

Crypto assets to face more scrutiny: Transaction detail of to be reported to government by banks, others reporting entities, Budget 2025

By Ira Alok Puranik & Neelanjit Das, ET Online Last Updated: Feb 02, 2025, 03:58:00 PM IST

Synopsis

Budget 2025: Crypto transactions are now to be reported to the Income Tax Department through an method to be notified later. The G20 Leader's New Delhi Declaration called for the swift implementation of the CARF. To enable this an amendment is being brought for the prescribed Reporting Entities to furnish information of crypto-asset.



Now banks, others reporting entities will report crypto transaction details of to the government, Budget 2025

Budget 2025 has put an obligation on reporting entities like banks, [crypto](#) exchanges etc to furnish information on transactions of crypto assets on a regular basis for both past and future periods. Moreover, the definition of [virtual digital asset \(VDA\)](#) was also amended to include any article using crypto like technology. “These amendments will take effect from the 1st day of April, 2026,” said Memorandum to Budget 2025.

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New crypto transaction reporting mechanism

Explanatory memorandum to Budget 2025 said, It is now proposed to insert section 285BAA in the Act, being the Obligation to furnish information of crypto-asset, wherein –

“Sub-section (1) of section 285BAA of the Act states any person, being a [reporting entity](#), as may be prescribed, in respect of crypto asset, shall furnish information in respect of a transaction in such crypto asset in a statement, for such period, within such time, in such form and manner and to such income-tax authority, as may be prescribed;”

New amendment in definition of virtual digital asset (VDA) to broaden its scope

The explanatory memorandum to Budget 2025 said: “It is also proposed to amend clause (47A) of section 2 to insert sub-clause (d) which states that the definition of virtual digital asset also includes any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.”

Alay Razvi, Managing Partner, Accord Juris, says “This new broader definition of virtual digital asset (VDA) to cover the cryptos and crypto like technology transactions that fall under VDA. Thus, covering more such VDA assets under this category.”



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What does this new reporting mechanism for crypto transactions mean for investors?

Chartered Accountant Prakash Hedge says, “Through this amendment, the government would track the details of the transactions in crypto assets and gather the information for each buyer and seller.”

Hedge adds: “This might be similar to tracking the details in the Annual Information Statement (AIS) that are submitted by the prescribed persons under section 285BA of the [Income Tax](#) Act in respect of financial transactions specified in Rule 114E of the Income Tax Rules which have to be reported in Form 61A (e.g. purchase & sale of mutual funds, immovable property etc.)”

Chartered Accountant Bimal Jain, founder, A2Z Taxcorp LLP, says, “Now banks and others will report crypto transactions on a regular basis to the Income Tax Department. Earlier only if the transaction attracted [TDS](#) it could be tracked. Now it's possible all crypto transactions can be tracked via AIS.”

Pallav Pradyumn Narang, Partner, CNK agrees with Hedge and says, “This is similar to how traditional financial institutions, like banks and mutual fund companies, are required to report investment and transaction details to the government.”

Ankit Jain, Partner, Ved Jain & Associates, says this means now in this budget, “The Government has introduced an obligation to furnish information on crypto-assets. It requires reporting entities such as crypto exchanges, wallets, mining pools to submit transaction details on crypto assets in a prescribed format. This statement will allow the Government to keep track of Crypto transactions being conducted in the country. Much like the trading of equity shares, bonds and mutual funds.”

Jain further adds: “The current budget has made provisions for furnishing of statements, issue of notices and rectification of such statements. The reporting entities will now have to report all transactions in the format as will be prescribed by the Government in the rules.”

Kunal Savani, Partner, Cyril Amarchand Mangaldas, says, “Reporting entities like crypto exchanges would now be required to report crypto asset related transactions. However, the entities who would be required to comply with such reporting obligations, the nature of information to be reported and the manner of reporting will be notified by the government. In addition to the above, the proposed provision also requires the reporting entity to register with certain prescribed authorities.”

Government will collect these crypto information through this new reporting mechanism

Narang says: This reporting mechanism could include details like buy/sell transactions, user information, and other data related to crypto-assets, which will help authorities track taxable events and monitor compliance with regulations. “Essentially, this will bring more transparency to the crypto market and improve its oversight.

Chartered Accountant Prakash Hegde says, “The Government proposes to collect information in respect of transactions in crypto assets in a statement from the prescribed persons (reporting entities). However, the Government is yet to prescribe its rules.”

FAQs about reporting of virtual digital asset transactions

The Income Tax Department has released FAQs about virtual digital asset (VDA):

Obligation to furnish information in respect of crypto-asset

Q.1 What is a crypto asset?

Ans. Crypto asset has been defined in section 2(47A) of the Act under the existing definition of Virtual Digital Asset.

Q.2 What are the amendments proposed in Finance Bill 2025 in the context of crypto-asset?

Ans. It is proposed that a prescribed reporting entity shall provide prescribed information in respect of transaction of crypto-asset for such period and in such time and manner to such income tax authority, as prescribed.

Q.3 Who will be required to furnish information of crypto asset?

Ans. A reporting entity, as may be prescribed under section 285BAA of the Act will be required to furnish information of crypto assets.

Q.4 What information will be required to be furnished?

Ans. Information in respect of transaction in crypto asset as may be prescribed under section 285BAA will be required to be furnished by the Reporting Entity.

Q.5 Who is the Reporting Entity?

Ans. Reporting Entity shall be the entity as prescribed in Income-tax Rules in this regard.

Q.6 To whom information is to be furnished by the Reporting Entity?

Ans. The information is to be furnished to the Income-tax authority as prescribed in Income-tax Rules in this regard.

Q.7 What type of information is proposed to be furnished?

Ans. Information in respect of transaction of crypto-asset for such period as prescribed in Income-tax Rules in this regard is to be furnished.

Q.8 Whether any rules, forms etc. are proposed to be prescribed?

Ans. Yes, rules and forms will be prescribed to furnish prescribed information by the Reporting Entity.

Q.9 Why is it being made obligatory to furnish information of crypto asset?

Ans: India has been included in the list of 52 "Relevant" jurisdictions for the purpose of CryptoAsset Reporting Framework (CARF). CARF provides for the automatic exchange of tax-relevant information (AEOI) on Crypto-Assets. The G20 Leader's New Delhi Declaration called for the swift implementation of the CARE. To enable this an amendment is being brought for the prescribed Reporting Entities to furnish information of crypto-asset.

Q.10 From when will the reporting entity be required to furnish information of crypto-asset?

Ans. The Reporting Entity will have to provide information in respect of transaction in cryptoasset after the prescribed date.

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