Status of Cryptocurrency.

2800: SHRI KARTI P. CHIDAMBARAM

Will the Minister of Finance be pleased to state:

(a) the current legal status of cryptocurrency in India;

(b) whether infrastructure costs incurred in mining cryptocurrencies are to be treated as cost of acquisition and are therefore permissible deductions;

(c) if so, the details thereof?

(d) while losses incurred due to the transfer of virtual digital assets cannot be set off against any other income, whether the losses arising from the sale of one virtual digital asset can be set off against the gains arising from another virtual digital asset; and

(e) if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a):   Currently, Cryptocurrencies are unregulated in India.

(b)&(c):   Finance Bill, 2022 (the Bill) has proposed to insert section 115BBH to the Income-tax Act,1961 (the Act) to provide for taxation of income from transfer of virtual digital assets (VDA). As per the proposed section, any income from transfer of VDA shall be taxed at the rate of 30%. Further,while computing the income from transfer of VDA, no deduction in respect of any expenditure (otherthan cost of acquisition) or allowance is allowed.The Bill also proposes to define VDA. If any asset falls within the proposed definition,

such virtual asset will be considered as VDA for the purposes of the Act and other provisions of the Act will apply accordingly. As per the proposed provisions of section 115BBH, infrastructure costs incurred in mining of VDA (eg. crypto assets) will not be treated as cost of acquisition as the same will be in the nature ofcapital expenditure which is not allowable as deduction as per the provisions of the Act.

(d)&(e): As per the provisions of the proposed section 115BBH to the Income-tax Act,1961 (the Act), loss from the transfer of VDA will not be allowed to be set off against the income arising from transfer of another VDA.

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