

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA UNSTARRED QUESTION NO.1207
TO BE ANSWERED ON 25.07.2022

Crypto and NFTs

1207: DR. PRITAM GOPINATHRAO MUNDE:
SHRI CHANDRA SEKHAR SAHU:
SHRI GIRISH BHALCHANDRA BAPAT:
SHRI RAHUL RAMESH SHEWALE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government considers Crypto and Non-fungible Tokens (NFTs) as assets for the country;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government has any proposal to prohibit trading in private Crypto and NFTs as well as their possession in the country;
- (d) if so, the details thereof;
- (e) whether the Government has any plans/proposals to regulate the trading in private Crypto and NFTs as well as their possession; and
- (f) if so, the details thereof?

ANSWER

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

- (a) The term 'Crypto' has not been defined in the Income-tax Act, 1961 (the Act). However, through Finance Act, 2022, clause (47A) was inserted to section 2 of the Act to provide definition of virtual digital assets (VDA) to mean any information or code or number or token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme; and can be transferred, stored or traded electronically. Non fungible token and any other token of similar nature are included in the definition.

(b) Vide notification no. 75/2022 dated 30.06.2022, Central Government specified a token which qualifies to be a virtual digital asset as non-fungible token within the meaning of sub-clause (a) of clause (47A) of section 2 of the Act but shall not include a non-fungible token whose transfer results in transfer of ownership of underlying tangible asset and the transfer of ownership of such underlying tangible asset is legally enforceable.

(c) to (f): Currently, Cryptocurrencies are unregulated in India. Cryptocurrencies and Non-fungible Tokens (NFTs) are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore any legislation for regulation or for banning can be effective only after significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.