Question:

Will the Minister of Finance be pleased to state:

(a) the current legal stance on trading of non fungible tokens (NFT) on cryptocurrency exchanges;
(b) whether Government is seeking to make a separate legal framework for Non Fungible Tokens;
(c) the number of instances of cryptocurrency related frauds and value of such scams booked;
(d) the tax rate currently applicable to crypto-exchanges and other crypto service providing platforms; and
(e) the details of how the tax will be applicable and collected?

Answer:

FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

(a) to (e): A Statement is laid on the table of the House.

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(a): Currently, Cryptocurrency including non-fungible tokens (NFTs) is unregulated in India.

(b): A Bill on Cryptocurrency and Regulation of Official Digital Currency for introduction in the Lok Sabha has been included in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

(c): The Government does not collect specific information on cryptocurrency related frauds. Further, ‘Police’ and ‘Public Order’ are State subjects as per the Seventh Schedule of the Constitution of India. States/UTs are primarily responsible for the prevention, detection, investigation and prosecution of such crimes including financial frauds through their Law Enforcement Agencies. The State Police takes legal action as per provisions of law against the offenders. However, eight cases related to cryptocurrency related fraud are under investigation by the Directorate of Enforcement. Further disclosure of information may not be in larger public interest.

(d) & (e): The extant statutory provisions on scope of total income for taxation as per section 5 of the Income-tax Act, 1961 envisage that total income shall include all income from any source derived.

No separate section or provision in Income-tax Act, 1961 presently deals specifically with the rate of tax, applicability and collection of tax on the income earned by crypto-exchanges and other crypt service providing platforms. The income earned by Crypto-exchanges and other crypto service providing platforms is liable to tax under the head Business or Profession under Chapter-IV of the Income-tax Act, 1961. Applicability of tax rate will depend on status and category of taxpayer.