Regulating bitcoins in India

Why in News?

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The government is considering the introduction of a regulatory regime for virtual currencies such as Bitcoins.

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What is a bitcoin?

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- Bitcoin is a type of crypto-currency.
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- Crypto-currency is a digital currency that allows transacting parties to remain anonymous while confirming the transaction is valid.
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- It is not owned or controlled by any institutions – government or private.
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- Click here to know more.
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What is the curent status of bitcoins in India?

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- Bitcoins are classified only as movable property and more specifically as computer software.
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- The government has not formally brought bitcoins under the defintions of currency or prepaid payment instruments.
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- Neither did it make bitcoins illegal.
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- It is thus right to say that currently the crypto-currency is neither illegal nor legal in India.
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- The pros and cons of legalising them is currently debated among the government circles.
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What are the benefits of legalising bitcoins?

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- Trading of bitcoins would be brought under the **stock market regulator**, Securities and Exchange Board of India (SEBI).
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- Bitcoins can be traded on registered exchanges which will promote a formal tax base. Returns from investment in Bitcoins would be **taxed.**
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- Use of bitcoins for **illegal activities** such as money laundering, terror funding and drug trafficking can be **checked**.
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- If any foreign payment is made through Bitcoins, it would fall under the purview of Foreign Exchange Management Act,
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Source: The Hindu

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