BINOCS

THE ULTIMATE CRYPTO TAX GUIDE FOR INDIA

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An Introduction to Cryptocurrency and NFTs

What is a Cryptocurrency?

Satoshi Nakamoto (a person or a group of persons), in a white paper published in 2008, introduced Bitcoin, the world's first and most popular cryptocurrency. Since then, many other cryptocurrencies (also known as Altcoins), such as Ethereum, Ripple, etc., have been launched. While the acceptance of these crypto assets is limited for retail transactions, they have become a highly popular asset among traders and investors.

According to Investopedia, a cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology—a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is the decentralization feature of these assets and how they aren't governed by a single authority.

What are Non-Fungible-Tokens (NFT)?

According to Wikipedia, a non-fungible token is financial security consisting of digital data stored in a blockchain, a form of a distributed ledger. The ownership of an NFT is recorded in the blockchain and can be transferred by the owner, allowing NFTs to be sold and traded.

The digital data stored in the blockchain in the form of an NFT includes ***art, music, in-game items, and videos***. NFTs are bought and sold online, often using cryptocurrencies, and they are generally encoded with the same underlying software as many cryptos. Some common NFT marketplaces include Opensea and Rarible.

What is a Virtual Digital Asset?

The Finance Act 2022, Clause (47A) was added under Section 2 of the Income Tax Act to define Virtual Digital Assets as the following:

a) Any information or code or number or token (not being Indian currency or foreign currency) generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme; and can be transferred, stored or traded electronically;

b) A non-fungible token or any other token of similar nature, by whatever name called;

c) Any other digital asset, as the Central Government may, by notification in the Official Gazette specify:

How will Income from Cryptocurrency and NFTs be taxed in India?

Cryptocurrencies were one of the most discussed topics in Budget 2022. Here are the key points that were proposed by the Minister of Finance, Nirmala Sitharaman, under Section 115BBH of the Income Tax Act, introduced via Finance Act 2022

1. **Flat 30%**

30% taxes plus applicable Surcharge and Cess will be imposed on income from transfer of Virtual Digital Assets (VDA) w.e.f. 1 April 2022.

2. **No deductions**

No deduction in respect of any expenditure (other than the cost of acquisition, if any) or allowance shall be allowed in computing the income.

3. No set-offs

Loss from the transfer of one VDA, say bitcoin cannot be set-off against income from the transfer of another VDA, say Ethereum. Also, no set-off of loss from the transfer of the virtual digital asset shall be allowed against other incomes of the assessee.

For example: If an investor has a loss-making trade in ETH worth INR 15,000 and profit making trade in BTC worth INR 20,000. The investor cannot set off the losses of ETH against BTC. Tax on the entire gains of INR 20,000 is required to be paid.

Further, such loss shall not be allowed to be carried forward to succeeding assessment years.

What constitutes a transfer of VDAs?

The word "transfer" is defined as following in clause (47) of Section 2 of the Income Tax Act shall apply to any virtual digital asset

i. the sale, exchange, or relinquishment of the asset; or

ii. the extinguishment of any rights therein; or

iii. the compulsory acquisition thereof under any law; or

iv. in a case where the asset is converted by the owner thereof into or is treated by him, the stock-in-trade of a business carried on by him, such conversion or treatment;

Let's understand this via a few examples

Transactions	Remarks
Selling cryptocurrency for fiat (i.e INR, USD)	Taxable

	Net Income is taxable @ 30% + applicable surcharge & cess
Trading cryptocurrency for another cryptocurrency (e.g. BTC for ETH), without converting them to fiat currency	Taxable Exchange of crypto for another asset will also be considered as a transfer of VDA and hence income will be taxable @ 30% + applicable surcharge & cess.
Using cryptocurrency to buy goods and services (within India and/or Outside India).	Taxable Fair market value of the cryptocurrency used to purchase goods will be considered as sale consideration and income from transfer of VDA and will be taxable @ 30% + applicable surcharge & cess.
Transferring cryptocurrency from one wallet that you own to another wallet that you own	Not Taxable. This does not constitute transfer as per the Income Tax Act, and therefore not taxable.
Service charges are received by consultants in the profession of advising clients on which crypto assets to buy or sell.	Not Taxable New crypto tax rules apply only to those carrying out "transfers" as per the provisions of the Income Tax Act. Therefore, while Section 115BBH of the Income Tax Act will not apply

	here, *this income received in crypto will be chargeable as business income and will be taxable at normal applicable income tax rates.*
Making crypto transactions via foreign-based Exchanges	Taxable For an Indian resident, global income is taxable in India and therefore the same new tax rules are applicable for payment of taxes even though transactions are carried out via foreign-based exchanges such as Binance, Coinbase, FTX, etc.
NRI investing and transacting in crypto assets in India	Taxable NRI needs to first evaluate his/her residential status as applicable under the Income Tax Act. However, since these investments were carried out in India - the income from the sale of crypto will be taxed in India at the same rate, i.e., 30% (plus applicable surcharge and Cess) under the new provisions of the Act.

Are there any specific taxation rules on Crypto Income for Individuals / HUFs / Corporates etc.?

No. Section 115BBH of the Income Tax Act does not make any distinction in tax rates between Individuals/HUFs/Professionals/Corporates.

How are cryptocurrency gifts taxed in India?

Gifting Virtual Digital Assets that include cryptocurrencies such as Bitcoin, asset-backed stable Coins such as Tether, and Non-Fungible-Tokens (NFTs), etc., ***will be taxable in the hands*** of the person receiving these gifts.

The Income Tax Act considers gifts such as sums of money, immovable properties, and specified movable properties to be taxable as Income from other sources in the hands of the person receiving these gifts.

The section exempts the following class of transactions-

1. Gifts received on certain occasions such as the *marriage of an individual, by way of inheritance, under a will,* etc.
2. Gifts, irrespective of their value, received from *relatives defined under section 2(41)*.
3. Gifts received from *non-relatives up to an aggregate value of Rs 50,000*. (In case the value exceeds 50,000, the entire value of gifts received will be taxable).

According to the Income Tax Act, the definition of 'property' has been amended to now include ***virtual digital assets.***

Cryptocurrency or NFTs received by an individual starting 1 April 2022 will be taxable, other than specified exemptions.

Further, this income will be taxable at the normal income tax rate applicable to the assessee by considering the fair market value of the VDA.

Such income shall not be taxed at 30% (plus applicable surcharge and cess) because it does not arise due to the transfer of VDA as mentioned in the new provisions. However, when the recipient of the gift further transfers such assets, ***the gains shall be taxable @ 30% plus applicable surcharge and cess.***

In such a case during the transfer of VDA, the fair market value during the transfer will be considered as the cost of acquisition.

Let us look at a few examples to explain this further.

1. If R receives 100 units of Cryptocurrency worth INR 1 Lakh as a gift on her marriage, it will ***not be a taxable income***.
2. Similarly, G, the spouse of R, receives an NFT worth INR 5 Lacs as a gift from his father-in-law. ***It will be a non-taxable income. Father-in-law and son-in-law are considered 'relatives' as per Section 2(41) of the Income Tax Act, and gifts from relatives are not taxable.***
3. However, if the couple receives Ether worth INR 3 Lacs from their cousin, it will be taxable as cousins are not included in the definition of specified relatives; and the value of the gifts exceeds INR 50,000.

   For example: If an individual receives a gift worth INR 55,000 the entire sum of INR 55,000 will be taxed.

4. Now let's say R gifts the 80 units of NFTs, valued at INR 80,000, to her friends A (60 Units) and D (20 Units); the value of the gift received by D will be INR 20,000 and will be non-taxable. However, the value of the gift received by A will be INR 60,000 and hence will be subject to tax on the entire value.

Properties (movable or immovable) ***received at a price less than the market value*** are also considered gifts and are liable to Taxation under the Income Tax Act.

Example:

A transfers 10 units of cryptocurrency worth INR 2 Lakh to his friend Z for Rs 1.2 Lakh. In this case, since the transfer has taken place at a ***price less than the market value***, the balance amount of Rs 80,000 (2 Lakh less consideration received 1.2 Lakh) will be considered as a Gift income in the hands of John and will be subject to Tax at normal tax rates applicable to the assessee.

Also, Z, while making the payment of INR 1.2 Lakh to A, will need to deduct a TDS of INR 1200. To know more about TDS in-depth, read our guide on it here.

How will Margin Trading in Cryptocurrency be Taxed in India?

What is Margin Trading in Cryptocurrency?

Margin Trading is trading with borrowed funds. In this, the investor puts his current crypto assets as collateral (initial margin) with an exchange, and the exchange lends additional assets (as per the Leverage ratio) to the investor for trading.

For example, let us say a trader has 5 BTC coins with him currently. They can deposit these with an exchange as an initial margin, at a leverage of ~4X. This will mean that the exchange will lend additional 15 BTC coins for trading. The trader can now trade with 4 times the coin they originally had and stand a chance to make 4 times profits.

Investors must note that this also means that the chance of a loss also becomes 4x, and therefore margin trading is best suited for professional traders with a risk appetite and must be done with a thorough analysis of market conditions.

What are different Margin position types?

1. Long Position – Traders can take a long position when they believe that the price of an asset will increase in the future. Therefore, they will buy the asset now and sell it in the future when the price of the asset reaches its target price.

2. Short Position – Traders take this position when they expect the price of an asset to fall in the future. With margin trading, an investor can borrow the asset from exchange against collateral, sell them at the current market price, and later when the price of an asset reduces; buy those assets back and return to the exchange, thus making a profit.

Liquidation of Initial Margin by Exchange

Sometimes, the exchange liquidates the initial margin (the asset deposited by the investor as collateral with exchange), fully or partially to recover the losses incurred during the margin trade.

The exchange sets a liquidation price for the asset traded, which determines the maximum loss a trader can incur during the trade.

How will Income from Margin Trading in Cryptocurrency get taxed in India?

1. Any income generated from the margin trading will be chargeable at ***30% plus applicable surcharge and cess.***
2. Further, the ***taxpayer cannot claim deductions for any expenses*** such as margin interest or fees levied by the exchange for the assets they lend to the trader, other than the cost of acquisition while calculating their taxable income.
3. In case of a loss, the taxpayer will not be liable to pay any taxes on the Income to the extent of the loss incurred in the same token/VDA/crypto coin

Example:

If a trader receives BTC from an exchange and converts that BTC to ETH, the events will be considered as two separate taxable events.

1. BTC converted to ETH (Difference if positive is taxed)
2. ETH converted to fiat (Difference if positive is taxed)

Tax implications in case of liquidation of initial margin by the exchange

Liquidation of assets by the exchange will qualify as Transfer under Section 2(47) of the Income Tax Act and, therefore, will be a taxable event.

Therefore, any income made by the investor in the event of liquidation will be chargeable at 30% plus applicable Surcharge and Cess. Further, they cannot deduct any expenses other than the cost of acquisition while calculating his taxable income.

Let's look at the liquidation example to understand tax implications

- Let's say a trader deposits 5 BTC with an exchange as the initial margin worth INR 20 lakhs per BTC.

- The exchange liquidates 4 of these BTCs to recover its losses at a current market price of INR 25 lakh per BTC.
- The current price of the BTC is INR 25 lakhs. If the trader withdraws the 1 BTC deposited with the exchange, tax needs to be paid on the gain of INR 5 lakh at 30% plus cess and surcharge.
- If a trader purchased BTC worth INR 10 lakhs. During the margin sale, the BTC is worth INR 25 lakhs, in such a situation the difference of INR 15 lakhs will be considered as profits and it will have to be set off against the loss on BTC.

Tax on Income from Yield Farming of Cryptocurrency in India

As discussed earlier, income from the transfer of virtual digital assets is chargeable at a flat rate of 30%, plus applicable surcharge and cess. This has made many crypto investors hold onto their assets instead of actively trading them. However, there are ways one can put these assets to use and earn income from them – ***Yield Farming.***

What is Yield Farming in Crypto

Yield Farming is a mechanism, where investors can lend, borrow, or stake their crypto assets on Decentralized Finance (DeFi) protocols such as Aave, Curve Finance, Uniswap, Compound, etc. and earn interest and rewards (usually in form of additional Crypto Coins). However, this method of earning rewards is now also being offered by Centralized Exchange in India like CoinDCX.

Forms of Yield Farming

1. Lending

Holders of crypto assets can lend their assets and earn interest on them. While HODLers can use this to earn passive income on their idle assets, traders can also lend their assets if the market is bearish and expected returns from trading are not lucrative.

2. **Borrowing**

One can deposit their current asset as collateral and receive a loan of another asset, which can be used for Yield Farming.

3. **Liquidity Mining**

Liquidity in a market refers to the ease of being able to buy or sell an asset or exchange it with another asset without affecting its price.

In Decentralized Exchanges (DEX), the liquidity is achieved by creating Liquidity Pools – reserves of crypto assets from multiple owners (Liquidity Providers or LPs) stored and secured with a smart contract so that buyers and sellers can easily trade their assets.

Liquidity Providers get rewarded with interest for locking their assets in the pool. This could be in the form of a fee levied on traders for the transactions they make within the pool. This is called Liquidity Mining.

4. Staking

Staking offers crypto holders a way of putting their digital assets to work and earning passive income. When you stake your digital assets, you lock up the coins in order to participate in running the blockchain and maintaining its security.

In exchange for that, you earn rewards calculated in percentage yields. During the period of staking you will not be able to unstake the coins and sell them. Pre committed staking period needs to be completed to earn the staking rewards which is generally a yield on the coins staked.

How will Income from Crypto Yield Farming get Taxed in India?

Let's look at different kinds of transactions in Yield Farming and understand their tax implications for an investor

Lending Your Crypto Asset

In this case, the assessee is only temporarily depositing its cryptocurrency with an exchange platform without any intention of selling them. This will not qualify as a transfer under Section 2(47) of the Income Tax Act, and ***therefore will not be a chargeable event under the Income Tax Act.***

Example 1- A bought 10 ETH coins two years ago for INR 2 lakhs. The current Market Value of these Coins is INR 15 lakhs.

A lends 5 ETH coins to a Decentralized Exchange (DEX) platform to create a Liquidity Pool for a newly launched Crypto Asset XYZ. A receives 100 XYZ protocol tokens representing the contribution to the pool. These are valued at INR 1000 per XYZ token.

Tax implications for

Lending 5 ETH to DEX **– Not Taxable**

Receipt of 100 XYN protocol tokens

- In case these are refundable tokens, i.e., A will need to return this at the time of exiting the pool to claim the 5 ETH back, we can assume that these are only temporary assets in the hands of A, like collateral and therefore will not be chargeable. However, gains made in XYZ token will be taxed @30%.
- In case these are given as incentives by the DEX, as a reward for investors for contributing to the Liquidity Pool, these will be taxed as Income from Other Sources.

Interest Received on Lending

Fair Market Value of crypto tokens received as interest will be considered as an income in the hands of the assessee and will be chargeable as per their tax slabs.

However, when the recipient of the crypto tokens as interest further transfers such assets, the gains shall be taxable at 30% plus surcharge and cess. In this case, the cost of acquisition will be the amount that was subject to tax at the time of receipt.

Borrowing Crypto Assets

Just like lending, this will also not qualify as income for the assessee and will not be chargeable.

Interest Paid on Borrowed Crypto Assets

Borrowed for Business Purpose - In a case where the assessee had borrowed crypto assets for business purposes (i.e., a business of borrowing and lending crypto assets), the interest paid by the assessee for the borrowed funds, can be considered as a business expense on an aggressive basis. It will therefore be deductible while calculating net taxable income.

However, the Income Tax Act is silent on the same and clarity is unavailable.

Borrowed for any other purpose – Interest expense, in this case, will not be tax-deductible.

Liquidation of Assets

In an event where the market value of collateral deposited by a borrower falls below the threshold limit set by the exchange, and the exchange liquidates these collaterals fully or partially, the assets so liquidated will be considered as a Transfer under Section 2(47) on the Income Tax Act.

Market Value of liquidated assets at the time of liquidation will be considered as sale consideration in the hands of Borrower and will be chargeable at 30% plus applicable surcharge and cess. The taxpayer, in this case, can claim deductions for the cost of acquisition (no other expenses or allowances are deductible) of the assets to arrive at his net taxable income.

Click here to know more about Yield Farming in depth.

How Are Cryptocurrency Derivatives Taxed in India?

Trading in derivatives is fairly complex and is suited for experienced and professional traders. Gains and losses from derivatives, and especially cryptocurrency derivatives, have varied tax implications in India.

What are Cryptocurrency Derivatives?

These are nothing but derivative contracts to buy or sell cryptocurrencies at an agreed price in the future (with a specific contract expiry date) to mitigate the risk of price volatility and increase exposure or leverage for higher gains.

How will Crypto Derivatives get Taxed in India?

There is no clarity whether crypto derivatives are covered within the scope of VDA. In absence of the same, these can be treated similar to stocks and index derivatives. Since there is no transfer or delivery of the underlying asset, the income cannot be taxed under the head capital gains. Thus, the income from derivatives can be considered as business income or other income depending on whether the person is a trader or an investor. And tax shall be applicable based on the individual's income tax slab. Expenses related to the business can be claimed before calculating the tax.

How Are Cryptocurrency Forks Taxed in India?

What are Forks in Cryptocurrency?

Cryptocurrency operates on blockchain technology. This requires members of the network to follow some common protocols to maintain the history of transactions in the online ledger of the network. Any change in protocols requires consensus from all the members. When all the members are not in agreement, a split may occur, forming a forked chain from the original Blockchain. These are called Forks.

There are 2 types of Forks:

1. **Soft Fork**

   Soft Fork is a ***temporary split in the chain***. In a soft fork, only the previously valid transaction blocks become invalid. They are known to be backwards-compatible as the old nodes recognize the new nodes to be valid. In simple terms, Soft Forks do not create a new blockchain and just results in an upgraded version of the original blockchain.

2. **Hard Fork**

   This sometimes happens when there is a fundamental change in the blockchain network's protocol. This requires all nodes in the network to accept the new rule and get upgraded. However, if there is a group of nodes, which continue to use the old software, it results in a permanent split in the blockchain. The two blockchains are not compatible with each other and thus result in two different cryptocurrencies. In the hard fork, members of the original blockchain get tokens for the new blockchain as well.

An example of a Hard fork is Bitcoin (BTC) and Bitcoin Cash (BCH), which was implemented due to disagreement in the network on how to increase the volume of transactions per second to meet the increased demand.

Are Cryptocurrency Forks a taxable income in India?

Section 115BBH of the Income Tax Act introduced by Finance Act 2022, does not explicitly state the treatment of cryptocurrency forks. Our understanding is that the taxpayers take the following approach for soft and hard forks from a tax perspective:

1. Tax implications for soft forks

The above explanation indicates that Soft forks are just an upgrade of existing virtual digital assets, and therefore no new assets are received by the taxpayer. Since this does not meet the definition of 'Transfer' under Section 2(47) of the Income Tax Act and therefore, ***it is not chargeable under the Income Tax Act,*** and accordingly the same will not be applicable here.

2. Tax implications for Hard Forks

Under this, the holder of the original Cryptocurrency asset gets a newly forked Cryptocurrency. While the newly introduced provisions on taxing income from the transfer of virtual digital assets do not specifically mention forks, it is reasonable to assume receipt of new coins as Income from Other Sources, taxable under Section 56(1) of the Income Tax Act.

For this purpose, the taxpayer's income will be assumed to be the Fair Market Value of the New Coin(s) received and will be taxed at normal rates applicable to the taxpayer.

3. Tax implication for Hard forks, which are later transferred to virtual digital assets

However, if the recipient of the Forked coin later transfers such virtual digital assets, the gains shall be taxable at 30% plus surcharge and cess.

The taxpayer, in this case, can claim a deduction for the cost of acquisition of the asset transferred. For this, the Fair Market Value of the coin at the time of its receipt can be taken as its cost of acquisition.

To know more about cryptocurrency forks in detail, read our explainer on it here.

How Are Airdrops Taxed in India?

Airdrops can be compared to a free sampling of a newly launched consumer product, let's say a new soap. The soap brand gets new users to try the product and spread the word among their friends and family. It's a win-win model. Users get a free sample for their use, and the Brand gets word of mouth (hopefully positive).

Types of Airdrops

1. **Standard Airdrops**

   These are the ones explained above. While they are free, the recipient is required to complete simple tasks to promote the newly launched virtual asset. For example – Tweet on social media, Sign-up for a newsletter etc.

2. **Exclusive Airdrops**

   In some cases, airdrops are given as rewards to only select loyal holders of a cryptocurrency. These are called exclusive airdrops and do not require any further promotional activity to be done by the recipient. Think of this as reward points given to a loyal customer of a brand.

3. **NFT Airdrops**

   Like cryptocurrency, holders of Non-Fungible Tokens (NFTs) may also receive NFT as airdrop in their wallets. These, again, are nothing but promotional or marketing activities by a brand.

How are airdrops taxed in India?

While the newly introduced provisions on taxing income from the transfer of virtual digital assets under Section 115BBH of the Income Tax Act introduced via Finance Act, 2022 do not explicitly mention airdrops, it is reasonable to assume it to be gifts of cryptocurrency coins or NFTs and will thus be liable to taxation.

Airdrops received by Individuals

Accordingly, Airdrops of virtual digital assets (cryptocurrency or NFTs) received by an individual starting 1 April 2022 will be taxable (if the aggregate value of gifts received by the assessee exceeds INR 50,000 in the financial year). ***Further, this income will be taxable at the normal income tax rate applicable to the assessee.***

Airdrops received by Influencers/ Celebrities.

In specific cases concerning Influencers/Celebrities, where VDAs are airdropped to influencers to promote the project, the market value of such VDA shall be taxable in the hands of the influencer under Section 28(iv) of the Income Tax Act which clearly states that ***the value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of a profession is chargeable to tax as business income***. Further, this income from airdrops for the influencer will be chargeable to ***tax at normal tax rates as applicable to each category of taxpayer.***

However, in both the cases mentioned above, when the recipient of the Airdrops further transfers such assets, the gains shall be taxable at 30% plus applicable surcharge and cess.

How will Income from Mining Cryptocurrency get Taxed in India?

What is Mining in Cryptocurrency?

The process of verifying transactions on a blockchain network is called Mining.

Miners have to solve a complex algorithmic problem (cryptographic keys or hashes) that requires advanced computational power to verify the transactions. The first miner to validate the transaction is rewarded with a newly minted coin.

Is Cryptocurrency received for Mining a Taxable Income in India?

Yes, the income from mining cryptocurrency is taxable in India.

The Income Tax Act considers income from the transfer of virtual digital assets as taxable but does not explicitly state the treatment of income generated from Mining. Therefore, we need to look at provisions made under other applicable sections of the Income Tax Act. Consider the following two instances for Mining income:

1. **A full-time/professional miner receives a crypto coin as a reward for mining**

   This instance doesn't meet the definition of 'Transfer' under Section 2(47) of the Income Tax Act, and therefore the tax will not be applicable here.

   However, this income will be taxable under Section 28(iv) of the Income Tax Act, which clearly states that the value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of a profession is chargeable to tax as business income.

   Under this Section, the Fair Market Value of a coin at the time of its receipt will be taken as chargeable business income and will be taxed at standard tax rates as applicable to each category of taxpayer.

Example: M is a full-time cryptocurrency miner. M earned 1 Coin as a reward for Mining Cryptocurrency. The Fair Market Value of the coin at the time was INR 1 Lakh. Under Section 28(iv) of the Income Tax Act, M will be deemed to have 1 Lakh as chargeable income and will need to pay taxes at standard rates applicable as per the individual tax slab.

2. **Transfer of crypto coin that was earned via mining to fiat or other cryptocurrencies**

   When the miner transfers the coin he received for his transaction validating services on the blockchain, i.e. he either sells it for fiat currency or exchanges it with another cryptocurrency – This gain will be taxable at 30% plus applicable surcharge and cess.

Example: Let's say M later sold the 1 coin of cryptocurrency reward for INR 1,50,000. In this case, M will have a chargeable income of INR 50,000 (sale proceeds less cost of acquisition assumed at INR 1 Lakh), to be taxed at 30% plus applicable surcharges and cess.

Is Mining Infrastructure Cost deductible from taxable income in India?

Sub-section 2 of Section 115BBH of the Income Tax Act states that irrespective of any provisions under any other sections of the Income Tax Act, no deductions for any costs other than the cost of acquisition, if any, will be allowed while calculating chargeable income arising from transfer of virtual digital assets.

Therefore, any cost incurred by a miner, be it infrastructure costs or operating costs such as rentals, electricity, etc., for their workplace will not be allowed as deductions from the income generated by the transfer of virtual digital assets.

However, miners can claim deductions for the cost of acquisition of the asset subsequently transferred/exchanged/sold.

To know more about mining read our blog on it here.

About Binocs

India is a large market for crypto. There are approximately 20 million Indian crypto investors, which is already the second largest base in the world (after the US). It is expected to become the largest in a few years to come. As crypto compliances evolve for Indians, they need a piece of software to help track their crypto portfolio and compute their taxes and compliances.

Binocs is building cutting-edge accounting, taxes and portfolio tracking software for crypto transactions. Our software makes it effortless for Indian crypto investors to comply with the recent new regulations announced by the Government.

Tax, both at the individual level and institutional level is at the center of this issue. We've launched Binocs to help crypto investors connect their investment accounts (exchanges and wallets etc.) to our app, which will enable us to read their raw transactions and prepare an accounting and tax ledger for them.

Founding Team

- Tonmoy Shingal (IITK, IIMB)
  Co-founded Mettl, a SaaS company in India that was acquired by Mercer in 2018.
- Pankaj Garg (BTech CSE IITD)
  Engg manager at Google, VP Engineering at SigTuple (10 US Patents)

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