

Cryptocurrency Bill in India

Introduction:

Cryptocurrencies are privately exchanged currencies between parties, virtual in nature, and secured by cryptography. They take form of crypto assets based on a huge, distributed network of computers. The asset is encrypted among the parties and those outside the network have no control over the encryption. Hence, cryptocurrencies are not issued as a legal tender by any government/central bank and fall outside the purview of the regulators.

Today, thousands of cryptocurrencies are floated world-wide, with India investing about USD 6.6 billion in cryptocurrencies.

Indian regulators like the Reserve Bank of India ('RBI'), the Finance Ministry, the Institute of Chartered Accountants of India ('ICAI') are studying the various alternatives to bring the cryptocurrencies under the regulatory framework. Though the intention is not to make it a legal tender, the government intends to apply stringent controls over these digital assets.

The much-awaited cryptocurrency bill will be soon tabled in the Parliament by the Indian Government.

Features of the draft Bill to be tabled in the Parliament

The draft bill proposes to:

1. Define the cryptocurrency to bring it under the regulatory powers. Defining the term 'cryptocurrency' mean a huge impact on the entire crypto environment.
2. The cryptocurrency will be defined as an asset and not as 'money'.
3. Allow the use of only the 'government-regulated' crypto currencies in India.
4. The government intends to define the cryptocurrencies depending upon their end-use, though they are categorized as per the technology they use.
5. Propose a taxation treatment of cryptocurrency as 'digital assets'.
6. Propose the method of bringing cryptocurrencies to the books of account.
7. Cryptocurrencies will be strictly outside the scope of payments and settlements systems of the RBI.

Therefore

The passing of the cryptocurrency Bill in the Indian Parliament will be a revolutionary move to be watched by the nations across the world. Bringing the cryptocurrencies under the regulatory framework will stabilize the cryptocurrency environment in India. Classification of the cryptocurrencies as 'digital assets' will bring more clarity as regards their tax treatment under the Income-tax Act, the GST law, their presentation in the books, and other applicable regulations.