified timeframe.

**iv) Self-Disclosure of Errors:** If a reporting entity later discovers inaccuracies in the submitted information, it is obligated to inform the tax authorities and provide the correct details.

**v) Government Rules & Due Diligence:** The Central Government will specify which entities need to register with the tax authorities, what information must be maintained, and what due diligence must be performed to identify crypto users and owners.

Vyas says, "Additionally, the amendment expands the definition of Virtual Digital Assets (VDA) to explicitly include any crypto-asset based on cryptographically secure distributed ledger technology."

Income from crypto trading is currently taxed at 30% and will remain the same for the upcoming financial year. Further, stringent regulation prevents crypto traders from offsetting losses incurred in crypto transactions against profits from other crypto trades or any alternative income sources.

The Organisation for Economic Co-operation and Development has developed a Crypto Assets Reporting Framework, which provides for automatic exchange of tax relevant information on Crypto Assets. India is one of the jurisdictions implementing Automatic Exchange of Information.

*(With inputs from The Times of India)*

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