

Budget 2018: You may no longer be able to shop with bitcoins in India

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Somesh Jha February 01, 2018 Last Updated at 14:35 IST



Photo: Reuters

Finance Minister Arun Jaitley hinted during his Union Budget 2018-19 speech on Thursday that the government may not ban cryptocurrency such as bitcoins in India but will not permit its use as a currency to buy products.

Jaitley said on Thursday that the government will crack down on illegal use of cryptocurrency and curb the use of the digital currency in the payment system.

“The government doesn’t consider cryptocurrency legal tender or coin and will take all measures to eliminate the use of these cryptoassets in financing illegitimate activities or as part of the payment system,” Jaitley said during the Budget speech.

He, however, said the government will promote the use of blockchain – the technology that drives cryptocurrency.

“Distributed ledger system or the blockchain technology allows organization of any chain of records or transactions without the need of intermediaries... The Government will explore use of blockchain technology proactively for ushering in the digital economy," the Finance Minister said.

Experts said that the government may unlikely permit the use of cryptocurrency such as bitcoins to buy products.

“My interpretation of the Finance Minister’s statement is that the government may not likely ban cryptocurrency and prohibit the legitimate use of cryptocurrency as long as cryptocurrency is not used in the payment system,” Vaibhav Parikh, partner, Nishith Desai Associates said.

“Basically you won’t be able to buy, say pizza or do online shopping, with cryptocurrency,” Parikh added. He said the government may likely treat cryptocurrency as a commodity similar to gold.

At present, companies such as Microsoft, Wikipedia, Expedia.com, KFC Canada, Bloomberg.com, Reddit, among others accept cryptocurrency from customers. In India, some of the travel portals, such as Flight Shop, e-Travel Smart, also accept cryptocurrency.

Bitcoins or other cryptocurrency is like gold in more ways than one. Like gold, cryptocurrency has to be mined; it doesn’t have a central issuing authority and is a deregulated currency. There is no central bank that decides when and how many more cryptocurrency to produce. At present, there are around 17-million bitcoins in circulation and four million coins waiting to be mined.

In India, there is no legal framework to regulate the use and trade of cryptocurrency at present. Till date, the Reserve Bank of India has issued three warnings and the Finance Ministry has issued one public statement to discourage the use of cryptocurrency.

The department of economic affairs in the finance ministry had also constituted an inter-disciplinary committee to examine the existing global regulatory and legal structures governing bitcoin and other such virtual currencies. The government is examining the committee’s report.

The income tax department had in December sent notices to thousands of cryptocurrency investors across the country, seeking additional details on the money invested in bitcoins and other cryptocurrencies.

The income tax department’s survey on cryptocurrency exchanges was aimed at “gathering evidence for establishing the identity of investors and traders, transactions undertaken by them, identity of counterparties, related bank accounts used, among others”.