

# Finance Ministry brings Crypto assets under Prevention of Money Laundering Act

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**In news**— In order to widen the taxation and regulatory net and give teeth to agencies, the government issued a notification bringing transactions involving crypto assets under the Prevention of Money Laundering Act(PMLA).

## **Key updates-**

- The finance ministry notified changes to rules related to maintenance of records under the Prevention of Money Laundering Act.
- As per the changes, the ownership threshold has been reduced to 10% from 25% earlier.
- This means that any individual or group having 10% ownership in the client of a 'reporting entity' will now be considered a beneficial owner.
- Under the anti-money laundering law, 'reporting entities' are banks and financial institutions, firms engaged in real estate and jewellery sectors. They also include intermediaries in casinos and crypto or virtual digital assets.
- As per the latest change, entities dealing in virtual digital assets will now be considered 'reporting entity' under the PMLA.
- It laid out the nature of transactions to be covered under PMLA. **These are as follows:**
  - Exchange between virtual digital assets and fiat currencies;
  - Exchange between one or more forms of virtual

- digital assets;
  - Transfer of virtual digital assets;
  - Safekeeping or administration of virtual digital assets or instruments enabling control over virtual digital assets;
  - Participation in and provision of financial services related to an issuer's offer and sale of a virtual digital asset.
- The measure is expected to aid investigative agencies in carrying out action against crypto firms.
  - The Enforcement Directorate and Income Tax Department have either probed or are probing several cases against companies running cryptocurrency exchanges and transactions.
  - ED, for instance, froze the bank balances of the popular WazirX exchange in 2022.

### **What is virtual digital asset?**

According to the Income tax act, 'virtual digital asset' refers to any information, code, number, or token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise and can be called by whatever name.

### **Legal status of crypto in India-**

- In the Union Budget of 2022, even though the government brought in a tax for cryptocurrencies, it did not proceed with framing regulations.
- Earlier, the **Reserve Bank of India had proposed a ban that was set aside by a court order.**
- In July 2022, flagging the RBI's concerns, Finance Minister Nirmala Sitharaman told Parliament that "international collaboration" would be needed for any effective regulation or ban on cryptocurrency.
- **From April 2022, India introduced a 30 per cent income tax on gains made from cryptocurrencies.**

- In July 2022, rules regarding 1 per cent tax deducted at source on cryptocurrency came into effect.

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