CRYPTO CURRENCY FOR THE LAYMAN

Tough to evade taxes on crypto income now

• I-T dept will gather third-party data on it, says Neetu Brahma

■ What is crypto currency?

CRYPTOCURRENCY IS A form of digital money that exists exclusively online. Unlike traditional currency (such as rupees or dollars), it has no physical form and is not controlled by any bank or government. Instead, it operates on blockchain technology, which securely records and verifies all transactions.

The I-Tax Act does not explicitly define cryptocurrency. However, it includes provisions for taxing Virtual Digital Assets (VDA), which encompass both cryptocurrencies and Non-Fungible Tokens (NFTs). A VDA refers to any digitally generated information, code, number, or token (excluding currency) that is created using cryptographic methods, carries an implied or stated value, and can be stored, transferred, or traded electronically.

■ How it is taxed

VDAs are taxed at a special rate under Section 115BBH. A flat tax of 30% (excluding surcharge and cess) is levied on income from the transfer of cryptocurrency. Additionally, no deductions are allowed for computing taxable income, except for the cost of acquisition.

This section also prohibits the set-off or carry-forward of losses incurred in cryptocurrency transactions. Furthermore, as per section 194S, a 1% TDS is applicable on the transfer of cryptocurrency to a resident. The TDS threshold varies based on the payer's income:

Sec 285BAA

WILL REQUIRE SUBMISSION OF DETAILS OF TRANSACTIONS RELATING TO CRYPTO ASSETS TO I-T DEPT

- For individuals without business income or with business income below ₹1 crore or professional income below ₹50 lakh, TDS applies only if the transaction value exceeds ₹50,000.
- For other taxpayers, the threshold is ₹10,000.

■ What changes now?

The Finance Bill 2025 proposes two amendments for VDA. First, the definition of VDA is broadened to include any crypto asset that serves as a digital representation of value and relies on a cryptographically secured distributed ledger or a similar technology to validate transactions. While the current VDA definition is already broad, this clause explicitly addresses crypto assets. While all crypto assets are considered VDAs, all VDAs may not be crypto assets.

Second, a new Section 285BAA is proposed, granting authorities the power to monitor crypto assets. This means exchanges, intermediaries, and other designated entities will report details of crypto transactions to the I-T department. This is similar to the reporting obligations placed on mutual funds, stock exchanges, and banks for tax compliance, , allowing the department to gather third-party data on who holds crypto assets and track crypto transactions.

■ Impact of this

By mandating reporting from exchanges, intermediaries, and other prescribed entities, the government will gain access to detailed third-party data regarding crypto asset transactions. This will allow the I-T department to cross-check and verify the reported income of taxpayers involved in crypto transactions. If the reported figures do not align with the income declared by individuals, the tax authorities will be able to initiate inquiries. This enhanced surveillance system will improve transparency, making it harder for individuals to under-report or evade taxes on crypto income. It will also help the government identify potential tax evasion or non-compliance.

The writer is consultant, Nangia & Co.

Understanding rebate benefits—and fine print on capital gains tax

Higher tax rebate under the new regime offers relief, but exclusions on capital gains limit overall benefits

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NEW DELHI

No tax on income up to ₹12 lakh! The announcement in the Union Budget 2025 by finance minister Nirmala Sitharaman on 1 February was music to the ears of many taxpayers.

Take Mr. A, for example, who earns from multiple sources. With a salary, interest income, and capital gains from property sales and the stock market, Mr. A's total income is around ₹12 lakh—seemingly making him eligible for a significant tax break.

But here's the catch: While Budget 2025 offers a welcome increase in the tax rebate limit, only certain types of income qualify for this benefit. Capital gains, whether from property sales or stock market profits, are excluded from the rebate, meaning Mr. A's tax savings won't be as generous as he initially thought.

Budget 2025 raised the income threshold, under the income tax regime, for the rebate to ₹12 lakh, up from ₹7 lakh, and increased the rebate amount, section 87-A, to ₹60,000 from ₹25,000. On the surface, this is great news for taxpayers.

However, Anurag Jain, a chartered accountant and co-founder & partner at By The Book Consulting LLP, clarifies that the rebate applies only to income taxed at the regular slab rates. "It will not be available on income subjected to tax at special rates such as capital gains (long-term and short-term)," he explains.

For Mr. A, this means his salary and interest income will benefit from the rebate, but his capital gains from property and the stock market will be taxed separately—at their special rates. This could significantly reduce his tax savings, despite his total income qualifying for the new rebate limit.

This distinction between regular income and special income has been a point of contention in recent years.

> The distinction between regular income and special income has been a point of contention in recent years

Tax expert Vishwas Panjiar, partner at Nangia Andersen LLP, explains that the issue was recently addressed by the Bombay High Court, which upheld the government's position. As a result, capital gains income remains ineligible for the section 87-A rebate.

"The taxpayer recently alleged that the (income tax) department has unilaterally prohibited the taxpayer from claiming rebate on special income, by way of changes in the income tax return (ITR) utility itself. The Bombay High Court directed the tax department in a ruling dated 24 January 2025 to allow the taxpayer from claiming the rebate," Panjiar said.

"The government has now reiterated its stand and have mentioned that the rebate under section 87-A of Income Tax Act will not be available on income which is chargeable at special rate. So, essentially, short term capital gain on assets (other than listed securities) will only be eligible for rebate as it is taxed at the normal slab rates," Panjiar added.

For example: If an individual has an income of ₹14 lakh, including a long-term capital gain of ₹3 lakh on listed securities, the rebate will not apply to the ₹3 lakh in capital gains.

This amount will be taxed at the standard rate of 12.5%, despite the rebate being available for income up to ₹12 lakh under the new tax regime.

What it means for tax planning

Let's break it down with a practical example: Mr. A has a salary income of ₹9.45 lakh and rental income of ₹1 lakh. He also sold some shares, incurring long-term capital gains of ₹2 lakh. The interest income from his savings account stands at ₹30,000. So, Mr. A's total income now comes to ₹12.75 lakh. Therefore, as a salaried employee, he will be eligible for the standard deduction of ₹75,000, which will reduce his taxable income to ₹12 lakh.

In this ₹12 lakh, the ₹2 lakh capital gains from the sale of shares will be taxed at 12.5% in both scenarios. This amounts to ₹9,375, taking into account the LTCG exemption of ₹1.25 lakh. His rental income will be taxed along with salary and interest income at the slab rates.

The tax amount will come to ₹50,000 based on FY25 slab rates and ₹40,000 based on FY26 slab rates. Since ₹10 lakh of income (₹12 lakh - ₹2 lakh) is eligible for the tax rebate in FY26, Mr. A's tax liability of ₹40,000 will become zero. The net tax after rebate will stand at ₹9,375.

In contrast, under FY25 slab rates, where the 87-A rebate is limited to a taxable income of ₹7 lakh, his tax liability will be ₹59,375 (₹50,000 + ₹9,375). Including the education cess, his total tax liability for FY25 will be ₹61,750 and ₹11,350 for FY26. This results in a saving of ₹50,400 in FY26 compared to FY25, thanks to the adjustments in the slab rates and the hike in the tax rebate.

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Decoding income type for tax rebate

Taxable income up to ₹12 lakh is tax free thanks to rebate under section 87-A of the Income Tax Act, but certain income types do not qualify for it.

Not all income types eligible for tax rebate*

Type of Income	Eligible for tax rebate?
Salary	✓
Business	✓
Others such as FD interest	✓
Equity MFs (capital gains)	✗
Shares (capital gains)	✗
Debt MFs (capital gains)**	✓
Dividends	✓
Rental income	✓
Land or apartment sale (capital gains)	✗

*Maximum rebate under section 87A is now ₹60,000 from the earlier ₹25,000
**Funds acquired on or after 1 April 2023
The income limit for rebate is now ₹12 lakh from the earlier ₹7 lakh; LTCG: Long-term capital gains

Capital gains to trigger tax liability even if total income is ₹12 lakh

Particulars	Amount (₹) FY25	Amount (₹) FY26
Income from salary	9.45 lakh	9.45 lakh
Income from house property (rental income)*	1 lakh	1 lakh
Income from capital gain LTCG on sale of equity shares	2 lakh	2 lakh
Income from other sources Savings bank interest income	30,000	30,000
Total income	12.75 lakh	12.75 lakh
Standard deduction	75,000	75,000
Taxable income	12 lakh	12 lakh
Tax on speical income: LTCG @12.5%	9,375	9,375
Tax on the balance income at slab rates	50,000	40,000
Total income tax before rebate	59,375	49,375
Less: Tax rebate u/s 87A	-	40,000
Net tax after rebate	59,375	9,375
Education cess	2,375	1,975
Total income tax including education cess	61,750	11,350

Tax savings ₹50,400

*After factoring in 30% standard deduction
Source: ByTheBook Consulting LLP

Tax-free income limit under new regime rises to ₹12 lakh

Old tax system unchanged

HIMALI PATEL
Mumbai, 1 February

Union Finance Minister (FM) Nirmala Sitharaman on Saturday streamlined personal income-tax (I-T) slabs and adjusted tax deducted at source (TDS) limits. The government also plans to introduce a new I-T Bill next week.

Key changes to income tax slabs

The FM has proposed to revise tax slabs and rates under the new tax regime. A new tax slab with a 25 per cent tax rate has come in. The rebate limit under Section 87A has also gone up. These changes will translate into nil tax liability for income up to ₹12 lakh. "For salaried individuals, the nil limit will rise to ₹12.75 lakh, thanks to the standard deduction of ₹75,000. Section 87A has been amended to offer a rebate of ₹60,000, up from ₹25,000," says Suresh Surana, a Mumbai-based chartered accountant. A tax rebate allows for a reduction in tax payable, provided certain conditions are met.

Parveen Kumar, partner, direct tax, Dewan P N Chopra & Co, says the rebate applies only to tax on salary income, not capital gains.

The old tax regime remains unchanged. "Taxpayers opting for it will continue to follow the existing slab rates and deductions," says Kumar.

"This shows the government's intent to make the new tax regime more beneficial and encourage more individuals to opt for it," says Akhil Chandna, partner, Grant Thornton Bharat.

Who benefits

Budget 2025 benefits individuals across income levels, especially those earning up to ₹12 lakh, with the tax-free threshold rising from ₹7 lakh to ₹12 lakh. "Individuals without exemptions or deductions will benefit the most as the slabs have been rationalised," says Chandna.

Tax on capital gains applies

Rebate under Section 87A does not apply to incomes taxed at special rates, such as capital gains or lottery winnings. "For example, if an individual earns ₹14 lakh, including ₹3 lakh from long-term capital gains, the rebate will not apply to the capital gains, which will be taxed at 12.5 per cent despite the rebate being available for income up to ₹12 lakh," says Vishwas Panjiar, partner, Nangia Andersen LLP.

Kumar adds that this distinction is crucial for individuals with investment income or asset sales that may trigger capital gains tax, even if their income is below the ₹12.75 lakh threshold.

New tax regime turns more attractive

According to experts, the changes introduced in the Budget make the new tax regime more attractive. "The government has actively promoted the new regime by offering higher tax-free limits, lower tax rates, and simplified compliance," says Megha Jain, tax expert, ClearTax.

Kumar points out that the new regime's simplified structure eliminates the need to track deductions like house rent allowance (HRA), Section 80C, and Section 80D. "Individuals who benefit significantly from deductions, such as those with large housing loans or medical expenses, may still prefer the old tax regime," he adds.

Higher income in the hands of taxpayers may boost spending on goods and house purchases, and investments. "Since taxpayers are no longer forced to invest in tax-saving instruments, like the Public Provident Fund, Equity-Linked Savings Scheme, or National Pension System, spending on travel, entertainment, and other goods is likely to increase," says Jain. The removal of tax-saving deductions may, however, reduce long-term savings. "People may spend more but save less, leading to financial insecurity in the future," says Jain. She adds that those with stock market or real estate investments may face tax liabilities even if their salary is tax-free.

The writer is a Mumbai-based independent financial journalist

HOW BUDGET AFFECTS TAXPAYERS

CHANGES IN TAX SLAB

Proposed tax structure under new regime (Calculations are for a taxpayer earning ₹25 lakh per annum)

CURRENT TAX SLABS (in ₹ lakh)	Rate of tax (in %)	Amount of tax (₹)	PROPOSED TAX SLABS (in ₹ lakh)	Rate of tax* (in %)	Amount of tax (₹)
0 to 3	0	Nil	0 to 4	0	Nil
3 to 7	5	20,000	4 to 8	5	20,000
7 to 10	10	30,000	8 to 12	10	40,000
10 to 12	15	30,000	12 to 16	15	60,000
12 to 15	20	60,000	16 to 20	20	80,000
Above 15	30	3 lakh	20 to 24	25	1,00,000
			Above 24 lakh	30	30,000
		₹4.4 lakh			₹3.3 lakh

₹1.1 lakh incremental tax savings

*Exclusive of applicable surcharge and cess; Source: RSM India

CHARTING A NEW GROWTH PATH

New tax regime to ease skewed tax burden on middle class

Income and tax

Note: Total entities include individuals, Hindu undivided families (HUFs), firms, association of persons/body of individuals, companies, others
Source: CMIE, Business standard calculations

Share of tax payable by 'middle class' in total tax payable (in %)

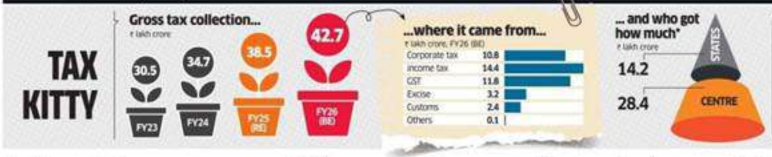
Challenges

- While the number of income-tax returns filed has increased, a number of filers reported limited income. More than 80 per cent of individuals reported income of less than ₹10 lakh a year
- Share of middle class in income tax increased till 2023-24

Takeaways

- No income tax is payable under the new regime for

TAX KITTY



The budget focuses on an income-led economic revival that will provide relief to the middle-income group through policies designed to infuse liquidity into the economy.

JAGRUT KOTECHA
CEO, PepsiCo India & South Asia

No Generation Gap for Tax Happiness

MANY GAINERS Landlords, travellers and parents sending children abroad for education will also benefit

Team ET

In a bid to rationalise tax collection and ease compliance, the budget has proposed an increase in the limits for tax deducted and tax collected at source (TDS and TCS), which is likely to benefit a wide swathe of the population.

While senior citizens and landlords are the main beneficiaries of the hike in the TDS limit, travellers and parents sending their children abroad for higher education will gain from the rise in the TCS threshold.

Senior citizens will be exempted from TDS for interest income up to ₹1 lakh in a financial year; it is currently ₹50,000. This is expected to provide a big relief to seniors and improve their cash flow amid lower interest rates on deposits.

This "forward-thinking move" would enhance the financial security of the elderly, said Vishwas Panjiar, partner, Nangia Andersen LLP.

"Depending on the individual tax slab, senior citizens can enjoy a relief of up to ₹15,000 after this TDS limit enhancement. Lesser tax burden will leave more cash in the hands of senior citizens," said TaxSpanner CEO Sudhir Kaushik.

Senior citizens have an over 38% share of the aggregate deposits by individuals as of March 2024, pointed out CareEdge Ratings senior director Sanjay Agarwal. "The TDS limit increase for senior citizens will facilitate deposit mobilisation and support banks' credit to deposit ratio," he added.

The budget also raised the threshold for exemption from TDS on rental income from ₹2.4 lakh a year to ₹6 lakh, which will benefit people deriving a sizeable income from renting out property, particularly in metros.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The simplified TDS on rent decreases the compliance burden for tenants (they don't have to deduct tax on rent up to ₹50,000 a month) and enhances liquidity for landlords, said Anuj Puri, chairman of real estate consultancy Anarock Group. This "will positively impact the rental housing market, especially in metro cities," he said.

The TCS thresholds have also been altered under the Liberalised Remittance Scheme, benefiting those conducting cross-border transactions. Earlier, tax was collected for all remittances above ₹7 lakh. This limit has now been raised to ₹10 lakh.

For education that is being financed through a loan from specified financial institutions, TCS has been completely removed. Earlier, 0.5% of the amount was charged for education loans above ₹7 lakh, while for self-financed education transactions, 5% was charged for amounts exceeding ₹7 lakh. "The removal of TCS on education loans further lightens the financial load on students and their families, easing access to educational financing," said Panjiar of Nangia Andersen.

For overseas education that is being financed via a loan from specified financial institutions, TCS has been completely removed

These changes also offer greater flexibility for investors diversifying into global markets, including the US stocks, said Nikhil Behl, co-founder & CEO, Stocks, INDmoney.

2025 A Quarter Century of Growth


GETTY IMAGES

01 POWERING THROUGH

Financial sector reforms such as the GST and IBC helped eliminate major inefficiencies and bottlenecks. One helped India create a national market, the other helped restore the health of its balance sheets.

New tax regime sweetened

Taxpayers under the new regime stand to save even more tax. The biggest boost comes from 30% income slab increased from ₹15 lakh to ₹24 lakh

	Tax payable		
Income	Old rates	New rates	Tax saved (in ₹)
₹9 lakh	₹40,000	-	40,000
₹11 lakh	₹65,000	-	65,000
₹13 lakh	₹1 lakh	₹75,000	25,000
₹15 lakh	₹1.4 lakh	₹1.05 lakh	35,000
₹20 lakh	₹2.9 lakh	₹2 lakh	90,000
₹25 lakh	₹4.4 lakh	₹3.3 lakh	1,10,000
₹50 lakh*	₹13.09 lakh	₹11.88 lakh	1,21,000
₹1 crore*	₹30.93 lakh	₹29.67 lakh	1,26,000
₹5 crore*	₹2.01 crore	₹1.99 crore	1,50,000

*surcharge considered; Standard deduction not considered

Source: Nangia Andersen LLP

[MORE DISPOSABLE INCOME IN HANDS]

TDS threshold for senior citizens doubled

SARBAJEET K SEN
Gurugram, 1 February

Along with major relief on personal income tax, Union Finance Minister Nirmala Sitharaman announced several other changes in direct taxes to provide relief to the common man. These include changes to tax deducted at source (TDS) and tax collected at source (TCS) provisions.

Relief for senior citizens

The TDS threshold on interest payouts for senior citizens has been raised to ₹1 lakh from ₹50,000. "The increase in the limit for TDS on interest to ₹1 lakh will ensure greater cash flow in the hands of senior citizens, providing them with greater financial cushion," says Sandeep Sehgal, partner-tax, AKM Global, a tax and consulting firm.

"Increasing the withholding tax will leave a larger disposable income in their hands, rather than them having to wait for the refund of taxes paid," says Manoj Purohit, partner, FS tax, tax and regulatory services, BDO India.

Tax exemption has also been granted for withdrawals from National Savings Schemes (NSS) by senior citizens holding old accounts where interest is no longer payable, provided with-

KEY TWEAKS

- TDS threshold on interest payouts for other resident individuals increased to ₹50,000 from ₹40,000
- TDS threshold on dividends paid by mutual fund schemes raised to ₹10,000 from ₹5,000
- TCS limit for overseas remittances under Liberalised Remittance Scheme increased to ₹10 lakh from ₹7 lakh.
- TCS removed for remittances made for foreign educational purposes if remittance is funded by loan from specified financial institution

drawals are made after August 29, 2024.

TDS changes for other residents

The TDS threshold on interest payouts for other resident individuals has also been increased to ₹50,000 from ₹40,000. The TDS threshold on dividends from mutual funds has been increased to ₹10,000 from ₹5,000. These changes will put more money in the hands of small investors.

"Simplifying and rationalising TDS/TCS provisions has been a longstanding demand. The proposal to increase thresholds for the applicability of various TDS provisions is a welcome relief, though I feel that the thresholds should have been raised even more," says Vishwas Panjiar, partner, Nangia Andersen LLP.

Easing burden on remittances

The TCS limit for remittances under the Reserve Bank of India's Liberalised Remittance Scheme (LRS) has been raised to ₹10 lakh from ₹7 lakh. TCS has also been removed for remittances made for foreign education if funded by loans from specified financial institutions.

"The raising of the TCS limit for LRS transactions from ₹7 lakh to ₹10 lakh aims to lighten the compliance burden for taxpayers. Moreover, by removing TCS on remittances for education purposes funded through loans from specified financial institutions, the government is offering substantial relief to students and their families," says Avnish Arora, executive director, direct tax, Forvis Mazars in India.

"Under LRS, the TCS rate for education and medical purposes is already lower at 5 per cent compared to 20 per cent for other purposes. However, remittances funded through education loans attracted a 0.5 per cent TCS, which has now been abolished. This will certainly provide relief to people studying abroad," says Sehgal.

Extended timeline for updated returns

Taxpayers can now file updated returns for four years, instead of the previous two.

The FM also clarified that withdrawals from NPS Vatsalya will be granted the same tax exemptions as those from the National Pension System (NPS). Contributions to NPS Vatsalya are also eligible for deductions under Section 80CCD(1B), aligning it with standard NPS acc-

TCS threshold on remittances rises to ₹10 lakh

DC CORRESPONDENT
HYDERABAD, FEB. 1

Providing relief to non-resident Indians, finance minister Nirmala Sitharaman on Saturday proposed increasing the threshold for tax collected at source (TCS) on remittances under the RBI's Liberalised Remittance Scheme (LRS) from ₹7 lakh to ₹10 lakh.

Sitharaman announced the removal of TCS on remittances for education purposes when funded through a loan from a specified financial institution.

She also introduced a presumptive taxation regime for non-residents providing services to resident companies establishing or operating electronics manufacturing facilities.

The minister also proposed a safe harbour provision to ensure tax certainty for non-residents storing components for supply to specified electronics manufacturing units.

Commenting on the relief measures for non-residents, Vishwas Panjiar, partner at Nangia Andersen LLP, explained that TCS serves as a mechanism for early tax collection by shifting the burden from the income earner to the payer.

Over time, however, TCS and TDS obligations have become complex and burdensome, increasing compliance costs and exposing businesses to penalties for delays or errors. This, in turn, ties up working capital and hinders growth. The industry has long advocated for simplifying and rationalising TDS/TCS provisions.

Tax on NRIs

- She introduced a presumptive taxation regime for NRIs providing services to resident companies establishing or operating electronics