TAXATION OF DIGITAL ASSETS IN INDIA

A Data-Driven Assessment of India's VDA Tax Regime and it's Market Impact

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Table of Contents

Section 1 - Introduction

This report assesses how India's tax framework for Virtual Digital Assets (VDAs), including the much discussed TDS framework, has reshaped market behavior. If we were to summarise in one line - the tax framework, implemented and enforced non-uniformly across industry participants - has led to a marked migration of users and liquidity towards offshore platforms.

This report draws on data evidence and consultations with industry participants and other stakeholders. The key findings suggest that recalibrating the effective tax burden, alongside closing key regulatory gaps can reduce leakage, improve tax compliance, and broaden the revenue base, thereby better aligning market outcomes with the underlying policy objectives.

Key Takeaways and Recommendations

1. The Government of India first introduced taxation on Virtual Digital Assets ("VDA") in April 2022 vide Sections 115BBH and 194S which were inserted into the Income-tax Act, 1961 by the Finance Act, 2022 (No. 6 of 2022).
2. Within the first few months of implementation i.e. FY 22-23, the Government reported collections of ₹158,00,00,000 (INR One Hundred and Fifty Eight Crores Only), increasing modestly to ₹180,00,00,000 (INR One Hundred and Eighty Crores) in its first full fiscal year in effect i.e. FY 23-24. In these two years, the total capital gains collected is ~ ₹706,52,00,000/- (INR Seven Hundred Crores and Fifty Two Lacs only).
3. For the year FY 24-25, with global tailwinds pushing the crypto-industry forward, the domestic exchanges reportedly will remit an estimated TDS of ₹450,00,00,000 (INR Four Hundred & Fifty Crores). This increase of ~35% over the collective TDS remitted over the past two financial years can be partially attributed to the increased adoption of VDAs in India along with the broader growth of the complete industry, which is now valued at a market capitalization of ~US$ 3.5 Trillion. However, these numbers only tell a part of the story.
4. The TDS & Tax collections are enabled through the domestic exchanges only, which comply with the reporting and withholding requirements as laid down under the tax framework. A much larger base of Indians trade using global offshore exchanges that do not file TDS or report their data to industry bodies or government. At a time when multiple global reports state that the on-ground adoption in India is one of the highest in the world, if not the largest, the large adoption has so far not translated into any meaningful revenue stream for the Government.

5. It is our estimate that Indian nationals have contributed ₹4,87,799 crores in trade volume on offshore exchanges between October 2024 and October 2025. For the corresponding period last year, this number was ₹2,63,406 crores - a whopping increase of 85% YoY. A complete analysis of our projections & estimates is given in the report below.
6. While the industry debates the applicability of the TDS provisions on the off-shore exchanges operating in India, as per our estimates, the uncollected TDS since October 2024 is ₹4,877 crore. If calculated from the date of introduction, this number goes up to ₹ 11,000 crores.
7. If not addressed, it is our forecast that over the course of the coming five years, the total Indian crypto trading volume on offshore platforms will cumulatively be ~₹ 39.9 lakh crore, corresponding to a potential ₹39,971 crores in uncollected TDS.
8. While the growth of VDA trading on Indian exchanges has been limited owing to the implementation of TDS, growth on off-shore platforms remains unchecked. Tracking the growth of web traffic from Indian ISPs to the nine blocked offshore platforms[1] (since Jan '24) rose by 57%, while traffic to Indian platforms increased by only 21% - thus implying a clear growth of trading on these off-shore platforms with the idea to avoid TDS.
9. Talking about capital flight, and loss of capital gain collections for the Government, we conservatively estimate the revenue loss to the exchequer at approximately ₹36,000 crores since introduction of the 30% tax. A complete analysis of our projections & estimates is given in the report below.
10. Based on this report, we conclude that a favourable tax regime, bringing VDA taxation on parity with the broader tax code in the country will help improve tax compliance across the investors. The department ought to consider a reduction of TDS rate, permitting loss offsets, and ensuring a level playing field across all exchanges operating in the country by way of a suitable amendment to the Income-tax Act, 1961. Based on prior learnings from similar adjustments to the tax code, a larger share of Indian trading and investment activity can be brought within the tax net resulting in increased tax compliance, higher revenues for the department and reduced capital flight.

Based on these findings, we recommend the following:

1. Amend Sections 194S of the Income-tax Act, 1961 to unambiguously require offshore platforms to comply with India's tax rules, irrespective of physical presence or a PE setup in India.
    a. Apply this duty to both resident and non-resident exchanges, regardless of business connection or place of operations; and

[1] List added in the annexure A.2

   b. Apply this to the exchanges even if part of the VDA transfer transaction takes place on the exchange as opposed to the complete transaction end to end.
2. Amend Section 115BBH to tax VDAs in a manner similar to other property/assets considering that multiple High Courts have now held that VDAs are to be classified as a property.
3. Reduce the TDS rate to 0.01% – 0.1% and additionally introduce Statement of Financial Transaction (SFT) reporting to all VASPs licensed with the FIU to improve tracking & traceability of VDA transactions through Annual Information Returns (AIR).
4. Require all FIU-registered VASPs to maintain a registered office or a principal place of business in India under the Companies Act, 2013 (via an Indian subsidiary or a duly registered foreign entity) to strengthen supervisory reach and enforcement.
5. Launch a nationwide investor-awareness drive on tax obligations for crypto activity, coupled with a time-bound amnesty or reduced-penalty window to encourage voluntary disclosure and payment of past dues

Evidence from Leading Studies: India's Role in Crypto's Scale and Growth

As per multiple global studies, India has been and continues to be one of the countries with the largest adoption of crypto-assets in the world.

The **2025 Chainalysis Global Crypto Adoption Index**[2] places India at the top - not just overall, but across retail, institutional, and DeFi activity. As per the Chainalysis report, India's position across retail centralized activity, total centralized flows, DeFi value received, and institutional-sized transactions - shows a market that's not just active, but deeply rooted at every layer of the crypto stack.

However, while the headlines state that India is ranked No. 1, the ranking is an adjusted rank rather than an absolute one. The Global Crypto Adoption Index blends several indicators and then scales them according to the population and PPP-adjusted GDP per capita. Hence, each dollar of on-chain activity is weighted more heavily in lower-income countries such as India as opposed to high income countries such as the United States or the European countries. This methodology pushes India to the top of the complete list, even though its on-chain volume (US$ 338 Billion[3]) over the last year, still sits well below the multi-trillion-dollar flows of North America (about US$2.3 trillion) and Europe (about US$2.6 trillion).

[2] Chainalysis Team, *The 2025 Global Adoption Index: India and the United States Lead Cryptocurrency Adoption* (Chainalysis Inc, 2 September 2025) https://www.chainalysis.com/blog/2025-global-crypto-adoption-index/ accessed 13 November 2025.

[3] Chainalysis Team, *The 2025 Geography of Cryptocurrency Report* (Chainalysis Inc, 2025) https://go.chainalysis.com/2025-geography-of-cryptocurrency-report.html accessed 13 November 2025.

Having said that, it is important to keep in mind that even on absolute numbers, India with ~US$ 338 Billion of volumes ranked at the top in APAC, ahead of countries such as Japan & Australia[4]. This highlights that while India may not literally have the highest adoption, it is amongst the top few countries.. The same is also reflected in the other reports that track on ground crypto adoption across geographies such as the TRM Labs Adoption Index.

The **TRM Labs' Crypto Adoption Index 2025**[5] ranks India #1 for January–July 2025. This report ranks countries via web-traffic patterns and then, similarly to Chainalysis, scales those flows by GDP per capita (PPP) to reflect their weight in each economy, while largely excluding open-ended DeFi experimentation. India's sustained lead in this framework is consistent with its large, young population's growing interest in digital assets, a technology-fluent middle class shaped by the government-led push on digital payments, and a strong pool of engineering talent feeding into blockchain development. Rising participation from institutional and high-net-worth investors further reinforces this broad-based, economically significant pattern of adoption..

Adding to this, **a16z's 2025 State of Crypto**[6] points to a similar India-first pattern but with a different texture. As per the a16z report, on-chain activity - proxied by mobile crypto-wallet usage - is increasingly driven by developing markets. India, with a visibly large and growing slice of the mobile crypto wallet usage stack, underscores mass participation via mobile rails. a16z's State of Crypto data states that India generates roughly 6.5% of global token-site web traffic, but once adjusted for population that falls to only about 4.5 visits per billion people, far behind many developed markets on a per-capita basis.

From these multiple reports, we can safely conclude that the "India is #1" headline is driven as much by index arithmetic as by economic reality. India is unquestionably a large, fast-growing, internet-native, digital-payments-first crypto market, but whether it is truly the world's top adopter is open for debate. Hence, regulators should focus more on the strength and direction of the adoption curve than on a single ranking.

[4] Data for Japan (over US $180 billion) and Australia (over US $100 billion)
[5] TRM Labs, *2025 Crypto Adoption and Stablecoin Usage Report* (21 October 2025) https://www.trmlabs.com/reports-and-whitepapers/2025-crypto-adoption-and-stablecoin-usage-report accessed 13 November 2025
[6] D Matsuoka, R Hackett, J Zhang, S Zinn and E Lazzarin, *State of Crypto 2025: The Year Crypto Went Mainstream* (a16z crypto, 22 October 2025) https://a16zcrypto.com/posts/article/state-of-crypto-report-2025/ accessed 13 November 2025.

Section 2 - Literature Review

As the adoption of VDAs in India continues to rise, there remains a question around the level of compliance - specifically from global exchanges. Since the imposition of the new tax framework, a large share of Indian trading volume has shifted towards offshore venues, shrinking activity on the relatively compliant domestic exchanges.

According to ESYA Centre[7], between July 2022 and October 2023 (a period of 15 months) Indians routed over ₹3.5 lakh crore of VDA trades to non-compliant/offshore platforms. In FY 2023–24 alone, Indians traded over ₹2.63 lakh crore on offshore exchanges[8], including exchanges blocked by MEITY[9], which remained accessible via VPNs. At a 1% TDS rate, this implies about ₹2,634 crore in uncollected TDS owed, which brought the cumulative uncollected TDS from offshore exchanges between July 2022 to March 2024 to ~₹6,000 crore. At this point, the linkage between implementation of TDS and movement of trade volumes to off-shore exchanges is undeniable.

Economic theory and history point to a tight link between tax burdens and behavior. Allingham and Sandmo (1972)[10] show that very high rates raise the payoff to evasion, while moderate rates dampen it. India's Direct Taxes Enquiry Committee (1971) ("**Wanchoo Committee**") reached a similar conclusion, tying widespread tax non-compliance in the early 1970s to confiscatory rates and urging sharp cuts[11]. The mechanism is straightforward: when taxes bite too hard, underreporting looks attractive; when rates are reasonable and rules are simple, honest filing is less costly and the shadow economy contracts. Cross-country evidence echoes this.

Global Case Studies: Tax Cuts Improving Compliance and Revenue

International evidence shows that cutting rates can lift compliance - and even revenues - over time. In the U.S., the 1986 reform dropped the top federal rate from 50% to 28%[12] and closed loopholes; high earners reported far more income, with American economist Martin Feldstein

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[7]ESYA Centre, *Impact Assessment of Tax Deducted at Source on the Indian Virtual Digital Asset Market* (Special Issue No 210, November 2023) 11, table 2 https://static1.squarespace.com/static/5bcef7b429f2cc38df3862f5/t/654c85514544360bd84a7f43/1699513682192/ESYA+CENTRE+-+IMPACT+ASSESSMENT+OF+TAX+DEDUCTED+AT+SOURCE+ON+THE+INDIAN+VIRTUAL+DIGITAL+ASSET+MARKET.pdf

[8] ESYA (Dec'24) - The Impact of India's VDA Tax Policy: An Update: https://www.esyacentre.org/documents/2024/12/9/the-impact-of-indias-vda-tax-policy-an-update

[9]Online Bureau, 'Financial Intelligence Unit India asks MeitY to block Binance and 8 other VDASP platforms' *ETGovernment* (29 Dec 2023) https://government.economictimes.indiatimes.com/news/governance/financial-intelligence-unit-india-asks-meity-to-block-binance-and-8-other-vdasp-platforms/106364526 accessed 13 November 2025.

[10] MG Allingham and A Sandmo, 'Income Tax Evasion: A Theoretical Analysis' (1972) 1(3–4) *Journal of Public Economics* 323.

[11]*Direct Taxes Enquiry Committee, Final Report (Government of India, December 1971) - https://indianculture.gov.in/reports-proceedings/direct-taxes-enquiry-committee-final-report* .

[12]Martin Feldstein, 'The Tax Reform Evidence from 1986' (Belfer Centre for Science and International Affairs, 24 October 2011) https://www.belfercenter.org/publication/tax-reform-evidence-1986#:~:text=A%20traditional%20reductions%20in%20marginal%20tax%20rates accessed 13 November 2025.

finding roughly a 45% rise in their reported taxable income from 1985–88. Lower marginal rates reduced the payoff from concealment, pulling previously sheltered income onto returns[13].

On the corporate side, when the 2017 TCJA (Tax Cuts and Jobs Act) cut the federal rate from 35% to 21%[14]; U.S. multinationals booked more profit at home and a bit less in havens after 2018, pointing to modest declines in evasion and profit shifting. Although corporate receipts fell initially, improved onshore reporting and transparency broadened the base. Together, these U.S. cases show that lower rates plus anti-avoidance cleanups expand the tax base and strengthen reporting rather than simply shrinking revenue.

Similarly, Russia's 2001 reform is a textbook case of lower rates lifting compliance. Replacing a complex progressive schedule with a flat 13% personal income tax did not depress revenues; real personal income tax receipts rose about 26% in year one, with IMF work attributing much of the gain to roughly one-third higher compliance as previously unreported wages surfaced[15]. The simpler filing and lower marginal take reduced the return to evasion, broadened the base, and kept revenues growing thereafter.

Brazil, an early mover when it came to taxation and tracking of crypto-assets, set thresholds using standardized forms within the existing tax system. Specifically, Normative Instruction RFB 1,888/2019[16] set up SFT-style (similar to India's SFT/Form 61-A) third-party information returns. This mandated Brazilian exchanges to file monthly transaction data, and residents using foreign venues or P2P/DeFi to self-report when totals exceeded BRL 30,000 per month via Receita's standard e-tax layout[17]. Plugging crypto into the same reporting rails as other assets enabled counterparty matching and gap detection, lifting voluntary compliance without changing rates. This low-friction approach clarified obligations, increased the visibility of trades, and curbed evasion. As Baer et al. (2023)[18] note, Brazil's Federal Revenue Service in 2019 required individuals and legal entities to report crypto-asset transactions above BRL 30,000 per

[13]Martin Feldstein, 'The Tax Reform Evidence from 1986' (Belfer Centre for Science and International Affairs, 24 October 2011) https://www.belfercenter.org/publication/tax-reform-evidence-1986#:~:text=The%20Tax%20Reform%20Act%20of,wide%20variety%20of%20tax%20loopholes accessed 13 November 2025.
[14]Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?, National Bureau of Economic Research Working Paper No 30086 (May 2022) https://www.nber.org/system/files/working_papers/w30086/w30086.pdf accessed 13 November 2025.
[15]International Monetary Fund, Michael Keen, Alexander D Klemm and Anna Ivanova, *The Russian Flat Tax Reform*, IMF Working Paper WP/05/16 (January 2005) https://www.imf.org/en/Publications/WP/Issues/2016/12/31/The-Russian-Flat-Tax-Reform-17921 accessed 13 November 2025
[16]Rodrigo Caldas de Carvalho Borges and Gabriel Abreu Carvalho Borges Araujo, "Brazil: Blockchain & Cryptocurrency Laws and Regulations 2026" (Global Legal Insights, 21 October 2025) https://www.globallegalinsights.com/practice-areas/blockchain-cryptocurrency-laws-and-regulations/brazil/ accessed 13 November 2025.
[17]A Instrução Normativa RFB 1.888/2019 – Aspectos Regulatórios e Oportunidades de Atualização (Criptoativos, Tokenização, Blockchain e Metaverso, ed 2022)' https://www.jusbrasil.com.br/doutrina/secao/1-introducao-56-a-instrucao-normativa-rfb-1888-2019-aspectos-regulatorios-e-oportunidades-de-atualizacao-criptoativos-tokenizacao-blockchain-e-metaverso-ed-2022/1804176635 accessed 13 November 2025.
[18]K Baer, R de Mooij, S Hebous and M Keen, *Taxing Cryptocurrencies* (International Monetary Fund Working Paper No 23/144, June 2023) https://www.imf.org/en/-/media/files/publications/wp/2023/english/wpiea2023144-print-pdf.pdf accessed 13 November 2025.

month, with Brazil-based exchanges filing detailed user-level data[19]. Subsequent tax authority and media data show that, from January to July 2023, Brazilians declared BRL 133.6 billion in crypto - 36.6% more year-on-year[20] - and that CPFs reporting digital-asset purchases grew by over one million in a year to about 1.49 million by September 2022, suggesting that integrating VDAs into standard third-party reporting has widened the declared tax base and normalised disclosure.[21]

International initiatives now reinforce this direction. The OECD's Crypto-Asset Reporting Framework (CARF), finalized in 2022, creates a CRS-style system for crypto: exchanges and facilitators automatically report users' transactions to tax authorities, which then exchange that information across jurisdictions. The aim is to close visibility gaps through standardized, automated reporting - not via punitive tax rates - so compliance becomes straightforward and arbitrage harder. As noted in practitioner summaries, CARF is designed to deliver global transparency for crypto transactions, aligning with the broader lesson that improving compliance hinges on better information and simpler reporting, which in turn raises voluntary disclosure.[22]

Across the world, the pattern is consistent: punitive rates and complex rules push activity underground; reasonable rates and simpler administration pull it back in, widening the base. In many instances, collections rise after rate reductions because income that was previously hidden is reported.

Historical Evidence from India: High Taxes vs Compliance

India's tax history vividly links punitive rates to evasion. In the early 1970s, marginal income tax reached 97.75%, leaving a negligible post-tax return and fueling a rapid expansion of the black economy[23]. The Wanchoo Committee (1971)[24] squarely blamed confiscatory rates for making evasion "profitable". Policymakers reversed course mid-decade: the top rate fell to 77% (1974–75) and 66% (1976–77), was cut further to 50% in 1985 with fewer slabs, and - following

[19]Katherine Baer, Ruud A de Mooij, Shafik Hebous and Michael Keen, *"Taxing Cryptocurrencies"* (IMF Working Paper No 2023/144, July 2023) 22 n 87

[20]Reuters, 'Brazil's tax authority to summon foreign crypto exchanges for information' (18 June 2024) https://www.reuters.com/markets/currencies/brazils-tax-authority-summon-foreign-crypto-exchanges-information-2024-06-18/ accessed 13 November 2025.

[21] A Cobrança de Tributos no Bitcoin (Universidade Nota, 2023) 31 (4.3 "Ausência de Legislação Complementar") https://www.grupounibra.com/repositorio/DIREIT/2023/a-cobranca-de-tributos-no-bitcoin.pdf accessed 13 November 2025.

[22]PwC Ireland, 'Understanding Crypto Asset Reporting Framework' https://www.pwc.ie/services/tax/insights/understanding-crypto-asset-reporting-framework.html accessed 13 November 2025.

[23]*When Indira Gandhi brought 97.5% income tax rate' India Today (New Delhi, 26 April 2024) https://www.indiatoday.in/history-of-it/story/india-income-tax-rate-975-indira-gandhi-yb-chavan-congress-lok-sabha-elections-2531881-2024-04-26#:~:text=In%201970%2C%20the%20Indira%20Gandhi,trends%20which%20villainised%20wealth%20creation accessed 13 November 2025.*

[24] *Direct Taxes Enquiry Committee, Final Report (Government of India, Ministry of Finance, December 1971) https://the1991project.com/sites/default/files/2023-07/1972%20Wanchoo%20Committee%20Report.pdf accessed 13 November 2025.*

the 1991 reforms and the Raja Chelliah Committee Report [25] - slabs were simplified to three brackets (20/30/40%), then to 10/20/30% by 1997–98. The throughline is clear: moderation and simplification replaced a design that had incentivized concealment.

Outcomes moved accordingly. As rates fell and rules were streamlined, reported incomes and return filing rose, the tax base broadened, and collections climbed - even at lower rates. Direct tax receipts grew from roughly ₹33,000 crore (FY1995) to ₹14.1 lakh crore (FY2021), alongside evidence of formalization and a doubling of individual taxpayers (2012–2021) despite higher thresholds[26]. While growth and administration mattered, the timing aligned with rate rationalization: lower, simpler taxes reduced the payoff to hiding income and drew activity into the net.

The policy lesson - highly salient for India's debate on the high TDS on VDA trades is that balanced rates and low-friction compliance are likelier to sustain reporting and revenue than punitive levies that drive activity underground.The cross-country evidence reinforces the core design lesson: moderation and simplification tend to deliver more accurate reporting, broader participation, and stronger revenue durability.

Taxation Models of Virtual Digital Assets across the world – Global Insights

Considering VDAs are borderless and mobile, tax design strongly affects compliance: heavy, complex regimes push activity offshore or underground, while moderate rates with clear reporting improve transparency and declarations.

1. **US -** The United States operates a global, self-assessment tax system for residents with seven[27] federal income-tax brackets ranging from 10% to 37%, plus additional state income taxes. Wages are taxed mainly through employer withholding and quarterly estimated payments, not through any generic transaction TDS on financial trades. Long-term capital gains on investments, including VDAs held over one year, are taxed at 0%, 15% or 20% depending on income[28]. Meanwhile, short-term gains use ordinary income rates, and losses on securities or digital assets can offset gains and up to USD

[25] *Tax Reforms Committee (Chair: Raja J. Chelliah), Final Report (Government of India, July 1993)* *https://the1991project.com/sites/default/files/2023-07/1993%20Raja%20Cheliah%20Tax%20Reforms%20Committee%20Report.pdf accessed 13 November 2025.*

[26] *D Kanabar, 'From 97.75% in 1973 to 42.74% in 2021: How India's Tax Rates Have Crashed' Business Today (15 September 2022)* *https://www.businesstoday.in/magazine/columns/story/from-9775-in-1973-to-4274-in-2021-how-indias-tax-rates-have-crashed-347286-2022-09-15 accessed 13 November 2025.*

[27] IRS, *Federal Income Tax Rates and Brackets* (Internal Revenue Service, 08 July 2025) https://www.irs.gov/filing/federal-income-tax-rates-and-brackets accessed 13 November 2025.

[28] Florian Wimmer, *Ultimate 2025 US Crypto Tax Guide [IRS Rules]* (Blockpit, 24 July 2025) https://www.blockpit.io/tax-guides/crypto-tax-usa#:~:text=,be%20mandatory%20starting%20in%202026 accessed 13 November 2025.

3,000 of other income each year, with any excess carried forward[29]. The IRS treats digital assets such as crypto tokens as property[30], so standard capital-gains and income rules apply. There is no special federal TDS on each crypto trade like India's 1% TDS; instead, compliance is driven by information reporting (e.g. Form 1099 and the digital-asset question on Form 1040) and normal under-reporting penalties[31].

2. **UK** - Individuals in England, Wales and Northern Ireland pay income tax above a £12,570 personal allowance at 20% (basic), 40% (higher) and 45% (additional)[32], while Scotland uses different, more granular bands[33]. Employment income is taxed at source through PAYE (income tax plus NIC)[34], with most investment income and capital gains reported by self-assessment. There is a limited withholding on some interest/dividends but no transaction-level TDS on crypto trades. For capital gains, the main CGT rates on most assets are 18% and 24% for disposals on or after 30 October 2024 (previously 10%/20%), with separate treatment for certain assets[35]. HMRC's Cryptoassets Manual[36] places personal-investment crypto within the CGT regime, so tax arises on any form of disposals i.e selling, swapping, spending, gifting etc. Capital losses - including on crypto - can reduce gains and be carried forward. Crypto received as employment income, staking rewards, airdrops or from activity amounting to a trade is taxed under ordinary Income Tax plus NIC[37]. Overall, the UK relies on its standard income-tax, CGT and PAYE framework rather than a ring-fenced 30% regime or per-trade TDS on VDAs.

3. **Hong Kong** - Hong Kong (HKSAR) applies a territorial, low-rate system under which only Hong Kong–source profits, property income and employment income are taxed[38]. Salaries tax is levied on net employment income at progressive rates of 2%, 6%, 10%, 14% and 17%, or at a standard rate of around 15–16%, whichever is lower, while profits

[29]Ibid
[30] Ibid
[31]Ibid
[32]HM Revenue & Customs, 'Income Tax: Rates and Personal Allowances' (GOV.UK, 2025) https://www.gov.uk/income-tax-rates accessed 13 November 2025.
[33]Florian Wimmer, *'Ultimate 2025 US Crypto Tax Guide [IRS Rules]'* (Blockpit, 24 July 2025) https://www.blockpit.io/tax-guides/crypto-tax-usa#:~:text=.be%20mandatory%20starting%20in%202026 accessed 13 November 2025.
[34]HM Revenue & Customs, 'PAYE and payroll for employers: Introduction to PAYE' (GOV.UK) https://www.gov.uk/paye-for-employers accessed 13 November 2025. gov.uk
[35]HM Revenue & Customs, 'Capital Gains Tax – Rates and Allowances' (GOV.UK) https://www.gov.uk/guidance/capital-gains-tax-rates-and-allowances accessed 13 November 2025.
[36]HM Revenue & Customs, *Cryptoassets Manual: CRYPTO22100 – Cryptoassets for individuals: Capital Gains Tax: what is a disposal* (GOV.UK, published 30 March 2021, updated 10 November 2025) https://www.gov.uk/hmrc-internal-manuals/cryptoassets-manual/crypto22100 accessed 13 November 2025.
[37]Koinly, *Crypto Tax UK: Expert Guide 2025* (Koinly, 20 October 2025) https://koinly.io/guides/hmrc-cryptocurrency-tax-guide/ accessed 13 November 2025.
[38]Inland Revenue Department (Hong Kong), *A Brief Guide to Taxes Administered by the Inland Revenue Department (2024–25)* (Government of Hong Kong, 31 October 2024) https://www.ird.gov.hk/eng/pdf/2025/BriefGuide20242025.pdf accessed 13 November 2025.

tax is 16.5% for corporations and 15% for unincorporated businesses[39]. There is no VAT/GST, no general capital gains tax and no withholding tax on dividends or interest, with only limited withholding on certain royalties. For VDAs, there is no separate capital-gains tax on long-term crypto holdings, so pure investment gains are usually untaxed, but crypto trading that amounts to a business (for example, dealers or exchanges) is taxed under the profits-tax regime at up to 16.5%[40] using the usual badges-of-trade tests[41]. Licensed virtual-asset platforms are supervised under securities law, there is no TDS-style deduction on each crypto transaction, and any taxable gains or business profits are assessed and paid under the normal profits-tax or salaries-tax rules.

4. **Brazil** - Brazil taxes residents on worldwide income under a progressive IRPF scale from 0% to 27.5%[42], with a monthly exemption of about BRL 3,036[43]. Employee income is collected mainly through IRRF withholding using the same bands, while non-residents generally face 15% WHT on Brazilian-source income (25% for tax-haven recipients), with similar withholding on interest, royalties and services. Historically, individuals' crypto gains were taxed only when monthly disposals exceeded BRL 35,000, at progressive capital-gains rates of 15–22.5%, with an exemption below that threshold and normal loss-offset rules[44]. In June 2025, MP 1,303 and follow-on rules abolished the BRL 35,000 exemption and introduced a flat 17.5% tax on all individual crypto gains[45], increasingly collected via withholding by exchanges (including for offshore and self-custodied holdings), signalling a shift toward a unified, moderate-rate financial-income regime with explicit netting across products rather than a stand-alone high VDA rate.

5. **Indonesia**: Indonesia, which taxes residents on worldwide income (5-35%), is transitioning its crypto oversight to the OJK, reclassifying assets as "digital financial assets.[46]" Following reforms (Law 4/2023), VAT is removed from the token transfer itself but retained on service and mining fees. From August 2025, a 0.21% final Article 22

[39]P Lee, J Wang, B Lau and M Liang, 'Hong Kong SAR, China: Blockchain 2025' (Chambers & Partners, 12 June 2025) https://practiceguides.chambers.com/practice-guides/blockchain-2025/hong-kong-sar-china accessed 13 November 2025
[40]HM Revenue & Customs, 'Tax Rates of Profits Tax' (GovHK) https://www.gov.hk/en/residents/taxes/taxfiling/taxrates/profitsrates.htm accessed 13 November 2025. gov.hk
[41]Inland Revenue Department (Hong Kong), *Departmental Interpretation and Practice Notes No 39 – Profits Tax: Digital Economy, Electronic Commerce and Digital Assets* (27 March 2020) https://www.ird.gov.hk/eng/pdf/dipn39.pdf accessed 13 November 2025.
[42]PwC, 'Brazil – Individual Taxes on Personal Income' (Tax Summaries, June 2025) https://taxsummaries.pwc.com/brazil/individual/taxes-on-personal-income accessed 13 November 2025.
[43]Reuters, 'Brazil hikes income tax exemption to reflect higher minimum wage' (14 April 2025) https://www.reuters.com/world/americas/brazil-hikes-income-tax-exemption-reflect-higher-minimum-wage-2025-04-14/ accessed 13 November 2025.
[44]Reuters, 'Brazil hikes income tax exemption to reflect higher minimum wage' (14 April 2025) https://www.reuters.com/world/americas/brazil-hikes-income-tax-exemption-reflect-higher-minimum-wage-2025-04-14/ accessed 13 November 2025.
[45]Digital Watch, 'Brazil sets flat 17.5 percent tax on all crypto gains' (Geneva Internet Platform, 3 July 2025) https://dig.watch/updates/brazil-sets-flat-17-5-percent-tax-on-all-crypto-gains accessed 13 November 2025
[46]P Lee, J Wang, B Lau and M Liang, 'Indonesia: Private Client Laws and Regulations 2025' (ICLG – Private Client 2025) https://iclg.com/practice-areas/private-client-laws-and-regulations/indonesia accessed 13 November 2025

withholding tax will apply to domestic trades, rising to 1% for transactions involving foreign platforms[47]. This is a method used to incentivise users to trade on local players as against global offshore exchanges and to keep the capital within the country. Concurrently, a special 0.1% mining tax regime is being phased out by 2026, reverting mining profits to the standard personal or corporate tax net. This establishes an exchange-collected withholding model rather than a separate high-tax slab for digital assets[48].

6. **Singapore**: Singapore utilizes a territorial tax system (0-24% individual income tax) with no general capital gains tax, applying this mainstream framework directly to digital assets without a specific crypto regime or withholding[49]. Taxability hinges on a "badges-of-trade" analysis: gains from long-term investments are typically non-taxable capital gains, while profits from active trading, professional mining, or staking as a business are taxed as ordinary income.

These examples matter for India's VDA regime. Since 2022, India has applied a 30% tax on gains and 1% TDS on all trades - one of the toughest combinations globally. Early signals are consistent with theory: formal exchange volumes fell, and activity migrated offshore or P2P, as the cumulative TDS bite and denial of loss offsets deter on-shore reporting. In order-book markets, 1% TDS also drains liquidity and adds cash-flow friction, reinforcing non-compliance incentives. International experience suggests a course correction: lower the TDS rate (or carve out de minimis thresholds) and simplify the tax treatment while strengthening information reporting. A moderate, clear, low-friction framework would keep traders on Indian venues, raise true compliance, and stabilize revenues - delivering the same compliance gains observed in other sectors and jurisdictions.

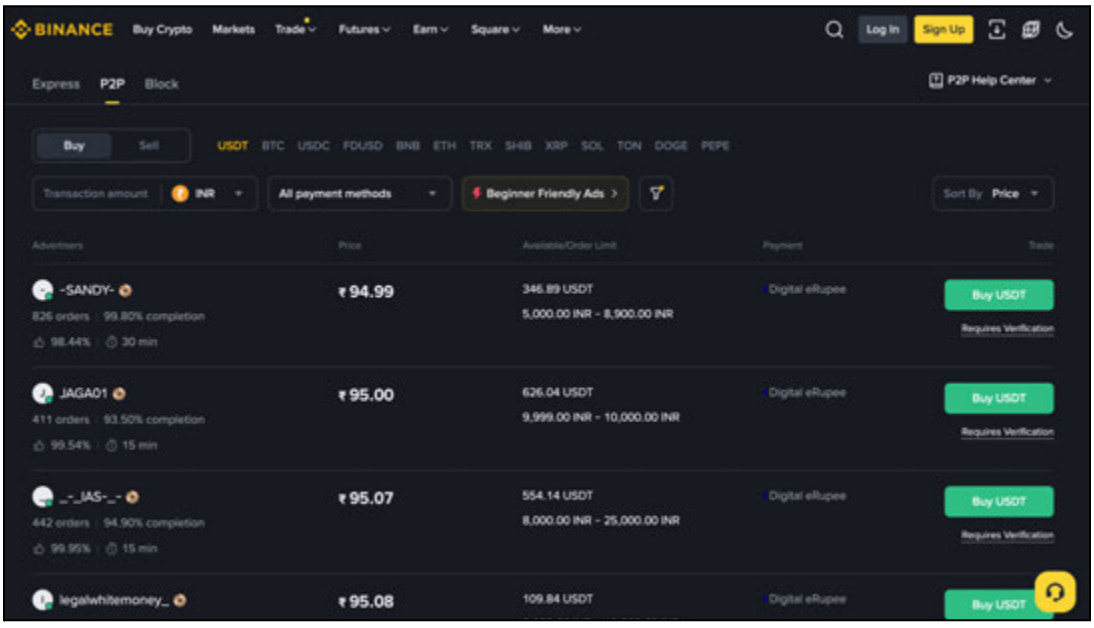
[47]KoinX, *Crypto Taxes in Indonesia – Ultimate Tax Guide* (KoinX, 17 March 2025) https://www.koinx.com/tax-guides/crypto-taxes-indonesia-guide accessed 13 November 2025.
[48]Tomy Harsono, *Indonesia: The Tax Treatment of Crypto Assets* (WTS Global, 29 September 2025) https://wts.com/global/publishing-article/20250929_indonesia_tax_treatment_crypto_assets~publishing-article accessed 13 November 2025
[49]Hawksford, *Taxation and Accounting in Singapore* (Hawksford, 9 October 2025) https://www.hawksford.com/insights-and-guides/taxation-and-accounting-in-singapore accessed 13 November 2025.

Section 3 - Data and Methodology

Understanding P2P & P2P Scraping

To understand the methodology adopted by us in order to calculate the trade volumes on off-shore exchanges, we need to understand what is a classic P2P trade in crypto. In peer-to-peer (P2P) VDA trading, users trade digital assets directly with each other without relying on a centralized order book. Instead, they connect via platforms that act as intermediaries, often listing "advertisements" with buy or sell offers at specific prices. Users select an offer, and once terms are agreed upon, the intermediary facilitates the exchange through an escrow service, ensuring both parties fulfil their obligations before funds are released.

P2P trading complicates tax enforcement efforts, as it enables direct transactions that are harder to monitor compared to centralised exchanges. While web scraping offers insights into transaction patterns, enforcing Tax Deducted at Source (TDS) compliance remains challenging due to the decentralised nature of P2P platforms and the anonymized nature of digital asset exchanges. This decentralised model has contributed to significant offshore trading shifts, with P2P volumes estimated to represent a substantial share of Indian VDA trading activity, particularly after the 1% TDS on VDAs was introduced.



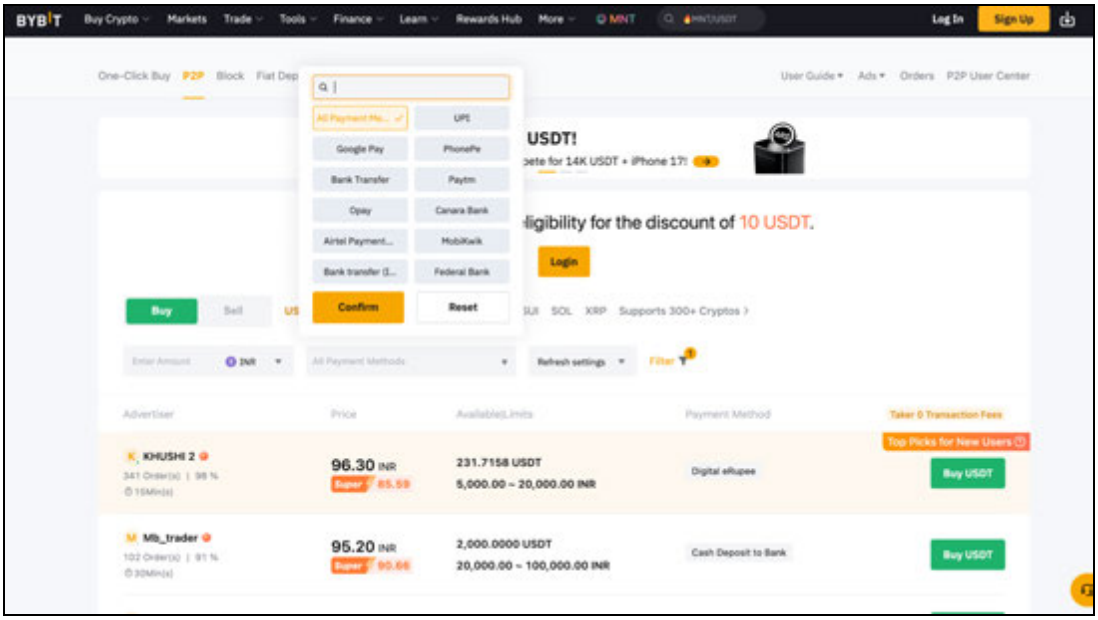


Fig: Registered Offshore Platforms - ByBit and Binance , offering P2P services

P2P scraping, as used in this study, means programmatically capturing public P2P order-book listings from intermediaries enabling such trades to build time-stamped snapshots of advertiser activity - username, lifetime and 30-day trades, completion rate, payment methods, and the min/max order sizes on each ad.

Methodology

This section outlines three data-driven exercises that lead us to our conclusions:

1. Examining Indian user behavior by tracking the web-traffic patterns of Indians accessing various exchanges since the TDS provisions took effect;
2. Estimating the aggregate TDS liability across domestic and offshore platforms based on trading volume data available through various sources; and
3. Projecting potential income tax collections over the next five years under a revised tax framework.

First, let's look at how each analysis is conducted, and then set out the underlying data sources and the resulting findings.

A. Web Traffic Analysis: Unique Indian Visitors to Domestic & Offshore VDA Platforms

Using web analytics for the period between October 2024 to October 2025, we assessed how the implementation of TDS (in July 2022) and the URL block order issued by MEITY[50] shaped India's VDA landscape.

We used various internet tools to track monthly counts of unique Indian visitors across exchanges - domestic and offshore - including the offshore VASPs blocked by MeitY - using third-party web analytics tools (such as Semrush or Similarweb). These tools estimate traffic based on ISP-level data. From these, we derive total Indian traffic to VDAs and the shares attributable to Indian platforms, the nine blocked venues, and the remaining offshore cohort.

B. Estimating Trading Volume by Indians on Domestic & Offshore VDA Platforms

1. For each day in the period of October 2024 to October 2025, we collected every advertisement placed by sellers on the largest offshore P2P exchange (Binance) to trade seven key crypto-assets (BTC, ETH, BNB, TON, USDT, USDC, FDUSD) for Indian Rupees (INR) from October 2024 to October 2025. This activity serves as our proxy for cryptocurrency trading volume among Indian users.
2. To estimate the daily trade volume for each seller, we tracked the total amount of crypto they had available for sale. We then calculated the difference between their available crypto at the start and end of each day, which told us the net amount of crypto they had sold."
3. To convert this into a dollar value, we used a rough method: we multiplied the number of trades each seller completed by their minimum and maximum order limits and averaged the result.
4. This initial calculation produced a wildly inflated 'preliminary volume' because we multiplied trade counts by potential limits, not actual trade sizes.
5. To correct this error, we used historical, verifiable data from a short-lived Binance API (May–Dec 2023). This meant our rough calculation inflated the true volume by a factor of 31 times. We then applied this factor of 31 to our entire preliminary series to obtain our final, calibrated daily volume estimates.
6. Using the framework provided by the ESYA Report[51] that links INR P2P volume to total trading volume on that exchange, we were able to get an estimate of the total INR P2P volume on offshore exchange. Thereafter, based on the web-traffic data, we extrapolated the numbers to get an estimate of Indian trade volumes across all offshore venues.
7. For calculating the loss on TDS collection, we made a calculation based on the 1% of the total INR trading volume across all offshore exchanges working on the assumption that

[50]Press Information Bureau, 'Government Notifies Amendments to Rule 3(1)(d) of the Income-Tax Rules' (Press Release No PRID 1991372, Government of India) https://www.pib.gov.in/PressReleasePage.aspx?PRID=1991372 accessed 13 November 2025.
[51] This footnote refers to figure 9 on page 20 of the report by the ESYA Centre.

if all these P2P volumes were to take place through the banking channel, the exchanges would have to report all these trades to the government under the Income Tax Act.

8. Finally, we read these offshore volume and TDS estimates alongside reported volumes on domestic, tax-compliant VDA platforms (described separately) to build a consolidated picture of total Indian trading activity across onshore and offshore venues.

C. Projecting potential income tax collections over the next five years under a framework that is clearer & implemented well across all exchanges

This part of the research takes our estimate of the current crypto market size (the compliant part plus the hidden, offshore part) and turns it into a forecast of potential tax revenue for the government.

1. We start by figuring out the national income-tax shortfall as of today. We calculate how much TDS is being collected versus how much should be collected if the massive offshore volume (which we estimated earlier) came through official channels.
2. The missing TDS is multiplied by 100 (since the TDS is 1$) to get the total unreported trading volume (turnover).
3. On this number, we assumed that only 10% of the volume is profitable. This is based on the broader industry estimates that suggest that only 10% of the trades end up as profitable trades. On this amount, we then calculate the 30% tax at the current Capital Gains Tax (CGT) rate to get the final amount of income tax currently being lost.
4. To link tax rules to market size, we use findings from other major research reports[52]. These studies show a clear relationship: when you lower the tax rate, the total trading activity increases dramatically. Specifically, they suggest that if the TDS rate is lowered from 1% to a tiny fraction (like $0.01%), the overall trading volume and compliance could grow by 32 times. We use this 'elasticity' as our prediction engine.
5. Finally, we built several 5 year scenarios (Section 6) to show the government the consequences of different policy choices:
    a. Status Quo: The current high taxes continue, keeping volume offshore and compliance low.
    b. Alternative Paths: We model what happens if the government makes specific, pro-market changes, such as: lowering the TDS rate, allowing traders to offset losses against profits, and reducing the CGT rate.
6. For each scenario, we project the massive growth in trading volume (using that elasticity), calculate the new profits, and then calculate the total cumulative income-tax collected over the next five years.

[52] Esya's May' 24 "Taxes and Takedown" analysis models three VDA TDS rates (1%, 0.1%, 0.01%) and finds that over 18 months, total tax collected follows a 1:16:32 ratio, with 0.01% TDS yielding the highest revenue. This is because lower TDS preserves trading capital and liquidity, enabling more frequent trades and thus greater overall tax collection

7. The conclusion provides a clear comparison of the total revenue the government stands to gain by moving away from the current restrictive regime to a more enabling, yet compliant, one.

Section 4 : Rising Global Volumes, Stagnant On-Shore Markets: Evidence of Offshore Shift in Indian Crypto Trading

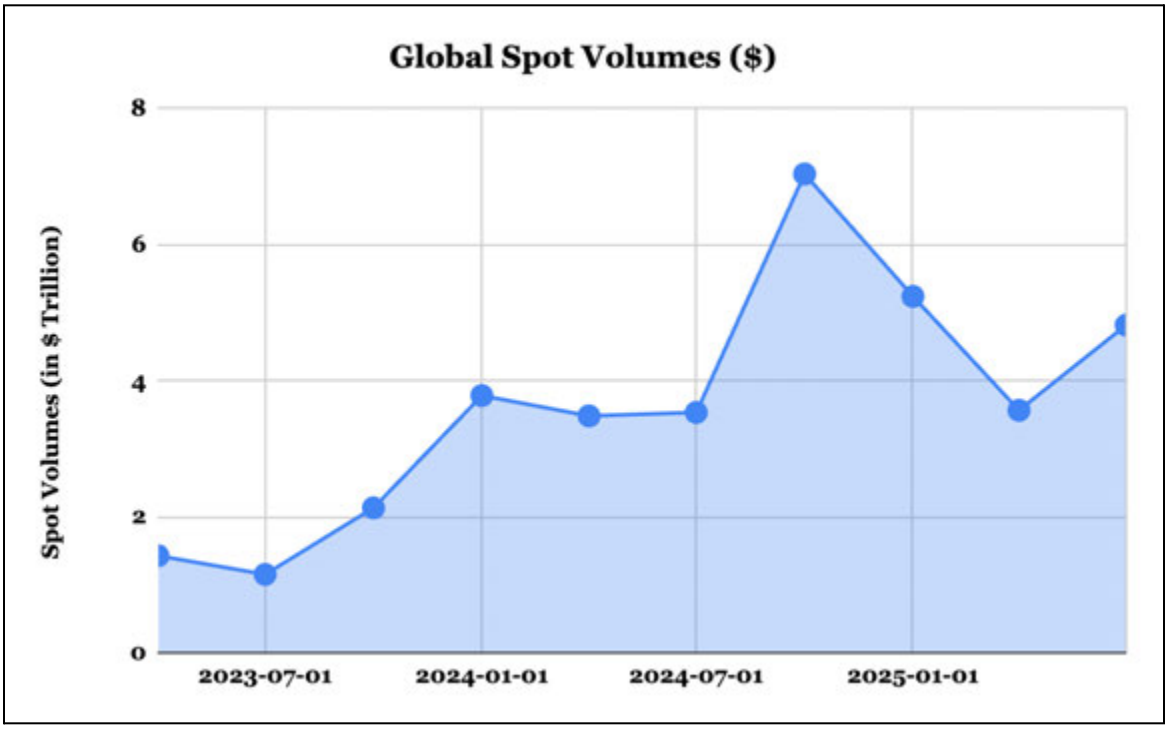


Fig : Global Spot Volumes ($)[53]

Global data shows that the crypto spot market has gone through a clear expansion phase since mid-2023. Quarterly global spot volumes rose from around USD 1–2 trillion in 2023 to a peak of over USD 7 trillion by late-2024, before settling at a higher base than before. This upswing broadly tracks the price cycle of crypto-assets: as prices recover, more capital and more users enter the market, and trading activity deepens. In other words, it is not just prices going up in isolation; the underlying user base and transaction intensity are also expanding, which is what the rising spot-volume curve is capturing.

The exchange-level data(see below Figure) mirror this story. All major global venues – Binance, Bybit, OKX, Coinbase, Kraken and Gate – saw their quarterly spot volumes climb sharply over this period, with some players being "first among equals". Binance in particular more than doubled its volumes between 2023 and its late-2024 peak, and other offshore platforms such as Bybit and OKX showed similar steep trajectories. It is important to note that a number of these fast-growing venues are either banned in India or face significant restrictions, yet continue to attract Indian users due to their network effect of having more liquidity. While domestic Indian

[53] Basis the data available on Coingecko and Coinmarketcap as on (Oct'25) - Data July'23 onwards

exchanges also grew in absolute terms, the rate of growth was not comparable to what we saw from the global off-shore exchanges, even when we compare the growth of their P2P trade volumes from India[54].

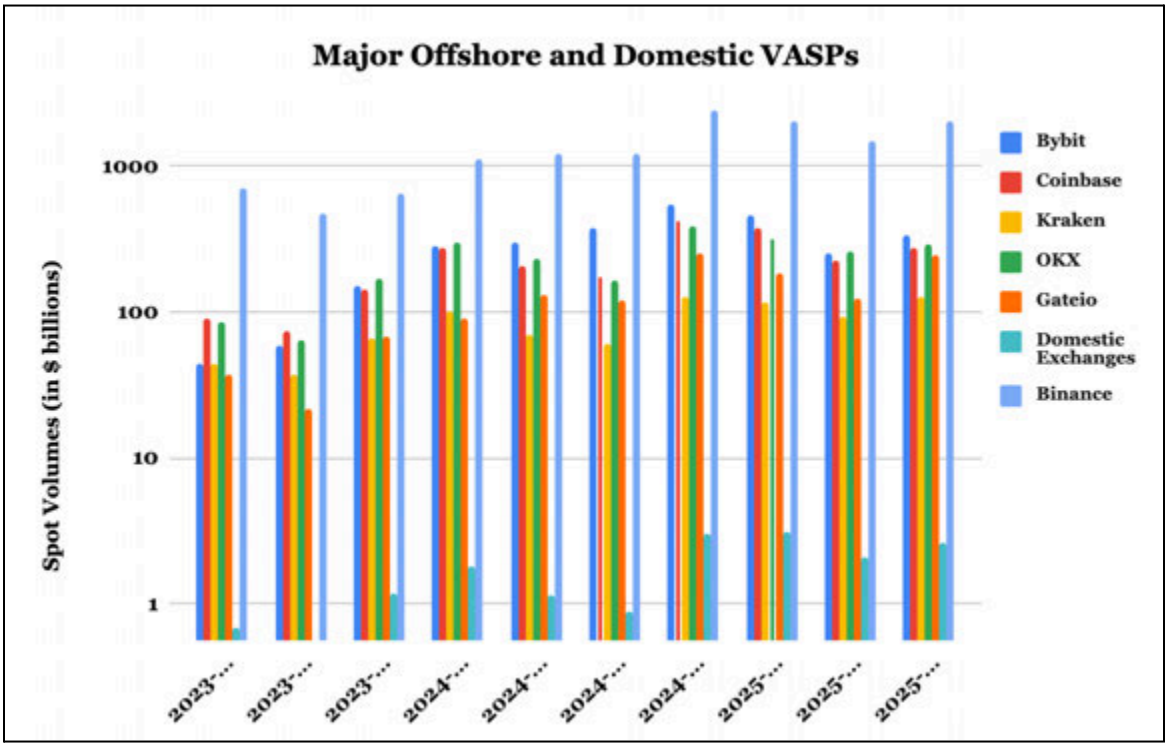


Fig : Major Offshore and Domestic VASPs (2023-25)

This divergence is occurring even as Indian participation clearly increases. On one of the largest Indian exchanges, lifetime spot transactors rose from about 3.9 million by end-2022 to over 6.1 million by October 2025, while lifetime app active users grew from 6.7 million to more than 14.2 million over the same window. It is important to note that this growth came from the KYC-verified, PAN-linked users who have historically been tax-compliant. The growth from the new to crypto non-tax compliant user seems to be cornered by off-shore players which do not mandate TDS reporting. Hence, the domestic spot-volume series for Indian exchanges failed to keep pace with global spot growth or with the rapid expansion of offshore venues like Binance.

When we line up (i) global spot-volume data, (ii) India-specific spot-volume estimates from Chainalysis (iii) global exchange-level flows, and (iv) the relatively subdued growth in Indian exchange volumes, the gap between India's growing user base and its stagnant on-shore

[54] Binance's P2P trade volume from India was estimated at USD 8 billion last year (based on ESYA, Dec 2024, Impact of India's VDA Tax Policy: An Update). The latest estimate indicates an increase to USD 22.6 billion (see Table 1, S. No. D), a rise of approximately 182.5% compared to the previous year

volumes can only be explained by Indian users increasingly executing their trades on offshore platforms. That "missing" volume is also "missing" from the on-shore TDS net, implying a growing pool of taxable transactions that the government cannot currently monitor or collect from.

Participation ⇄ Turnover: Evidence from CoinDCX and India's Spot Market

Extending the earlier discussion, this section looks at how participation and liquidity move together in India when the policy regime is unchanged. Using CoinDCX as the reference point, allows us to see how deeper order books and active users build on each other, the classic network dynamic often described as "liquidity begets liquidity."

The numbers trace a clear link between growth in the user base and growth in trading per user: more participants thicken the market, and thicker markets help keep those participants engaged. However, the venues that now offer the strongest liquidity to Indian traders are the large offshore exchanges, which continue to attract flows even without direct Indian banking support. Evidence from CoinDCX therefore acts as a benchmark for what a compliant domestic market can deliver, while also highlighting, against the offshore patterns discussed earlier, how these same network effects are drawing Indian activity toward unregulated platforms and widening the structural gap in the trading ecosystem.

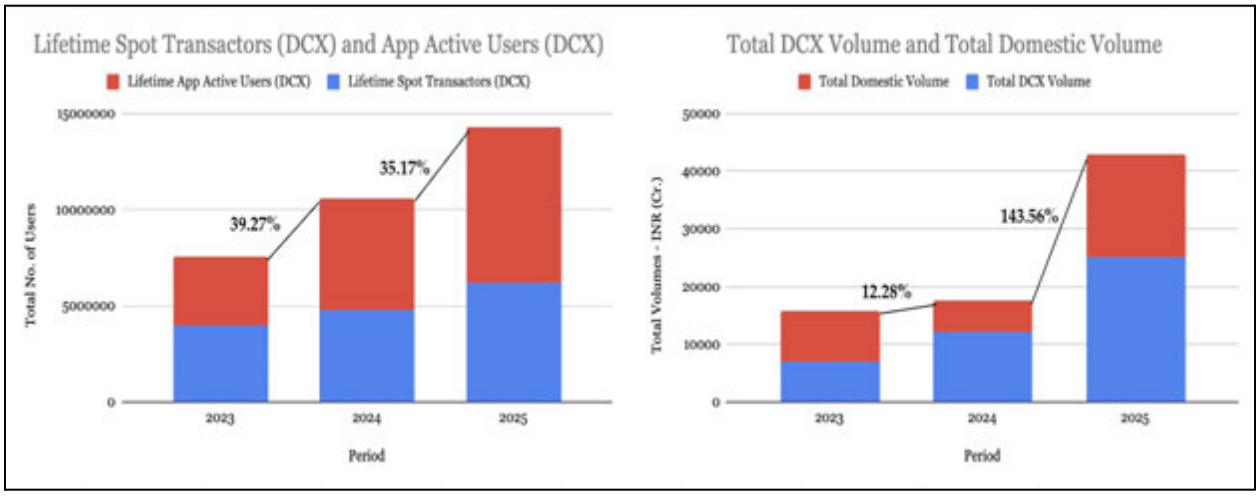


Fig : Lifetime Spot transactors & App Active Users(DCX) and total DCX & domestic volume

The user and volume series move together, consistent with liquidity-driven network effects in a two-sided market. A simple log–log elasticity model to reflect the same is given below.

$$\ln U_t = \alpha + \beta \ln V_t \Rightarrow \beta \approx \frac{\%\Delta U}{\%\Delta V}$$

(using app actives as *Ut* and spot volume as *Vt*) yields:

- 2023→2024 : : $\beta \approx 39.27 / 12.28 \approx 3.2 \Rightarrow$ super elasticity - This "super-elastic" phase indicates that user growth ran ahead of volume growth: the network was still in an adoption/expansion regime where new accounts were being added faster than liquidity and turnover deepened.
- 2024→2025 : : $\beta \approx 35.17 / 143.56 \approx 0.25 \Rightarrow$ volumes expanded much faster than headcount, implying a sharp rise in per-user trading intensity (the intensive margin) as depth and turnover improved .

The co-movement is also well captured by a positive **correlation** conceptually defined as

$$\varrho_{U,V} = \frac{Cov(U,V)}{\sigma_u \cdot \sigma_v} > 0$$

- $\varrho_{U,V}$ = correlation coefficient between user count and trading volume
- $Cov(U,V)$ = covariance between users and volumes
- σ_u = standard deviation of user participation (U)
- σ_v = standard deviation of trading volume (V)

(where σ_u , σ_v represent the respective dispersions (volatility or variability) in user participation and trading volume over time)

This reflects that periods with thicker books and higher turnover coincide with higher participation.

Deeper order books cut implicit trading costs - spreads narrow, execution improves - and that pulls in more trading. As those users trade more, they add further depth, so the loop feeds on itself: liquidity attracts activity, and activity builds liquidity. The CoinDCX data shows exactly this pattern. Volumes have risen sharply over the period, but mostly because an already tax-compliant user base is turning over its capital more frequently as the market has shifted into a bull phase, not because CoinDCX was able to add new domestic users at anything like the pace suggested by global adoption and volume data. In other words, the network effect is working on the intensive margin (existing taxpayers trading more), while the extensive margin (new Indian users) is being captured elsewhere.

A rough tax arithmetic reinforces this point. In FY 2023–24, the government collected about ₹437.43 crore under the 30% crypto capital gains head. Backing out the implied profit base (₹437.43 ÷ 0.30 ≈ ₹1,458 crore) and assuming, conservatively, that only 10% of tax-compliant turnover is profitable, this corresponds to roughly ₹14,580 crore of tax-compliant trading volume. That is about 83% of the estimated ₹17,626 crore domestic spot volume[55], implying that four-fifths or more of onshore activity is generated by users already inside the income-tax net;

[55] Spot volumes for FY23-24 as captured in the previous graph and basis the data calculations

even within the ~30% YoY increase in users, most new accounts in 2025 appear to be existing taxpayers deepening their engagement rather than first-time, untaxed entrants.

Set against the offshore data and web-traffic evidence, the picture is clear: India keeps pace with the global cycle in terms of turnover and active traders, but a growing share of fresh Indian demand is being intermediated by offshore platforms that continue to serve the market despite access restrictions, while domestic, fully compliant VASPs carry the regulatory and tax-collection burden on a shrinking share of the overall pie.

Volumes operational in Binance in INR Fiat Overall Trades

The Indian Rupee ranks among the five most active fiats on Binance order books. It accounts for roughly 9–10% of overall fiat presence, level with the Euro (~10%) and ahead of several Gulf currencies (BHD/OMR/KWD). The USDT–INR P2P block-trade on Binance indicates that INR liquidity has risen from under ₹0.5 billion per day to roughly ₹1–2 billion per day since September 2024, all of which is beyond the TDS withholding framework.

As this liquidity flywheel spins, it is offshore venues - not domestic rails - that now anchor depth and price discovery for Indian users. The next section illustrates this with Binance's INR P2P order-book data, showing sustained growth and concentration in INR–stablecoin flows (especially USDT) on both buy and sell sides, which effectively substitutes for missing banking rails.

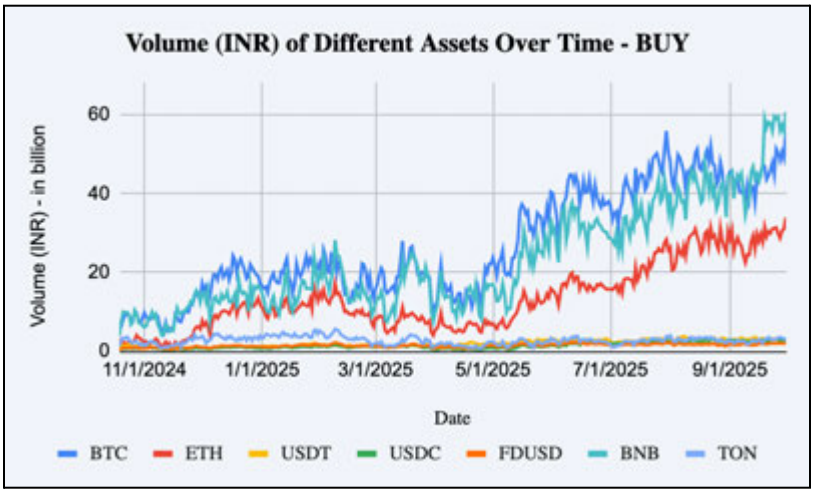


Fig : BUY : Binance Order Books - INR Fiat[56]

[56] Based on the Binance Order Book data compiled from the p2p.binance site, this reflects the advertisers' offerings on the P2P platform.

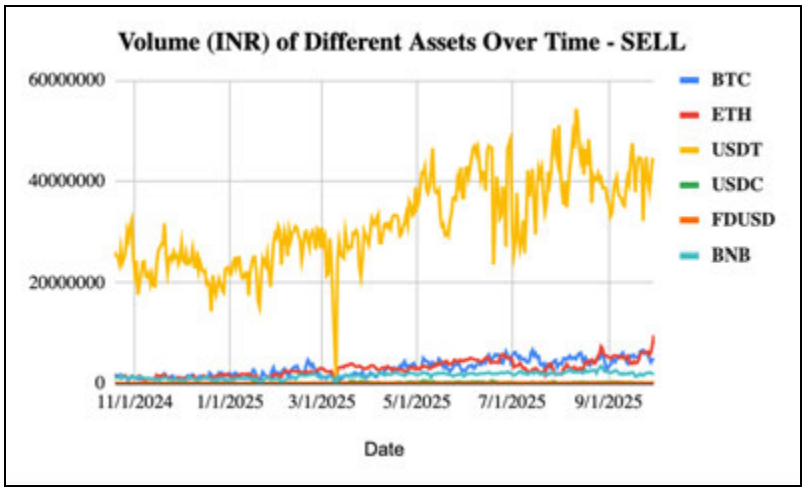


Fig : SELL : Binance Order Books - INR Fiat[57]

Across Oct 2024 - Oct 2025, Binance's INR order books (scraped from the P2P portal - reflecting INR orders executed by mostly Indian users) show persistent, broad-based depth on both sides. We gauge daily turnover as average price times the average INR on the book, which points to sizable offshore INR. BUY demand for BTC/ETH/BNB (plus TON spikes) grows from a few billion to tens of billions of rupees, and the SELL side is led by USDT, with BTC/ETH catching up by mid-2025. Taken together, the order-book float suggests sustained INR activity outside the domestic, TDS-compliant perimeter rather than one-off bursts.

This matters for policy: Section 194S requires a 1% TDS on consideration paid for VDA transfers, a rule Indian platforms operationalize but many offshore venues historically have not - creating clear regulatory arbitrage that drains liquidity from compliant exchanges. Indian authorities have failed to institutionally move against non-compliant offshore platforms, and have taken small dis-jointed steps from time to time (URL blocks, FIU registration/fines) Together with the INR-USDT trade data evidence above, this demonstrates how non-deduction on offshore exchanges produces an uneven market against domestic platforms that comply with the law.

Not only is this non compliance creating a non level playing field, and anti-competitive for the domestic market, it has led to considerable revenue loss for the government as can be seen in Section 5.

[57] Based on the Binance Order Book data compiled from the p2p.binance site, this reflects the advertisers' offerings on the P2P platform.

Section 5 - Results

This section presents the results of the analyses described in the previous section. First, we present results related to volumes by Indians on offshore platforms and estimate total uncollected TDS for the period between October 2024 and October 2025. Next, we forecast the same for the future periods. We present our findings related to potential income tax revenue from VDAs based on historical estimates of potential taxable income arising out of gains from trading in virtual digital assets, forecasting revenue based on multiple scenarios for the period between 2024-2028.

A. Estimating Trade Volume by Indians on Non-Compliant VDA SPs and TDS Owed

Using the methodology explained in Section 3, data is scraped from offshore exchanges to infer the total volume traded by Indian users and the assets they hold on those platforms for the period from October 2024 to October 2025.

Based on initial reads from Binance - along with data available for web-traffic cornered by Binance (roughly 40% market share) we estimate that Indians transacted about ₹4,87,799 lakh crore on offshore venues. Accordingly, the TDS liability for offshore platforms is about ₹4,877 crore. Cumulatively, since TDS took effect in July 2022, uncollected TDS from offshore exchanges likely exceeds ₹11,000 crore. It is important to note that this includes exchanges that are or were supposedly blocked in India during this period, but were accessible through VPNs for sophisticated users. These 'blocked exchanges' continue to be accessible and account for ~60% of the volumes from India.[58] A detailed, step-by-step description of the approach and results follows below.

Table 1 : Estimates of Total Trade Volume & TDS Owed by Indians on Indian and Offshore VDA SPs

Summary of Results			
S.No	**Particulars**	**Estimates**	**Remarks**
A	Grand Total of Averages	$175,834,743,246	Summation of average values of P2P Min/Max Volumes for Oct'24 - Oct'25
B	Multiplier	31	Historic Ratio of estimated volume ($58 Bn) to the actual volume($1.9 Bn) Based on publicly available APIs from

[58] See Annexure A.2 for list of nine blocked exchanges & other related data (Dec'23).Currently Binance and Kucoin have been unblocked

			Binance for the period of May'23-Dec'23
C	Adjusted Total Average(post multiplier)	$5,672,088,492	Grand Total of Averages (A) / 31 (B)
D	Summation of Average (C *4)	$22,688,353,967	As per data, for every 1$ of P2P trade, the volume of trades in an exchange are 4$. Accordingly, to calculate total trade volumes on Binance, we multiple (C) with 4. This calculation provides a baseline of total trade volume for October 2024 to October 2025.
E	Post inclusion of web traffic share for Binance against other global exchanges - 0.4 (Semrush data base)	$56,720,884,918	Here, (1) is adjusted based on Binance's estimated web traffic share, which is approximately 40% of the total Indian web traffic (Semrush) going to offshore exchanges = (D)/0.4
F	Conversion to INR	₹ 4877,99,61,02,947	**Conversion Rate US$ 1 = ₹86.** The current INR equivalent value is 4.87 lakh crores
G	TDS (1%)	₹ 4,877 crores	Finally, the ₹ estimate from Step F is multiplied by 0.01, representing the 1% TDS rate. This calculation yields the final TDS payable value, estimated to be around 4,877 crores.

Estimated TDS collected from Indian exchanges in FY24–25 is about INR 450 crore[59]. Previously, Indian government reported a collection of INR 338 crore for FY22–23 and FY23–24 combined. On this basis, FY24–25 accounts for roughly 33% of total VDA TDS collected by the government, when compared with the previous two financial years. This marks a clear improvement relative to the period before the URL blocks. That said, a closer look - adjusting for the broader upswing in global VDA activity - indicates that the longer-term shift of Indian users toward offshore platforms persists. The subsequent sections examine this in detail.

[59] Based on data received from industry participants. Industry participants shared rough data of the TDS filings made by each player individually, based on which we were able to get an estimate of the TDS collections of the Government in FY24-25.

Table 2 : Comparison of Trade Volumes on Indian and Offshore Platforms

Item	Total Volume(in INR Cr.)	Share of Vol	Est. TDS(in INR Cr.)
Offshore Exchanges	4,87,799	91.5%	4,877
Domestic Exchanges	45,000[60]	8.5%	450
Total	5,32,799	100%	5,327

Our 2024–25 volume study shows Indian users still execute the overwhelming share of crypto trading on offshore platforms: roughly ₹4.88 lakh crore. As per the publicly available data, ~ 91.5%[61] total volume occurs on offshore exchanges such as Binance and Bybit, versus ~₹45,000 crore (8.5%) on domestic players such as CoinDCX and CoinSwitch.

On the same basis, the potential TDS attributable to these flows is ~₹4,877 crore offshore and ~₹450 crore domestic, out of a ~₹5,327 crore total. In short, domestic exchanges remain small players as offshore platforms continue to dominate Indian user activity - and the associated tax base.

B. Forecasting growth of Trade Volume based on Historical Trends

Projection Formula

Let

- V_o = 4,87,799 (the actual for FY 24-25)
- k=1,2,… (years after FY 24-25)

$$V_{\text{◎}} = V_o + k * \Delta\bar{V}$$

Table 3 : Calculation of the average absolute change(used for projections)

Period	Volume(Indians on offshore platforms)	Absolute Δ vs. prior year	Average of the absolute change : $\Delta\bar{V}$
Oct'22 - Oct'23[62]	2,80,052		

[60] We have derived the total domestic volumes for the FY24-25 basis the TDS information received by industry participants for the year FY 24-25. Note: These are estimated figures.
[61] As calculated in Table 2
[62] Referred from ESYA - Impact Assessment of Tax Deducted at Source on the Indian Virtual Digital Asset Market (November 2023) (https://www.esyacentre.org/documents/2023/11/9/impact-assessment-of-tax-deducted-at-source-on-the-indian-virtual-digital-asset-market)

Oct'23 - Oct'24[63]	2,63,406	-16,646	1,03,874
Oct'24 - Oct'25	4,87,799	2,24,393	

Using a simple linear-trend, average-increment method, we project offshore trading volumes by Indian users from the FY24–25 base. The base year volume is 4,87,799 crores and the mean annual step-up $\Delta V^{-} \approx 1,03,874$ is derived from the last three year observations (a modest dip in 2023 followed by a sharp 2024 rebound).

Assuming that the pattern of a dip followed by a rebound continues over the next 5 years as the market sees bull phases and bear phases, this implies an estimated offshore trading volume of about ₹39,97,105 crore over the next five financial years. At a 1% TDS, the corresponding five-year TDS take is therefore ~₹39,971 crore. These projections reflect a steady, average-based ramp and should be read as trend estimates rather than cycle-timed forecasts.

Table 4 : Forecasting growth of Trade Volume of Indians on offshore platforms

Financial Year	k	Projected Volume
FY25-26	1	5,91,673
FY26-27	2	6,95,547
FY27-28	3	7,99,421
FY28-29	4	9,03,295
FY29-30	5	10,07,169

C. Uncollected Income Tax Collection

Using our TDS-gap approach for VDAs, we estimate that offshore platforms have not remitted about ₹11,134 crore of TDS since the 1% TDS came into force. Translating this leakage into implied trading flows gives roughly ₹10,87,700 crore of turnover on offshore venues. Therefore

[63]ESYA Centre, *The Impact of India's VDA Tax Policy: An Update* (December 2024) https://www.esyacentre.org/documents/2024/12/9/the-impact-of-indias-vda-tax-policy-an-update accessed 13 November 2025.

the total Indian crypto trading volume is ~₹12,08,555 crore, with ~90% concentrated on offshore exchanges. [64]

Applying a conservative 10% net profitability benchmark (based on DCX database averages) yields approximately ₹1,20,855 crore of taxable gains. At the statutory 30% CGT rate, the income tax that should have been collected by October 2025 is therefore about ₹36,257 crore - largely attributable to offshore platforms that fall outside domestic jurisdiction.

Table 5 : Uncollected Income Tax Calculation

Particulars	Estimate (INR Cr)
Uncollected TDS from the offshore players till Oct'24 ; since the implementation of 1%TDS	6,000 Cr.
TDS Uncollected basis the latest estimate(offshore platforms) October 2024 - 2025	4,877 Cr.
Total TDS Uncollected till now (present scenario) - for offshore platforms	10,877 Cr.
Conversion to Trading Volume	10,87,700 Cr.
Total Indian Trading Volume - Considering Offshore dominance as 90% (as also substantiated by the previous calculations)	12,08,555 Cr.
Assuming 10% made profitability (basis the average profitability percentage of the DCX database)	1,20,855 Cr.
Income Tax supposed to be collected till now - (30% CGT)	36,257 Cr.

Summary: The Case for Lowering Crypto TDS

The core argument is that the current 1% TDS rate is counterproductive, shrinking the domestic tax base and pushing the market into the hands of offshore, non-compliant players. A nominal

[64] See ESYA, Impact Assessment of Tax Deducted at Source on the Indian Virtual Digital Asset Market (Nov 2023), and ESYA, Taxes and Takedown (May 2023). Both analyses show offshore exchange dominance of ~90% in the periods covered; our latest 2024–25 calculations indicate a comparable ~90% offshore share (see Table 2).

TDS of 0.1% or 0.01% would correct this failure by applying a well-established principle: low friction enables high volume and strong compliance.

1. Stopping the Arbitrage and Repatriating Users
    a. Tax-Driven Flight: The 1% TDS is clearly driving a market split. In the spot market where TDS applies, domestic exchanges hold only about10% of the volume. Conversely, in the F&O market (where there is no TDS), domestic exchanges are competitive with a 50% market share. This proves the flight is due to tax avoidance, not product preference.
    b. The Incentive: A nominal TDS such as .01% would make domestic exchanges significantly more appealing, encouraging users who left to avoid the tax to repatriate their trading back to regulated Indian platforms.
2. Maximizing Income Tax Collection
    a. Discouraging Gains Realization: High TDS discourages initial investment and, crucially, disincentivizes the eventual selling and profit-taking necessary for the government to collect the 30% Capital Gains Tax (CGT).
    b. Offshore Leakage: By stifling domestic activity, the 1% TDS ensures potential tax revenue is either unrealized or generated on foreign platforms, where the government has no jurisdiction.
3. Improving the Data Trail
    a. The Paradox: The original goal of the 1% TDS was to create a data trail for tax authorities. Paradoxically, by driving >90% of the volume offshore, it has shrunk the very data pool it intended to monitor.
    b. High Volume, Better Data: A nominal .01% TDS, applied to a vastly larger volume of transactions onshore, would fulfill the original goal: it would provide the tax authorities with a far more comprehensive and useful data trail of the entire domestic ecosystem.
4. Learning from Capital Markets
    a. The strategy is modeled after India's successful equity markets, which use a low Securities Transaction Tax 0.1% to maintain robust liquidity and predictable revenue. By adopting a low-friction approach for VDAs, the government can broaden the tax base and strengthen audit trails without hurting market growth.

Based on the income tax data collected by the government over the past two years, there appears to be significant potential for income tax collection. The government collected ₹269.09 crore in FY22–23 and ₹437.43 crore in FY23–24, amounting to roughly ₹706 crore in total[65]. However, the corresponding potential income tax payable, as per the above calculations, is

[65] Answered in one of the parliament questions this monsoon session (Q.13 - Income tax on VDA and crypto currency Income" - https://sansad.in/getFile/loksabhaquestions/annex/185/AU13_FnZYrT.pdf?source=pqals

estimated to be around ₹20,000 crore (as on FY23-24) - indicating that the actual collection is approximately 2,700% lower than the potential.

Cutting VDA TDS in stages - from 1% to 0.1% to 0.01% - is a strategic, likely revenue-enhancing reform. It aligns with global market realities, keeps Indian users onshore, and expands the taxable base for the 30% gains levy. Lower friction would restore liquidity to domestic platforms, reduce offshore leakage, and sharpen supervisory visibility - strengthening compliance while catalyzing a healthier, more innovative homegrown digital-asset market.

Section 6 : Future Scenario Analysis

Using the initial table (**Table 4)** estimating potential uncollected income tax as the baseline, we present three scenarios for India's VDA sector that illustrate how government revenues could rise with improved compliance and a level playing field.

First, reducing the TDS rate from 1% to 0.01% is expected to encourage higher onshore participation and reporting, broadening the tax base and increasing projected collections over time. Second, a calibrated reduction in capital gains tax could draw additional activity into the regulated perimeter, bringing more firms and users under official oversight. Finally, permitting the offset of losses would further incentivize formal reporting of gains and losses, improving effective compliance and net revenue.

In addition, we model a conservative '50% domestic compliance' scenario in which only half of activity shifts into the formal net even after these measures, yet government revenues still rise meaningfully and follow a more predictable trajectory than under the status quo. Together, these cases demonstrate that targeted policy adjustments can simultaneously bolster compliance, expand the taxable base, and increase sustainable tax collections.

The following forecasting results are derived from the previously calculated projected trading volumes for the next five years, based on the estimated trading volume data so far. Using the forecasted volume data as a baseline, we will now evaluate the potential government revenue - specifically, the income tax collectible by the government (over the next five years) based on different scenarios

Table 6 : Projections under the status quo scenario

Financial Year	k	Projected Volume of Indians on offshore platforms(90% non compliant)	Total Projected Volumes[66]	Projected Volumes for the compliant platforms (10% share)
FY25-26	1	5,91,673	6,57,414	65,741
FY26-27	2	6,95,547	7,72,830	77,283
FY27-28	3	7,99,421	8,88,246	88,825

[66] Considering 10% compliance percentage

FY28-29	4	9,03,295	10,03,661	1,00,366
FY29-30	5	10,07,169	11,19,077	1,11,908

Scenario 1 : TDS deduction from 1% to 0.01%

Building on the status-quo projections in the **Table 6**, the first exhibit translates a lower TDS (1% → 0.01%) into higher domestic compliance—assumed to revert to ~59%, the level observed before the July-2022 policy frictions. Under this shift, a larger share of activity moves onshore and under tax visibility, lifting the "potential volumes" each year from about 3.87 lakh crores in FY25-26 to 6.60 lakh crores by FY29-30. Applying a conservative 10% user profitability to these volumes yields taxable profits of ~38k rising to ~66k over the period; leading to a potential tax collection of ~₹ 78,610 crores in aggregate over five years. The slope under the TDS reduction scenario is 6× the slope under the status quo. The line chart underscores this dynamic: compared with the status-quo path, the reduced-TDS scenario generates a visibly steeper onshore volume trajectory, reflecting both the compliance rebound and the associated broadening of the government's tax base.

Table 7 : Projected government revenue(income tax calculation) if TDS is reduced from 1% to 0.01%

Total Projected Volume[67]	Projected Volumes with increased compliance to 59%	Profitability (10%)	Capital Gains (30%)	Forecasted Possible government revenue with increased compliance (next 5ys)
6,57,414	3,87,875	38,787	11,636	78,610
7,72,830	4,55,970	45,597	13,679	
8,88,246	5,24,065	52,406	15,722	
10,03,661	5,92,160	59,216	17,765	
11,19,077	6,60,255	66,026	19,808	

[67] Total Projected Volume comprises 10% onshore compliance and 90% non compliance platforms (status quo - basis estimates of last 3 years data)

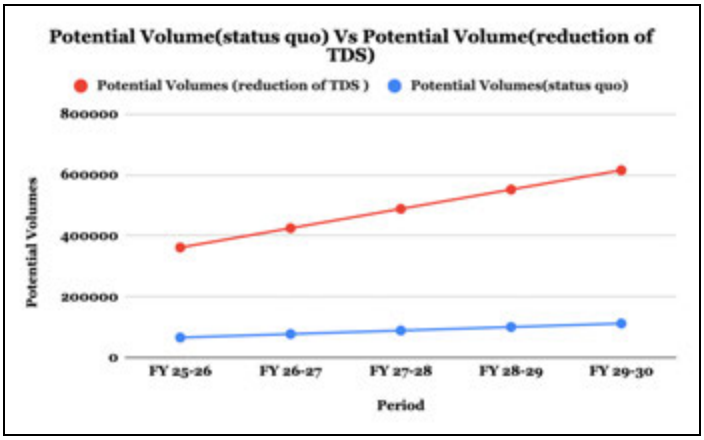


Fig : Potential Volumes(status quo Vs reduction in TDS)

Scenario 2 - Reduction of Capital Gains Tax from 30% to (15 - 18%)

Extending the same framework, we model a cut in capital-gains tax from 30% to a long term capital gain structure as seen across many other developed nations. We assume that these steps will lift compliance to ~70%[68], broadly restoring the pre-TDS onshore compliance of around 59% and also recapturing ~11% of activity that was lost in April–May 2022 after the capital-gains regime kicked in.

Under this setting, potential onshore volumes climb from ~4.60 lakh crores in FY25-26 to ~7.83 lakh crores by FY29-30. With a conservative 10% user profitability, even at the illustrative 30% rate shown in the table, the five-year receipts sum to ~₹ 93,266 crores; at a 15–18% CGT, collections would scale proportionally off a much larger base, strengthening government's visibility over future receipts.

Table 8: Projected Government Revenue if capital gains tax is reduced

Total Projected Volume[69]	Projected Volumes with increased compliance to	Profitability (10%)	Capital Gains (30%)	Forecasted Possible government revenue(next

[68] For the period before July '22 (when TDS was introduced), domestic compliance is estimated at ~59% (Scenario 1). Between April–June '22, domestic trading volumes fell by 14%(as evident by ESYA study - Link : refer point 4 - page 4 highlights) ; adjusting for overlap with June (already captured in the pre-TDS estimate), we conservatively treat 11% as lost domestic compliance. If capital gains tax is reduced from 30% to 15–18%, we assume this 11% returns, taking domestic compliance from 59% to ~70%. ESYA Centre, *The Impact of India's VDA Tax Policy: An Update* (December 2024) 4, point 4 https://www.esyacentre.org/documents/2024/12/9/the-impact-of-indias-vda-tax-policy-an-update accessed 13 November 2025.

[69] Total Projected Volume comprises 10% onshore compliance and 90% non compliance platforms - (status quo - basis estimates of last 3 years data)

	70%			5ys)
6,57,414	4,60,190	46,019	13,806	
7,72,830	5,40,981	54,098	16,229	
8,88,246	6,21,772	62,177	18,653	93,266
10,03,661	7,02,563	70,256	21,077	
11,19,077	7,83,354	78,335	23,501	

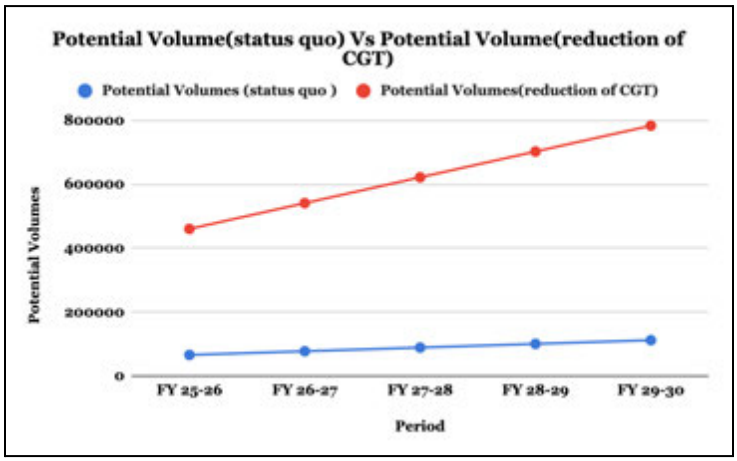


Fig: Potential Volumes(status quo vs reduction of CGT)

Scenario 3 - Offset of losses

Under Scenario 3, loss set-off is permitted only when trades are executed through FIU-registered entities, which is assumed to lift domestic compliance to ~85% by building on the ~70% onshore compliance restored under the reduced CGT framework and recapturing the additional ~15% of activity that migrated away from domestic exchanges following the Union Budget 2022 announcement of a 30% tax on gains and no loss set-off [70].

As more activity moves onshore, the estimated "potential volumes" rise from about 5.58 lakh crores in FY25-26 to 9.51 lakh crores by FY29-30. Applying a conservative 10% user profitability and a 30% CGT to these volumes yields annual collections of ₹1,13,251 crores across five years. The slope comparison showcases how tying loss relief to compliant (FIU-registered) rails materially broadens the onshore tax base and strengthens the government's visibility over future receipts.

[70] Refer ESYA (Jan'23) - VDA Tax Architecture in India ; A Critical Examination Link - " Domestic centralised VDA exchanges lost 15 percent of their trading volumes in the two months (i.e. Feb-Mar 2022), following the Union Budget 2022 announcement of a levy of 30 percent tax on gains, no provision to write-off losses and one percent TDS. They lost another 14 percent of their trading volumes in three months (i.e. Apr-Jun 2022), since the implementation of the flat 30 percent tax "

Table 9: Projected Government Revenue if provision to offset losses is allowed

Total Projected Volume[71]	Projected Volumes with increased compliance to 85%	Profitability (10%)	Capital Gains (30%)	Forecasted Possible government revenue(next 5ys)
6,57,414	5,58,802	55,880	16,764	1,13,251
7,72,830	6,56,906	65,691	19,707	
8,88,246	7,55,009	75,501	22,650	
10,03,661	8,53,112	85,311	25,593	
11,19,077	9,51,215	95,122	28,536	

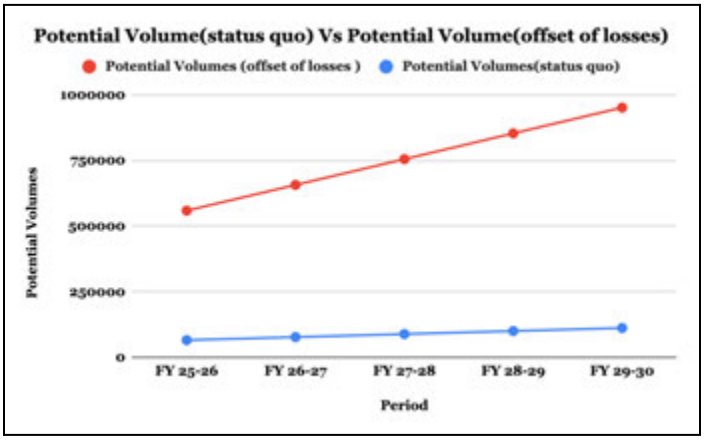


Fig: Potential Volumes(status quo vs offset of losses)

Scenario 4 : Conservative case (50% domestic compliance)

Even if the stronger rebounds in Scenarios 1–3 (59%, 70%, 85%) don't fully materialise - because some users stay offshore or exploit remaining gaps - we model a cautious floor where only half the market becomes compliant. Using the same framework and assumptions, this still delivers a visibly steeper onshore trajectory (≈5× rise in compliant volumes over FY25–30) and potential capital-gains receipts of ~₹66,618 crore over five years at illustrative 10% profitability and 30%

[71]Total Projected Volume comprises 10% onshore compliance and 90% non compliance platforms - (status quo - basis estimates of last 3 years data)

CGT. In short: even a restrained compliance lift to 50% meaningfully broadens the tax base and sustains higher, more predictable government revenues.

Table 10: Projected Government Revenue if domestic compliance increases to 50%

Non compliant volume(status quo)	Projected Volumes with increased compliance to 50%	Profitability (10%)	Capital Gains (30%)	Forecasted Possible government revenue(next 5ys)
6,57,414	3,28,707	32,871	9,861	66,618
7,72,830	3,86,415	38,642	11,592	
8,88,246	4,44,123	44,412	13,324	
10,03,661	5,01,831	50,183	15,055	
11,19,077	5,59,539	55,954	16,786	

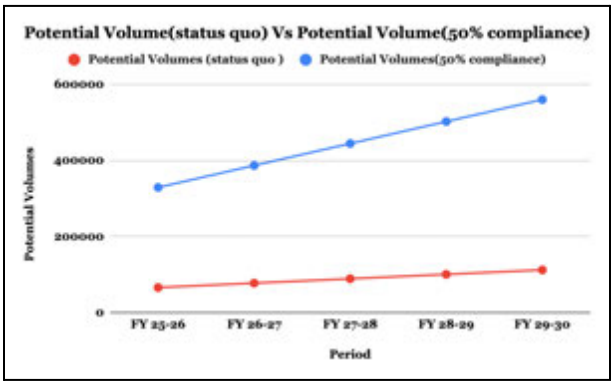


Fig : Potential Volumes (status quo vs increased compliance to 50%)

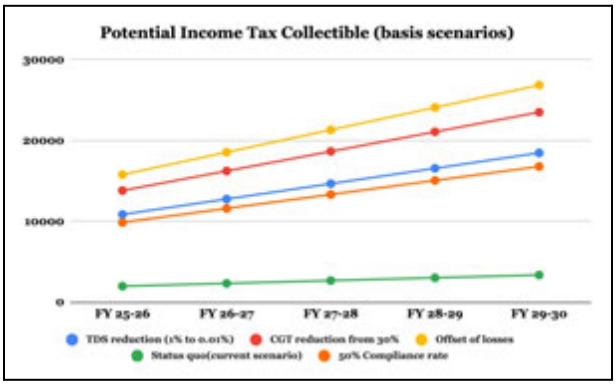


Fig : Potential Income Tax Collectible(basis different scenarios)

The chart compares five trajectories for potential income-tax collections from FY25–26 to FY29–30. The status quo path (green) stays lowest throughout, inching up only slowly from a modest base. Cutting TDS from 1% to 0.01% (blue) shifts the curve noticeably higher, with a steady rise into the high-teens by FY29–30. A conservative 50% compliance case (orange) sits above the status quo but below the stronger reform paths, showing that even a partial rebound in onshore activity yields a meaningful revenue lift. Allowing loss set-off (yellow) pushes collections further up, ending in the mid-20k range, while a reduction in capital gains tax (red) delivers the steepest and highest line, approaching ₹30k by FY29–30. Taken together, the lines illustrate that lighter frictions and better-aligned rules progressively pull more activity onshore and broaden the taxable base, whereas maintaining the current regime locks in the flattest and least favourable revenue outcome.

Section 7 : Conclusion and Recommendations

Based on the above findings, a few things are absolutely clear. India is not the country with the highest adoption of crypto-assets or trading in the world, but is definitely a country with high adoption numbers. India is a leader in the field in APAC and is considered amongst the larger adopters - most of which are developed countries.

Accordingly, the trading volumes in India continue to grow. More and more users are coming onboard to trade in crypto-assets using domestic and international exchanges. However, as can be seen, the user that is mostly tax compliant is the one that is using domestic exchanges, and the non-tax paying citizens are mostly moving to off-shore exchanges with a view to avoid paying TDS. The same can be seen from the growth rate of Indian volumes on domestic & offshore exchanges - and by comparing it to the data from the pre-TDS regime when domestic exchanges had a much larger proportion of the trading volumes in the country.

The Tax framework, while meant to be a step in the right direction, has had some unwanted effects on the trading activity in India. Not only is it leading to a loss for the domestic players, it is also clearly impacting the potential revenue collection of the government, to the tune of 000's of crores - even if calculated conservatively. It is time for the government to review the situation based on the data available, consult with the industry and take steps to bring this industry within its control and to maintain a check on the growth of off-shore players.

With this context, we conclude our report by revisiting our takeaways and recommendations:

1. **Offshore remains the center of gravity.** Indian users routed an estimated ₹4.88 lakh crore of trading to offshore venues in Oct 2024–Oct 2025, lifting the five-year offshore shortfall risk on TDS to ~₹39,971 crore if the status quo persists
2. **Despite Indian exchanges deducting and remitting TDS** (~₹450 crore in FY24–25 vs ₹338 crore across FY22–23–FY23–24), pervasive P2P/offshore activity drives substantial leakage—so realised collections remain only ~10–15% of the likely TDS base.
3. **Material TDS leakage persists** - uncollected TDS since July 2022 is ~₹11,000 crore (of which ~₹4,877 crore in Oct 2024–Oct 2025) and the estimated cumulative uncollected tax revenue stands at ~₹36,257 crore as of today. To arrest leakage and lift compliance, first mandate registration of all VDA platforms under the Companies Act, 2013 and enact clarificatory amendments to close scope/loopholes, alongside strict enforcement against non-compliance. Under the status quo (1% TDS and 30% capital gains tax), compliance is ~10%; if TDS is cut to 0.01% or SFT is introduced, compliance is expected to rise to ~55% with potential revenue of ~₹2,39,825 crore; adding loss-offsets when trading via

FIU-registered entities could lift compliance to ~70% with ~₹3,59,739 crore potential revenue; and, with a calibrated reduction in the capital-gains rate (along with the prior two measures), compliance could reach ~80% with ~₹5,39,608 crore potential revenue.

4. **Enforcement tools alone haven't reversed migration:** While there has been some enforcement, it has been so little and so dis-jointed that it has not stopped any Indian participation on offshore platforms.
5. **Rate design matters more than takedowns.** Evidence and scenarios indicate that moving TDS from 1% → 0.1% → 0.01% can expand the base and raise total collections (indicative 1:16:32 ratio), by restoring on-shore liquidity and improving data trails.

Recommendations

1. Amend Sections 194S of the Income-tax Act, 1961 to unambiguously require offshore platforms to comply with India's tax rules, irrespective of physical presence or a PE setup in India.
    a. Apply this duty to both resident and non-resident exchanges, regardless of business connection or place of operations; and
    b. Apply this to the exchanges even if part of the VDA transfer transaction takes place on the exchange as against to the complete transaction end to end.
2. Amend Section 115BBH to tax VDAs in a manner similar to other property/assets considering that multiple High Courts have now held that VDAs are to be classified as a property.
3. Reduce the TDS rate to 0.01% – 0.1% and additionally introduce Statement of Financial Transaction (SFT) reporting to all VASPs licensed with the FIU to improve tracking & traceability of VDA transactions through Annual Information Returns (AIR).
4. Require all FIU-registered VASPs to maintain a registered office or a principal place of business in India under the Companies Act, 2013 (via an Indian subsidiary or a duly registered foreign entity) to strengthen supervisory reach and enforcement.
5. Launch a nationwide investor-awareness drive on tax obligations for crypto activity, coupled with a time-bound amnesty or reduced-penalty window to encourage voluntary disclosure and payment of past dues

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25. *Widmalm (2001) :Tax Structure and Growth: Are Some Taxes Better Than Others?*

Annexure

A.1 Data Sources

Data Sources

Data Sources		
Source	Purpose	Period
similarweb.com, semrush.com	Used to track Indian-origin web traffic on compliant and non-compliant exchanges, providing a basis to scaling volume and holdings estimates. Also used to illustrate impact of TDS implementation and URL block by highlighting role of non-blocked offshore exchanges	Oct'24 - Oct' 25
Sample bitbns.com, coindcx.com, coinswitch.co, giottus.com, mudrex.com, zebpay.com, buyucoin.com, unocoin.com, wazirx.com, binance.com, kucoin.com, bitfinex.com, gate.io, kraken.com, mexc.com, htx.com, okx.com, bitstamp.com, ascendex.com, bingx.com, bitget.com, bitmart.com, bitmex.com, bitrue.com, btcc.com, btse.com, bybit.com, cex.io, changelly.com, coincola.com, coinex.com, coinstore.com, coinw.com, crypto.com, deribit.com, gemini.com, hitbtc.com, lbank.com, lcx.com, lmax.com, localcoinswap.com, noones.com, okcoin.com, onramp.money, paxful.com, phemex.com, poloniex.com, primexbt.com, probit.com, remitano.com, stormgain.com, xt.com, zoomex.com		
Coingecko.com	Sourced historical price data to calculate P2P volumes in INR and USD terms.Data on volumes for Indian exchanges and global volume were also sourced. Used to estimate total TDS collected via Indian platforms and for forecasting potential uncollected TDS and income tax for VDAs	For Asset & Market Cap Prices: Oct'24 - Oct'25, For Volume Data (Indian Exchanges) - Oct'24 - Oct'25
Sample Includes price data for BTC, ETH, BNB, and TON. For stablecoins USDT, USDC, and FDUSD, the price was held constant at 1 USD. Market capitalization and volume data is for over 10,000+ assets		
Survey of select Indian VASPs	Used to explore trends in user profiles, i.e. geography, occupation, and income, as well as to determine tax base by estimating total taxable profit for 2024	For Data related to Assets Under Control (AUC): Jan19'-Oct24; For data related to user trends: as of Oct24'
Sample AUC data collected for 300+ assets, user trends data includes aggregates for geographical location, reported income, and reported occupation ordered by trade volume in the last year. Data has been		

collected for 20,000 users contributing high volume		
Kaiko.com, Coingabbar.com, Other Sources[72]	To collect up to date Proof-of-Reserve data for Indian exchanges when available .	Oct'24 - Oct'25
Sample coindcx.com, coinswitch.co, suncrypto.in, unocoin.com, wazirx.com		
Survey data from ESYA previous reports and industrial inputs	Specifically survey results pertaining to the ratio of net inflows (deposits/withdrawals) to trade volume, and aggregate user holdings	Oct23', May24'
Sample CoinDCX, CoinSwitch, WazirX, KoinBX, Mudrex, Giottus, Zebpay		
Public APIs	Data from public APIs provided volume data for Indian exchanges	For the entire period from Oct'24 - Oct '25
Sample CoinDCX, Coinswitch, Mudrex		

[72]Unocoin Growth, 'Unocoin's Proof of Reserves Audit – June 2023' (Unocoin Blog, 5 July 2023) https://blog.unocoin.com/unocoins-proof-of-reserves-audit-june-2023/ accessed 13 November 2025.

A.2 List of non registered FIU entities operational in India via VPN

Despite VDA service providers being brought under India's AML/CFT regime in March 2023 and some 50 platforms registering since, FIU-IND continues to flag operators that cater to India without onboarding to the PMLA framework. Using powers under Section 79(3)(b) of the IT Act, authorities have issued takedown notices for apps/URLs of several such entities, citing non-compliance with reporting, KYC and record-keeping duties that apply regardless of physical presence in India. In practice, this parallel access channel - spanning names from large global exchanges to niche brokers - diverts order flow offshore and perpetuates gaps in domestic oversight, consumer protection and tax/TDS enforcement, reinforcing the policy challenges outlined above.

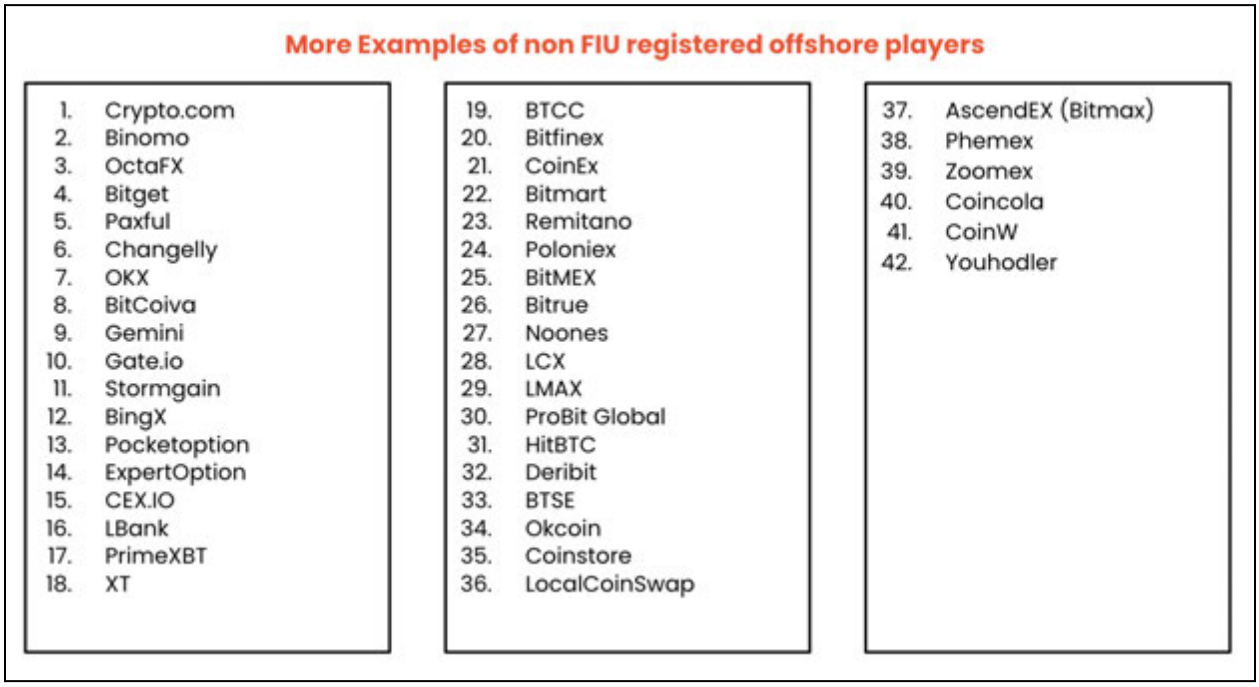

Fig : Examples of Non FIU registered offshore entities operational in India

List of 9 blocked exchanges(as on Dec'23) accessible through VPN were

1. Binance (unblocked on what date)
2. Kucoin (same)
3. Huobi
4. Kraken
5. Gate.io
6. Bittrex

7. Bitstamp
8. MEXC
9. Bitfinex