

CBDT notifies TDS disclosure norms for VDAs

FE BUREAU
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THE CENTRAL BOARD of Direct Taxes (CBDT) on Wednesday issued a circular containing guidelines to remove difficulties with regard to tax deducted at source (TDS) at the rate of 1% on transfer of virtual digital assets (VDA) by payers with effect from July 1.

“One good thing is that the tax department tried to restrict the TDS obligation at only one party level in a scenario where there could be four parties -- a seller, an exchange, a buyer and a broker,” said EY India Tax Leader Sudhir Kapadia. The other three parties in the transaction will give only an undertaking that TDS liabilities have been discharged.

Kapadia, however, said if the consideration is paid in kind instead of cash for the VDA, it is very complicated and imposes a high obligation cost on the exchanges as they have to maintain paper trail of valuation, TDS accurately calculated or not, etc.

With respect to the requirements of Section 194S, CBDT has notified that any sum deducted by specified persons will have to be deposited within 30 days from end of the month in which deduction is made. Deposit of tax so deducted shall be made in challan-cum-statement in Form 26QE. Further, the deductor will have to issue certificate of deduction in Form No 16E to the deductee, within 15 days of due date in Form No 26QE.

In Form 26Q, columns have been added in annexure to furnish details like amount of deposit, BSR code of bank, date



FROM JULY 1

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- Tax department tried to restrict the TDS obligation to only one party in a scenario where there are multiple players

of payment and challan serial number are required.

“Broadly, to furnish Form 26QE, the specified persons would be required to maintain details like date of transfer of VDAs, value of consideration, mode of consideration—whether cash or kind or in exchange of another VDA etc,” said by Neeraj Agarwala, Partner, Nangia Andersen. Besides TDS, the Budget for FY23 mandated tax any income from the transfer of VDAs at 30%, with no deduction and set off of losses.



CBDT notifies TDS disclosure norms for cryptos, virtual assets

FROM JULY 1, TDS OF 1% WILL BE LEVIED ON PAYMENTS TOWARDS CRYPTOCURRENCIES BEYOND RS 10,000 IN A YEAR

AGENCIES
New Delhi

The income tax department has come out with detailed disclosure requirements for TDS deductions for virtual digital assets, under which date of transfer and mode of payment will have to be specified.

From July 1, tax deducted at source (TDS) of 1 per cent will be levied on payments towards virtual digital assets or cryptocurrencies beyond Rs 10,000 in a year, as the Finance Act 2022 has introduced Section 194S in the IT Act.

In the run up to implementation of the new provision,



the Central Board of Direct Taxes (CBDT) on June 21 notified certain amendments in IT Rules with respect to furnishing TDS returns in Form 26QE and Form 16E.

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in 30 days from the end of the month in which the deduction has been made. Deposit of tax so deducted shall be made in the challan-cum-statement Form 26QE.

Nangia Andersen LLP Partner Neeraj Agarwala said to furnish Form 26QE.

the specified persons would be required to maintain details like date of transfer of virtual digital assets (VDAs), value of consideration, mode of consideration - whether cash or kind or in exchange of another VDA etc.

"These forms are in line with the recently introduced provisions of Section 194S. Complying with these sections, the forms require detailed disclosures.

"The specified persons should be well-equipped to understand and obtain the information required for compliance, as well as maintain the appropriate documentation to support these

transactions," Agarwala said.

AKM Global Tax Partner Amit Maheshwari said since only a few days are left for the new TDS provisions like Section 194R and 194S to come into play, there was a greater need to have a clarity on the procedural compliances.

"The new forms such as 26QE require detailed information for payments on transfer of VDAs such as the date of transfer of VDA to amount paid/ credited either in cash or kind or in exchange of another VDA. This will help the tax department to trace the VDA transactions," Maheshwari said.

I-T dept notifies TDS disclosure requirements for cryptocurrencies & virtual digital assets

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But it will also increase the compliance burden on taxpayers, he added.

The finance ministry is also working on an FAQ on taxation of cryptocurrency, which will give nuanced clarifications on applicability of income tax on virtual digital assets. PTI