



Virtual Digital Assets

For Prelims: Virtual Digital Assets, clause (47A), Digital Rupee, cryptocurrency.

For Mains: Regulation of crypto currencies.

Why in News

Recently, the Finance Minister, in her [Budget 2022](#) announced a **30% tax** on income from virtual digital assets.

- Additionally, she also proposed a **Tax Deduction at Source (TDS)** on payment made in relation to the transfer of virtual digital assets at **1% above a monetary threshold**.

What is Tax Deduction at Source?

- A person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government.

What are Virtual Digital Assets?

- The finance bill defined the term “virtual digital asset” by entering a **new clause (47A)**.
- As per the proposed new clause, a **virtual digital asset is proposed to mean any information or code** or number or token (not being Indian currency or any foreign currency), generated through **cryptographic means**.

What is the Rationale Behind Taxation?

- Virtual digital assets have **gained tremendous popularity** in recent times and the volumes of trading in such digital assets has increased substantially.
- Further, a market is emerging **where payment for the transfer of a virtual digital asset** can be made through another such asset.
- These factors have made it imperative to provide for a **specific tax regime**.

How are Virtual Digital Assets different from Digital Currency?

- A currency is a currency only when it is issued by the **central bank** even if it is a crypto.
 - However, anything which is outside of that loosely all of us refer it to be [cryptocurrency](#) but they are not currencies.
 - These can be referred to as **Virtual Digital Assets**.
 - Virtual Digital Assets also include **Non-fungible tokens or NFTs**, which are

cryptographic assets on a blockchain with unique identification codes and metadata that distinguish them from each other. NFTs can also be used to represent individuals' identities, property rights, and more.

- This **differs from fungible tokens like cryptocurrencies**, which are identical to each other and, therefore, can be used as a medium for commercial transactions.
- The Finance Minister clarified that what the RBI will issue in the next fiscal will be the digital currency.
 - This will be called **Digital Rupee**.

Source: IE

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