

Govt to ban or not ban cryptocurrencies? FM Sitharaman responds



New Delhi: Union Finance Minister Nirmala Sitharaman in the Rajya Sabha, during ongoing Budget Session of Parliament, in New Delhi, Friday, Feb. 11, 2022. (SANSAD TV/PTI Photo)

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- FM Sitharaman clarified the legalities of cryptocurrency in India on her reply to Budget debate in Rajya Sabha on Friday

Finance Minister Nirmala Sitharaman during the ongoing Budget session of Parliament on Friday said the government has sovereign right to tax profit made from cryptocurrency transactions, and banning or not banning [cryptocurrencies](#) in India will come subsequently after consultations.

She also clarified the legalities of cryptocurrency in India, saying that taxing the virtual assets does not mean that the government is legalising it. "Not doing anything to legalise or ban it at this stage," Sitharaman replied to Budget debate in Rajya Sabha on decision to levy 30% tax on gains from the virtual assets.

The FM during her Budget speech had announced the proposal of taxing gains arising out of virtual digital assets at a flat rate of 30% irrespective of the individual's income tax slab rate. In addition, a 1% tax deducted at source (TDS) will be applicable on transfer of such assets over a certain threshold.

Also, no deduction in respect of any expenditure or allowance shall be allowed while computing income from transactions in such assets. It has also specified that losses from the transfer of virtual digital assets will not be allowed to be set off against any other income.

Sitharaman also proposed to introduce Digital currency or Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India (RBI) starting 2022-23. Introduction of Central Bank Digital Currency (CBDC) to give a big boost to digital economy, leading to a more efficient and cheaper currency management system, she said.

"What RBI will issue is a digital currency. Everything that prevails outside of it is assets being created by individuals & we are taxing profits made out of transactions of those assets, at 30%," FM Sitharaman had stated in a press conference post Budget on February 1. She added that only RBI-issued 'Digital Rupee' will be recognised as digital currency.