Section 194S

TDS on transfer of Virtual Digital Assets (VDA)
(Applicable w.e.f 01.07.2022)

Examples of Virtual Digital Assets

1. **_Crypto Currency:_** A cryptocurrency is a **digital currency**, which is an alternative form of payment created using **encryption algorithms**. The use of encryption technologies means that cryptocurrencies function both as a currency and as a virtual accounting system.

2. **_Non fungible token's :_** NFT's are **blockchain-based tokens** that each represent a unique asset like a piece of art, digital content, or media.
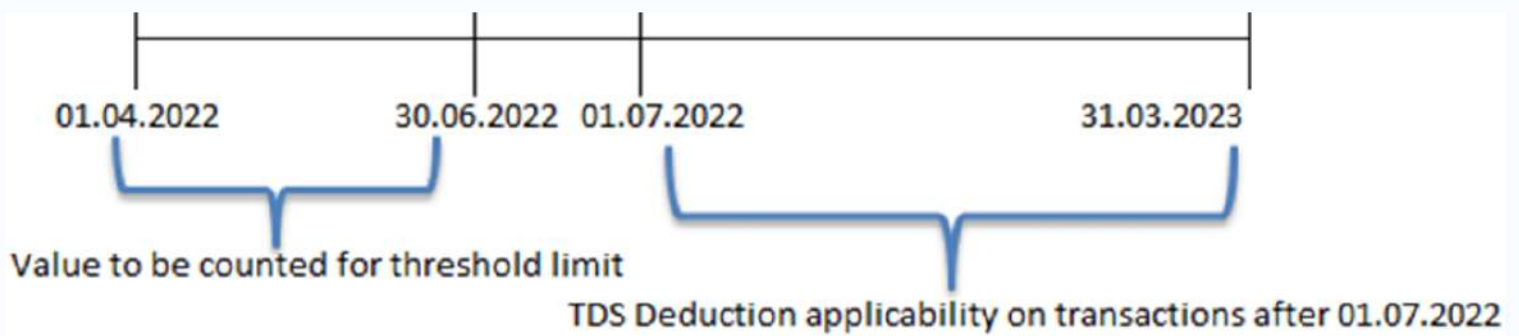
Applicability

Deductor	Company,Partnership,Individual/HUF having Turnover > ₹ 1 Cr,Receipts > ₹ 50 lakhs
Specified Persons	No PGBP Income or If PGBP income then Turnover < ₹ INR 1 Cr, Receipts < ₹ 50 Lakhs
Deductee	Resident
Rate of TDS	1%
Benefits to Specfied Persons	TAN and higher deduction 206AB not applicable
Threshold Limit	₹ 10000 p.a. but for specified persons INR 50000 p.a.
Benefit/Perquisite in cash/kind	In any form cash or kind

Applicability

01.04.2022   30.06.2022 01.07.2022   31.03.2023

Value to be counted for threshold limit

TDS Deduction applicability on transactions after 01.07.2022

Liability to deduct and pay TDS

Situation 1: Direct sales between buyer and seller
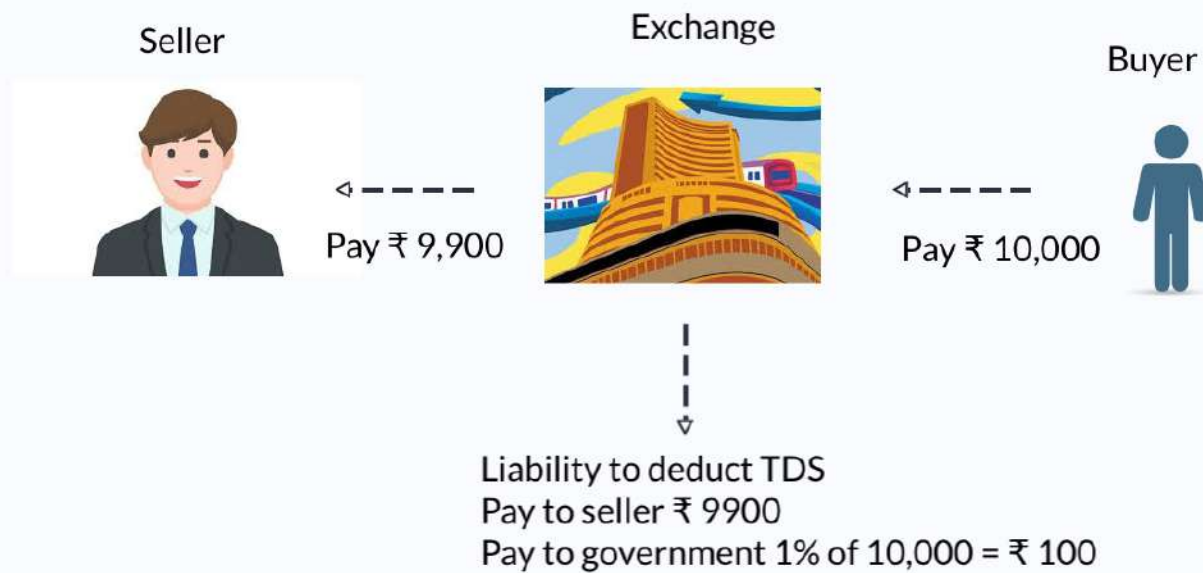
Seller

Buyer

Buyer required to deduct TDS @ 1% and pay balance 99% to seller

Liability to deduct and pay TDS

Situation 2: If sale of Virtual Digital Assets are through exchange

Seller

Exchange

Buyer

◁ — — — —
Pay ₹ 9,900

◁ — — — —
Pay ₹ 10,000

Liability to deduct TDS
Pay to seller ₹ 9900
Pay to government 1% of 10,000 = ₹ 100

Liability to deduct and pay TDS

Situation 3: If sale of Virtual Digital Assets are through exchange in which broker is involved

Seller   Broker   Exchange

                                                              Buyer

◁ ------   ◁ - - - -   ◁ - - - -

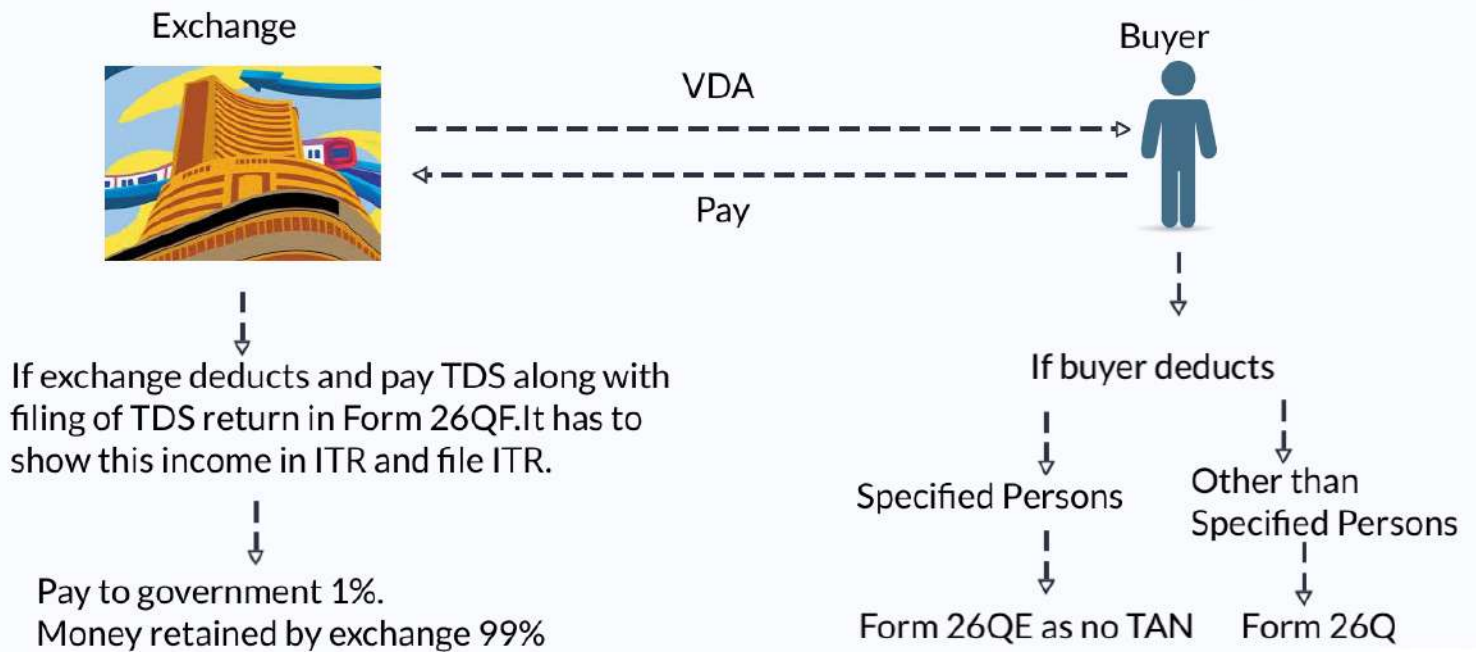   Pay ₹ 9,900   Pay ₹ 10,000

Liability on both on Exchange as well as broker
Based on written agreement, they may agree that the TDS shall
only be deucted by broker.
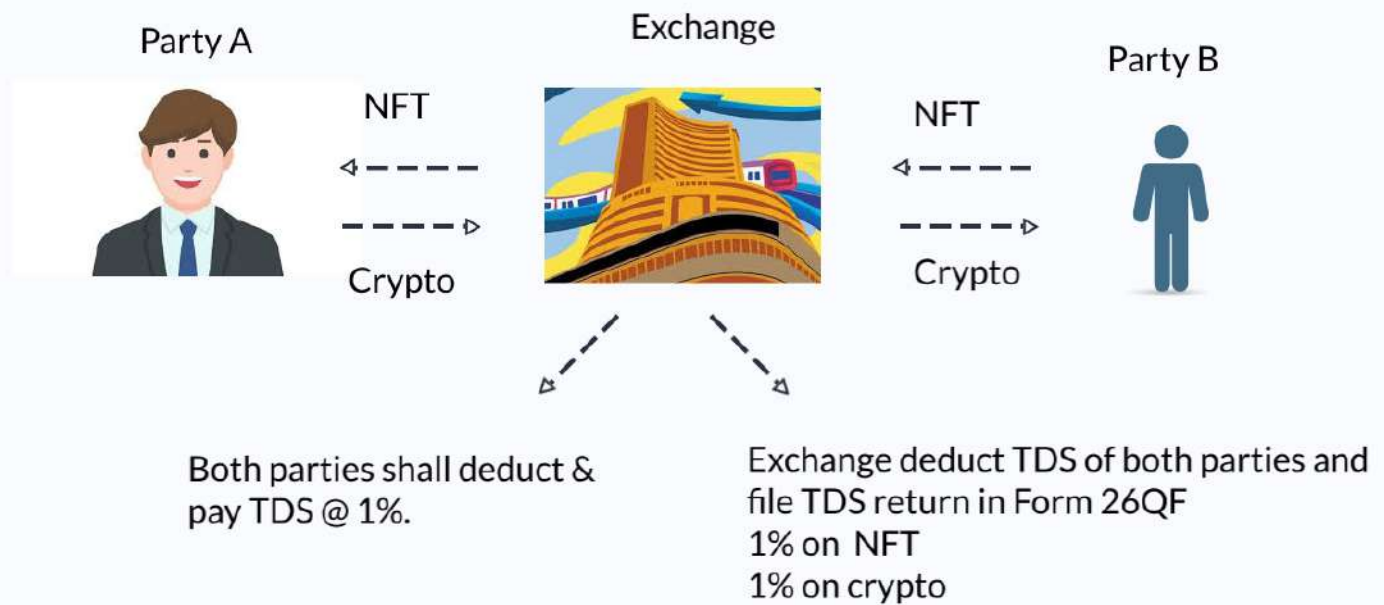
Liability to deduct and pay TDS

Situation 4: If sale of Virtual Digital Assets is owned by exchange

Exchange

Buyer

VDA ----→

Pay ←----

If exchange deducts and pay TDS along with filing of TDS return in Form 26QF.It has to show this income in ITR and file ITR.

↓

Pay to government 1%.
Money retained by exchange 99%

If buyer deducts

Specified Persons

Other than Specified Persons

Form 26QE as no TAN

Form 26Q

Made with VISME

Liability to deduct and pay TDS

Situation 5: If sale of Virtual Digital Assets are through exchange, and transaction in kind

Party A

Exchange

Party B

NFT

NFT

Crypto

Crypto

Both parties shall deduct & pay TDS @ 1%.

Exchange deduct TDS of both parties and file TDS return in Form 26QF
1% on NFT
1% on crypto

Made with VISME

Liability to deduct and pay TDS

Situation 6: Sale of VDA through digital platform

Seller

Digital Platform

Exchange

Buyer

Pay ₹ 9,900

Pay ₹ 9,900

Pay ₹ 10,000

Take undertaking from
Exchange for TDS deduction.

Liability to deduct TDS
Pay to Digital Gateway 9900
Pay to government 1% of 10000=100
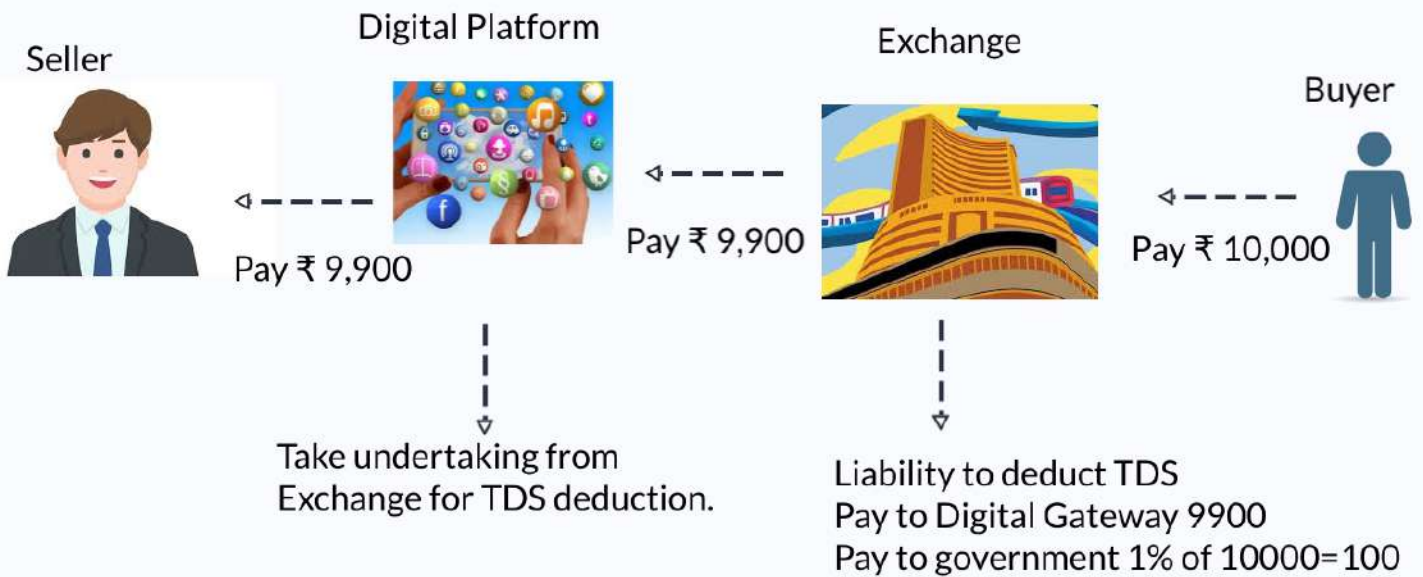
Is section 194Q applicable on sale of VDA?

No

Consideration for transfer of VDA is gross or net basis?

On net basis i.e. after excluding GST/charges levied by deductor.