

Govt working on classification of cryptocurrency under GST law



GST is levied on the entire transaction of cryptocurrencies then the rate could be in the range of 0.1 to 1% (REUTERS)

1 min read . Updated: 20 Mar 2022, 02:00 PM IST

Livemint

- Currently, 18% GST is levied only on service provided by crypto exchanges and is categorised as financial services
- GST officers are of the view that cryptos, by nature, are similar to lottery, casinos, betting, gambling, horse racing, which have 28% of GST on the entire value

The Centre is considering on classification of cryptocurrency under the GST law so that tax can be levied on the entire value of the transaction. At present, 18% Goods and Services Tax (GST) is levied only on services provided by crypto exchanges and is categorised as financial services.

GST officers told the PTI news agency that cryptocurrencies are similar to casinos, gambling, betting, which have 28% of the GST on the entire value. Besides, GST at 3% is levied on the entire transaction value in the case of gold.

Another GST official said that if GST will be levied on the entire transaction of cryptocurrencies then the rate would be in the range of 0.1-1%. However, firstly the 'classification' decision will have to be finalised and then the rate will be discussed.

The GST has not clearly made a classification of [cryptocurrency](#). In the absence of a law regulating such virtual digital currencies, the classification has to take into account whether the law classifies it as an actionable claim.

An actionable claim is a claim which can be made by a creditor, for any type of debt other than a debt secured by a mortgage of immovable property.

The 2022-23 Budget has brought in clarity with regard to the levy of income tax on crypto assets. From April 1, a 30% I-T plus cess and surcharges, will be levied on such transactions in the same manner as it treats gambling, lottery, and other speculative transactions.

The Budget 2022-23 also proposed a 1% TDS on payments towards virtual currencies beyond ₹10,000 in a year and taxation of such gifts in the hands of the recipient. The threshold limit for TDS would be ₹50,000 a year for specified persons, which includes individuals/HUFs who are required to get their accounts audited under the I-T Act.

The provisions related to 1% TDS will come into effect from July 1, 2022, while the gains will be taxed effective April 1.

Separately, the government is working on legislation to regulate cryptocurrencies, but no draft has yet been released publicly.