



# Cryptocurrency Compliance Checklist for Indian Investors and Traders

**A Comprehensive Guide to Stay Legal and Compliant**

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## How to Use This Checklist

This checklist is designed to help Indian cryptocurrency investors and traders ensure they are compliant with all applicable laws and regulations. The checklist is divided into different sections based on your current situation:

- **New Investors:** Those who are planning to start investing in cryptocurrency
- **Existing Investors:** Those who already own cryptocurrency
- **Active Traders:** Those who frequently buy and sell cryptocurrency
- **Tax Filing:** Annual compliance requirements
- **Ongoing Compliance:** Regular monitoring and maintenance

**Important Note:** This checklist is for general guidance only. For specific legal or tax advice, please consult with qualified professionals.



## Section 1: Before You Start Investing (New Investors)

### Legal and Regulatory Preparation

- ☐ **Understand Legal Status** - Confirm that cryptocurrency is legal to own and trade in India (but not as legal tender) - Understand that crypto cannot be used for payments in India - Read latest RBI and government guidelines on cryptocurrency
- ☐ **Choose Compliant Exchange** - Select only FIU-IND registered cryptocurrency exchanges - Verify exchange registration status on FIU-IND website - Check exchange's compliance with AML/KYC requirements - Review exchange's security features and insurance coverage
- ☐ **Complete KYC Verification** - Prepare required documents: PAN card, Aadhaar card, bank statements - Complete full KYC verification with chosen exchange - Verify your bank account with the exchange - Set up two-factor authentication (2FA) for security

### Tax Preparation

- ☐ **Understand Tax Implications** - Learn about 30% flat tax on crypto gains (Section 115BBH) - Understand 1% TDS on transactions above ₹50,000 annually - Know that crypto losses cannot be offset against other income - Understand when individual tax slab rates apply (mining, staking, airdrops)
- ☐ **Set Up Record Keeping** - Create a system to track all crypto transactions - Prepare to maintain records for at least 7 years - Set up spreadsheet or use crypto tax software - Plan to track: date, amount, price, exchange used, transaction fees
- ☐ **Consult Professionals** - Consider consulting a chartered accountant familiar with crypto taxation - Understand advance tax obligations if applicable - Plan for quarterly tax payments if needed.



## Section 2: For Existing Crypto Investors

### Immediate Compliance Check

- ☐ **Verify Exchange Compliance** - Check if your current exchanges are FIU-IND registered - If using unregistered exchanges, plan to transfer funds to compliant platforms - Update KYC information if required by new regulations - Review and accept updated terms and conditions
- ☐ **Tax Compliance Review** - Review all crypto transactions from April 1, 2022 onwards - Calculate unreported crypto gains from previous years - Check if you have received TDS certificates from exchanges - Identify any missing tax payments or filings
- ☐ **Record Reconstruction** - Gather transaction history from all exchanges used - Download transaction reports and statements - Organize records by financial year - Calculate cost basis for all current holdings

### Ongoing Compliance

- ☐ **Monitor Transaction Thresholds** - Track annual transaction volume for TDS implications - Monitor ₹50,000 threshold for 1% TDS - Keep track of high-value transactions (above ₹10 lakhs) - Maintain awareness of FEMA limits for international transactions
- ☐ **Stay Updated on Regulations** - Subscribe to updates from FIU-IND and tax authorities - Follow regulatory announcements from RBI and Ministry of Finance - Monitor Supreme Court judgments related to cryptocurrency - Stay informed about upcoming regulatory changes



## Section 3: For Active Crypto Traders

### Enhanced Compliance Requirements

- ☐ **Advanced Record Keeping** - Maintain detailed trading logs with timestamps - Track all crypto-to-crypto trades as taxable events - Record fair market value at time of each transaction - Maintain separate records for different types of income (trading vs staking)
- ☐ **Tax Planning** - Calculate tax liability on a quarterly basis - Plan advance tax payments if annual liability exceeds ₹10,000 - Consider timing of profit-booking for tax optimization - Maintain cash reserves for tax payments
- ☐ **AML Compliance** - Cooperate with exchange AML monitoring - Respond promptly to exchange requests for additional information - Avoid suspicious trading patterns that might trigger alerts - Report any suspicious activities to your exchange
- ☐ **Professional Support** - Establish relationship with crypto-specialized CA - Consider legal consultation for complex trading strategies - Use professional crypto tax software for accurate calculations - Plan for potential tax audits or inquiries.

## Section 4: Annual Tax Filing Compliance

### Before Filing ITR

- ☐ **Gather Required Documents** - Collect all TDS certificates (Form 16A) from exchanges - Download annual transaction statements from all exchanges - Calculate total crypto gains and losses for the financial year - Prepare details of any crypto





income (mining, staking, airdrops)

- ☐ **Calculate Tax Liability** - Apply 30% tax rate to all crypto gains - Calculate tax on other crypto income at slab rates - Account for TDS already deducted - Calculate any advance tax payments made
- ☐ **Prepare Schedule VDA** - Fill out Schedule VDA (Virtual Digital Assets) in ITR form - Report all crypto transactions and gains - Include details of exchanges used - Ensure accuracy of all reported amounts

## Filing Process

- ☐ **Choose Correct ITR Form** - Use ITR-2 for investment income from crypto - Use ITR-3 if crypto trading is considered business income - Include all sources of income, not just crypto
- ☐ **File Within Deadlines** - File ITR by July 31st of assessment year - Pay any additional tax liability - Keep acknowledgment and payment receipts - Consider filing revised return if errors discovered
- ☐ **Post-Filing Compliance** - Respond promptly to any tax notices - Maintain all supporting documents - Keep ITR acknowledgment safely - Plan for next year compliance.

## Section 5: Ongoing Compliance Monitoring

### Monthly Tasks

- ☐ **Transaction Review** - Review all crypto transactions for the month - Update transaction records and spreadsheets - Check for any unusual or suspicious activities - Verify TDS deductions by exchanges
- ☐ **Regulatory Updates** - Check for new government notifications or circulars -



Review any changes in exchange policies - Monitor Supreme Court or High Court judgments - Update compliance procedures if needed

## Quarterly Tasks

- ☐ **Tax Planning Review** - Calculate current year tax liability - Plan advance tax payments if required - Review investment strategy for tax efficiency - Consult with CA if needed
- ☐ **Compliance Audit** - Review compliance with all applicable regulations - Check exchange registration status - Verify KYC information is up to date - Assess need for any corrective actions

## Annual Tasks

- ☐ **Comprehensive Review** - Complete annual tax filing - Review and update record keeping systems - Assess compliance with all regulations - Plan for upcoming year's compliance requirements
- ☐ **Professional Consultation** - Annual review with chartered accountant - Legal consultation if needed - Update on regulatory changes - Plan for any required compliance improvements

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## Section 6: Special Situations

### International Transactions

- ☐ **FEMA Compliance** - Ensure compliance with Liberalized Remittance Scheme (LRS) limits - Maintain documentation for overseas remittances - Report large international transactions if required - Avoid using unregulated international exchanges
- ☐ **Cross-Border Tax Issues** - Understand tax implications in other countries -



Avoid double taxation issues - Maintain records for foreign tax authorities if applicable - Consider tax treaties between India and other countries

## **Business/Corporate Crypto Activities**

- ☐ **Additional Compliance** - Register business activities with appropriate authorities - Comply with GST requirements if applicable - Maintain separate business records - Consider additional licensing requirements
- ☐ **Enhanced Reporting** - File appropriate business tax returns - Comply with corporate governance requirements - Maintain audit trails for business transactions - Consider professional audit requirements

## **Section 7: Emergency Procedures**

### **If You Receive a Tax Notice**

- ☐ **Immediate Actions** - Do not ignore the notice - Read the notice carefully and understand the allegations - Gather all relevant documents and records - Consult with a chartered accountant immediately
- ☐ **Response Preparation** - Prepare detailed response with supporting documents - Calculate correct tax liability if there are discrepancies - Submit response within specified timeframe - Maintain copies of all correspondence

### **If Your Exchange is Under Investigation**

- ☐ **Protective Measures** - Gather all transaction records from the exchange - Download all statements and certificates - Transfer funds to compliant exchanges if possible - Consult legal counsel if needed
- ☐ **Cooperation** - Cooperate with regulatory investigations - Provide accurate



information when requested - Maintain transparency in all dealings - Avoid any actions that could be seen as obstruction.

## Section 8: Resources and Contacts

### Government Agencies

- **Income Tax Department:** [www.incometax.gov.in](http://www.incometax.gov.in)
- **FIU-IND:** [fiuindia.gov.in](http://fiuindia.gov.in)
- **RBI:** [www.rbi.org.in](http://www.rbi.org.in)
- **Ministry of Finance:** [finmin.nic.in](http://finmin.nic.in)

### Professional Help

- **Find a CA:** [www.icai.org](http://www.icai.org)
- **Legal Assistance:** Bar Council of India
- **Crypto Tax Software:** Various platforms are available
- **Regulatory Updates:** Is It Legal Sid website

### Emergency Contacts

- **Tax Helpline:** 1800-103-0025
- **Cyber Crime Helpline:** 1930
- **Consumer Helpline:** 1915

## Important Disclaimers

1. **Not Legal Advice:** This checklist is for informational purposes only and does not constitute legal or tax advice.
2. **Consult Professionals:** Always consult with qualified chartered accountants and legal professionals for specific situations.
3. **Regulatory Changes:** Cryptocurrency regulations are subject to frequent changes. Stay updated with the latest developments.





4. **Individual Circumstances:** Your specific circumstances may require additional compliance measures not covered in this checklist.
5. **Accuracy:** While every effort has been made to ensure accuracy, users should verify all information independently.

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