

CRYPTOCURRENCY – AN OVERVIEW



What Is Cryptocurrency ?

A crypto currency is a digital money or Virtual Currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend.

Crypto currencies work using a technology called block chain. Block chain is a decentralized technology spread across many computers that manages and records transactions.

Digital Currency that was created on 3rd January 2009 but Registered on 18th August 2008.

More than 5,122 different crypto currencies are traded publicly. Bitcoin is a well - known Cryptocurrency to All.

Is Cryptocurrency Legal ?

There's no question that they're legal in the United States, though China has essentially banned their use, and ultimately whether they're legal depends on each individual country.

Cryptocurrency, as a medium of payment, has neither been authorized nor been regulated by any central authority in India. Further, no set rules, regulations or guidelines have been laid down for resolving disputes that could arise while dealing with Cryptocurrency.

Hence, Cryptocurrency transactions come with their own set of risks. However, given this background, one cannot conclude that Cryptocurrency are illegal as, so far, there has been no ban on Cryptocurrency in India.

In March 2020, India's Supreme Court struck down a 2018 order by the central bank forbidding banks from dealing in cryptocurrencies, prompting investors to pile into the market. The court ordered the government to take a position and draft a law on the matter.

How to Earn Income From Cryptocurrency ?

Through Mining or Referral

Cryptocurrency created by mining are self-generated capital assets and Referrals are also a method to earn Cryptocurrency.

Transferred in exchange for real currency

If Cryptocurrency, which are capital assets, have been held as an investment and are transferred in exchange for real currency, the appreciation in value would give rise to a long-term capital gain or a short-term capital gain depending on the period of holding of the Cryptocurrency.

Held as stock-in-trade and transferred in exchange

The income arising out of Cryptocurrency trading activity would give rise to income from business and accordingly, the profits arising out of such business would be subject to tax as per the individual slab rates.

Received as consideration on sale of goods and services

Cryptocurrency received in exchange of any service or goods, the value of service or goods should be considered as value of Cryptocurrency.

Is Cryptocurrency Taxable ?

The treatment of cryptocurrencies under the direct tax regime is mainly governed by the Income Tax Act in India. In the current legal landscape, there is no certainty regarding the taxation of cryptocurrency nor any disclosure requirement about the income earned issued by the Income Tax Department.

They are not controlled and regulated by Government. However, this does not mean that you are not required to pay tax if you invested in Cryptos.

When Income From Mining

1st View : Treated as Capital Asset

Sale of such Cryptocurrency would, in the ordinary course, give rise to capital gains. However, cost of acquisition of a Cryptocurrency cannot be determined as it is a self-generated asset. Following the Supreme Court decision in the case of **B.C.Srinivasa Shetty**.

Hence, no capital gains tax would arise on the mining of Cryptocurrency. Then Income from mining is Exempt.

Other View : Treated as Other source Income

Some other view is that Income From Mining would be consider under the head of others source income and that would be at slab rate as applicable.

When Income From Referrals or Bonus

That would be taxable under the head income from other source.

When Income From Transfer

1st View : Cryptocurrency Treated As Capital Asset or Investment

Sec 2(14) of the IT Act defines a capital asset as "property of any kind held by the assessee whether or not connected with his business or profession". This definition of 'capital asset' provided is widest in itself and covers all kinds of property except those expressly excluded under the Act. Therefore, any gains arising out of the transfer of cryptocurrency must be considered as capital gains, if they are held for investment.

If you hold the Cryptocurrency for less than three years, the gains are called short-term capital gains. The gains would be clubbed with taxable income and you are taxed as per your income tax bracket.

If you hold the Cryptocurrency for three years or more, the gains are long-term capital gains. You have to pay long-term capital gains tax at 20% with the benefit of indexation.

2nd View : Cryptocurrency Treated As Stock in Trade or Income from PGBP

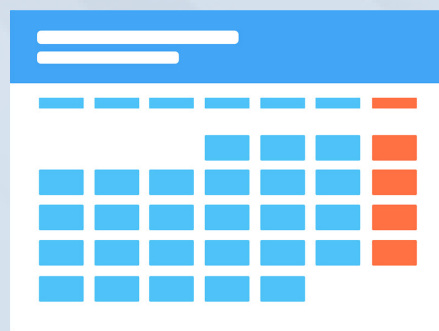
Under Sec 2(13) of the IT Act, the definition of 'business' is inclusive, and comprises of "trade, commerce or manufacture or any adventure or concern of such nature." Moreover, any continuous activity like trade in cryptocurrencies is included within this definition, and profits realized are taxable thereunder, chargeable under Sec 28 of the IT Act.

The profits may not necessarily be in the form of money, they are taxable even if they are 'in-kind'. Any expenditure incurred for this purpose, such as the purchase of computing power as a capital asset, should be allowable as a deduction per the provisions specified in Sec 30 to Sec 43D of the IT Act. So It was taxable as Income Tax from Business or Profession

MCA Regulation on Cryptocurrency

At the end of March 2021, the Indian Government introduced new cryptocurrency rules for companies in the country. It mandated that, starting from April 1st, all Indian firms that deal with crypto must report all their cryptocurrency transactions and holdings, when they submit financial information for taxation.

COMPLIANCE CALENDER MAY 2021



GST	
GSTR 3B APR 2021(Turnover in the previous financial year more than Five Crores)	04-06-2021
GSTR 3B APR 2021 (Others)	22-06-2021
GSTR 1(Turnover more than Rs. 1.5 Crores)	26-05-2021
Income Tax	
Deposit of TDS	07-05-2021
ESI	
Payment for the month of APR 2021	15-06-2021
PF	
Payment for the month of APR 2021	15-05-2021
Return Filing for the month of APR 2021	25-05-2021