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# REGULATORY FRAMEWORK FOR CRYPTOCURRENCIES AND BLOCKCHAIN TECHNOLOGY IN INDIA: A LEGAL PERSPECTIVE

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## ABSTRACT

Blockchain technology is increasingly heralded as the future of technology, promising decentralized and secure systems. However, with the rise of cryptocurrencies like Bitcoin, cybercrimes have found new avenues for exploitation. This paper explores the emergence of privacy-focused cryptocurrencies such as Z-Cash, Dash, and Monero, alongside a discussion on their implications for the Indian economy. It delves into the legal framework surrounding cryptocurrency in India, examining its potential classification as legal tender, commodity, or security. Furthermore, it investigates the application of cryptocurrencies in contracts and addresses intellectual property issues and tax implications. Challenges such as data security breaches, identity theft, and tax consequences are also analyzed. In conclusion, while cryptocurrencies offer innovative possibilities, their adoption in India necessitates robust regulation and safeguards to mitigate risks. The paper concludes with a bibliography for further reading and research.

*KEYWORDS- Blockchain technology, Cryptocurrency regulation, Privacy-focused cryptocurrencies, Legal status in India, Cybersecurity challenges*

## **BLOCKCHAINS – THE FUTURE OF TECHNOLOGY**

While Blockchains best-known, most used and highest-impact application is Bitcoin, the potential impact of the technology is far more significant and broader than virtual currencies. The popularity of Blockchain technology may also reflect an emerging social trend to priorities transparency of the system over the existing anonymity. Blockchains have a clean reputation as compared to the Bitcoins and have thus attracted attention of various financial institutions. Besides, the financial institution a lot of paper transactions are being done away using the digital platform of Blockchains which is based on secured environment. Big financial institutions such including J.P Morgan, State Bank of India, ICICI Bank etc has shown great interest in Blockchain technology by joining an alliance to implement it into banking practices. In addition to those significant financial players credit card companies insurance forms and stock exchanges and others are adopting Blockchains into their system. For the banks to have their Blockchains will enable them to record all transactions made by the client. This will even do away with old technology that is being used currently. In India, the State Bank of India has already made first strides to adopt the Blockchain technology into its system.

Since the Blockchain is distributed ledger available on all nodes, the absence, connection problem, hardware failure or failure of any node does not affect its working like that of a Central server, and it can work 24x7. For every completed transaction on the Blockchain, the intermediary is done away, For example in a transfer of money the banks charge account operating charges, cheque issuance charges for Demand draft or SWIFT, etc. and this all is saved, In cases of credit cards, the high transaction cost is saved. The technology is displacing these agents who have thrived off us in the past. Skeptics see this as an end of banks and financial institution to start with and spreading widespread unemployment in other social sectors like the Governments.<sup>1</sup>

However, a positive aspect of technology-driven jobs waits in the wings. Skeptics also fear the rise of global warming due to the heat released by these power guzzling supercomputers acknowledging the transactions on Blockchains. Technical experts are working on algorithms which would consume less power and supercomputers which will produce less heat in days to come. In the social sector, the growth of Blockchains is undeniable, and they will do away with the Government officer's inefficiency and corruption especially in case of maintenance of Land records, etc. Most of the banks are coming up with their private Blockchains, and this may sound an end to the hacking of bank records, customer's passwords or unauthorized access to the same. Cybercrimes may be on the way down with adoption of Blockchains.

<sup>1</sup> Emmanuelle Ganne, "Can blockchain revolutionize international trade?" (2018).



Blockchains are seen as the future of the world's banking and business. The future will see most of the banks and intermediaries out of business due to the introduction of this technology. Blockchains will also ensure that the intermediaries who are currently earning huge profits by being business auxiliaries will be wiped out such as credit card companies. Other business verticals such as the Airbnb, Amazon, Uber, Ola will find it tough to survive in the market unless they become service providers and not remain as the aggregators. We thus see a huge rush and activities by these companies to acquire a business which is providing services and not stay as an aggregator. Blockchains will be an end of the aggregator services as the service providers will provide business directly to the customers with assured safety and privacy by using the Blockchains.

India being a technological giant cannot remain out of the blockchain race. Many Indian banks such as the ICICI Bank have already tied up with some firms to do business using its blockchain. The Government of India's project such as "Make in India" and "Digital India" is giving a massive push to the Blockchains project. Recently, India's largest government-backed bank, SBI, partnered with BankChain and Intel to develop blockchain solutions. Indian Banking, Finance, Insurance, Advertisement and Government agency documentation can benefit greatly by adopting and growth of this technology.

As a step toward adopting the blockchain process, the National Institution for Transforming India, known as NITI Aayog, has developed a proof-of-concept on trial basis to explore the application of blockchain in critical sectors which includes education, health, and agriculture. The State Government of Andhra Pradesh, in June 2017 has announced that they are in the process of adopting the blockchain applications in land registries to keep track of who owns which properties.

## **CYBERCRIMES USING BITCOINS**

The use of Cryptocurrencies by Criminals and users of illicit articles has attracted the attention of the world and given it a bad name. Investigating, law enforcement, financial regulators, media and the legislative bodies, have been concentrating on news related to the misuse of Cryptocurrencies. Several Premier investigation agencies have in the past raised a warning about possible abuse of Cryptocurrencies to aid the Criminal activities and subverting the law. Many forms of research in respect of Bitcoins have been carried out, and they have pointed that the popularity and growth of Bitcoins have also been due to the payment for illegal activities and goods using the Bitcoins. A lot of agencies have concluded that for the terror activities and criminal's actions, digital currencies are preferred means of receipts of funds. The growth of Darknet, which helps in Cybercrimes to name a few will be important

before we go the types of Cybercrimes as an understanding of these Cryptocurrencies will help understand the ease with which the Cybercrimes using them can be performed :

1. Z-Cash: Z Cash is untraceable Cryptocurrency and started by Zooko Wilcox. The transactions on this network are encrypted using ZK-SNARK and metadata within the trade itself is encrypted leading to difficulty tracing the transactions. This makes it attractive for criminal activities. Z cash payments are transacted on a public blockchain, but users have an option such as privacy feature which conceals the details of the sender, recipient, and also the amount being transacted. Z Cash was started in 2016 and has a total fixed supply of 21 million units like the Bitcoin. The popularity of Z Cash can be seen in the price rise from 0 to 799 dollars in 2017.
1. Dash: also known as Darkcoin uses Darksend to encrypt data by mixing coins and thereby confusing the transaction. Dash was initially named as XCoin and released on the 18<sup>th</sup> January, 2014. It got the name changed to "Darkcoin" in the same year. Again in 2015, it was rebranded as "Dash." It works on InstantX protocol and combines transactions from multiple users into single transactions with multiple outputs making it very confusing for the authorities. Dash offers Direct and Instant transactions without the details of the sender and recipient. A great demand for them by exists in the underworld.
3. Monero: It is the most anonymous Cryptocurrency and currently the darling of the underworld and illegal activities. It uses the CryptoNote technology which uses stealth address mixer and one-time ring signature and thus there is evident absence of any know your customer guidelines. This method is similar to group signature, and therefore the identity of the individual user remains hidden amongst the group of users. Monero is the most famous and sought-after currency of the above three. It had reached a lifetime high price of \$475 in Jan 2018 and is less volatile as compared to other currencies. However, Edward Snowden, the noted whistleblower has in comparison to Z Cash found Monero as amateur Cryptocurrency. It thus appears that Z Cash is on the way to take over the lead in near future for being the most untraceable transacting Cryptocurrency.

The above three Cryptocurrencies are difficult to trace in transactions. They openly declare themselves being anonymous to the core and thus they are an open challenge to the law enforcers to crack them or stop them. The Federal Bureau of Investigation (FBI) has already sounded an alarm against the misuse using these three currencies can be done by Criminals. Most of the money collected as Ransomware has been converted into Monero and have disappeared from the trails. The cases have come to an end as there is no trail left after the conversion. No single case using these Cryptocurrencies has been booked so far and therefore shows how much ahead of law their technologies are based.

Based on the experiences, the following types of Cybercrimes have been noticed around the world which involved the use of Cryptocurrencies and especially the Bitcoins in the past:<sup>2</sup>

### **“Position of Cryptocurrency in India”**

Cryptocurrency's status in India is primary, nor is it lawful or unlawful since there is no statutory text. Recently, India's finance minister Arun Jaitley declared CC to be an illegal tender in his 2018 Union budget address, but assured the government that it would pursue Blockchain technology. Though this speech offers a pinnacle for the new ruling party, the prospect of CC regularisation in India like many other countries in the near future is not excluded. Furthermore, on CC classification, expression does not constitute any legal basis. The Indian government has been discouraged to recognise CC, because the only way it can be seen in the speech given by the minister of Finance is to fund terrorism and carry out illegal activity. In previous years, RBI has released notifications requesting customers not to use CC because the government does not understand or protect the user.

There was/are various exchanges such as Zebpay, UnoCoin, and CoinSecure in India. Lack of rules and regulations did not stop India from carrying on CC exchanges. On 5 Apr 2018 RBI explained that it will not distribute or provide services in a circular for any individual or entities involving CC to stay outside of the CC market barred banks and financial institutions under it to deal with any form of CC. The association with these organisations has been dissolved by CC for three months. As a result, the RBI banks most of the banks cannot facilitate any withdrawal of money or the deposit of money from the CC for the purposes of selling, purchase or even allow anybody to transfer money from cryptocurrency to the bank or vice versa. It is estimated that such a decision would affect almost 50 lakh Indians, who invested in CC. This is a retrograde move to digitalize India as RBI has already set up a multidisciplinary panel to research CCs. The report should address its role in the Indian economy and create a structure. Rather, RBI chooses to avoid participating in the CC industry, which is confusing and left several investors and companies in the dark. RBI's goal is to protect consumers' interest, and a sudden move towards stopping use of CC was a major blow to CC users.

It must “be noted that the Supreme Court of India” declared in 2017 that it intended to regulate the CC which would be contrary to RBI's action. In the case of Dwaipayan Bhowmick, the India & Others Union [3] a PIL was submitted to the Tribunal in accordance with Article 142 of the Indian Constitution to provide guidance clarify the existence of “CC and set up a special committee to” regulate the CC in India. The absence of any system “left the market unregulated, which” could exploit all kinds of crime. The PIL stated that the legal regulation of the CC would be an improvement

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<sup>2</sup> Josias Dewey, "Blockchain and cryptocurrency regulation" (2019).



in the game, as it would prevent users from using it for illegal purposes. CC cannot be prevented or prohibited because it is all on the internet; the only thing is to create a system to monitor it. CC is a global phenomenon. It also will help boost the economy as many investors and businesses look forward to pooling “India's IT resources” and developing, for instances, a trade hub; in August 2017, BitBay, a Polish firm, joined the Indian market. The SC therefore requested government answers, but no counter affidavit was furnished by all the respondents. On 2 April 2018, the SC ordered the “respondents to file counter-affidavits within a period of 4 weeks”, giving them their last and final chance. Such government response demonstrates its intention to categorise and regularise CCs or to serve the public interest as such.

Recent prohibits RBI from carrying on any business or services in CC through a ring through financial institutions and banks. Kali Digital has therefore referred the affected party to the High Court of Delhi for relief as to the procedural validity of this circular. The Court agreed with the petition to respond to the contested circular by the “Ministry of Finance”, the “GST Council and the RBI”. The request states that the government's circular violates basic rights as provided “by the Indian Constitution” and contends the following; the petition states:

1. “Article 14, which states that, *The state shall not deny to any person equality before the law or the equal protection of the laws within the territory of India.*”. As any other corporation, the company that was registered must be covered and there should be no discrimination, since RBI discriminates against businesses operating in CC. The company's membership is a registered company.
2. “Article 19 (1) (g), which states that, *All citizens shall have the right to.... to practise any profession, or to carry on any occupation, trade or business*”<sup>[7]</sup>. Therefore, the circular would not obstruct the civil rights of the people by stating that the company of CC is unlawful.

Furthermore, they were worried about the failure of government to formulate a CC system that created confusion and problems for the crypto industry in India.

Many Crypto companies step away from the jurisdiction of India to conduct their business through this unsound move of the government. Then I will try to investigate whether Bitcoins and other CCs can be adapted to India's current legal framework.

## “Possibilities of CC classification in India”

We must first recognise India's government system before examining the need for a legal framework. “India is a democracy and has a federal government” structure that gives the Center and states the power

to legislate in accordance with the Constitution. The parliament and national legislatures have the authority, under A246 of the Indian Constitution, to pass legislation in accordance with the issues mentioned in the Sixth Schedule of the Constitution. Three lists are provided in Schedule 7; "Union List (List I), State List (List II) and Competitive List (List III). In the list, only the Union/Central Government has the power to legislate for CC since Entry 36 of List I mentions": "Currency, coinage and tender; Devises" and "Entry 46 of List I mentions;" bills of exchange, cheques, promissory notes and other like instruments". These lists provide for the topics to which the Center, State or both of them may legislate. CC is most likely to be listed among the items referred to above. It should "be noted that the Constitution is the supreme law of the" country "and no law can violate: or operate against its fundamental framework. It is important to note in this connection that the CC principle which is based on a "concept of privacy is a fundamental right" recognised in India but appropriate restrictions should be made to prevent chaos. Simply put, it cannot clash with the Constitution. Regularization of CCs will therefore be effective in making India genuinely digital.

The power conferred on the public in government rests on three separate branches in which the power has been allocated, namely, that of the executive branch (which comprises the "Prime Minister, the President and the Council of Ministers)", of the legislative branch (the Parliament which has responsibility for legislative acts and government policy), and finally, of the "judiciary (adjudicating body of India, which includes the Supreme Court, High Courts and its subordinate courts)". In the course of the discussion, we found that CC's lawfulness in Germany and the United States does not inherently contain a popular opinion of the CCs. Likewise, executive policies in India are aimed at curbing the use of CC while the judiciary seems to be determined to control it. In addition, no legislative bill has been tabled in the Parliament except the legislative bill from the current CC scenario.

I will attempt to address the following questions to understand whether the CC will adapt to the legal ecosystem in India :

1. Can CC, within the remit of established law, "be considered a legal tender in India"?

In no of the current statutes in India has the word "legal tender" been specified and its characteristics are what can be collected and thus by examining the characteristics of an item we can see whether or not the subject is a legal tender. Legal tender is essentially a bank note and other similar tools which the Government and the banks use and agree. The money issued by RBI is considered legal tender by Section 26 of the RBI Act.

The "RBI Act of 1934, Coinage Act of 1792 and FEMA of 1999" are the statutes pertaining to this matter. The currency definition is not provided for in the RBI Law. The foreign currency definition,

however, is referred to in the Act as FEMA. Section 2(m) of the FEMA provides an inclusive description of currency that includes the currency “**all currency notes<sup>[9]</sup>, postal notes, postal orders, money orders, cheques, drafts, travelers cheques, letters of credit, bills of exchange and promissory notes, credit cards or such other similar instruments, as may be notified by the Reserve Bank**” In accordance with the FEMA, "Indian currency" is the currency drawn or represented in INR.

“Section 22 of the RBI Act” says that the exclusive “right to issue bank notes belongs to the RBI”. The law has been stringent in restricting the area of the legal tendering procedure. Therefore CCs such as Bitcoins are difficult to adapt as currency or as a legal tender into the Indian legal system before they are notified by the RBI.

RBI does not regard CC as a legal tender unfortunately. Unfortunately. This statement was questioned and is pending before the Honorable Judge, as mentioned above.

#### 4. What is Indian Virtual Monetary Status?

In the previous issue the sense of currency was discussed in the Indian context, now CC is a virtual currency sub-set whose recognition will be addressed in this question in India.

"Expressum facit cessare tacitum" is a Latin maxim meaning "When certain things are expressly stated, nothing that is not said is omitted." The above reply makes clear that the currency can only be issued by the RBI. Therefore RBI is exempt from the jurisdiction of the currency of VC which was not notified as a legal tender in India. In the cases of “Shankara Rao Badam & Ors. v. State of Mysore & Anr and Union of India & Anr. v. Tulsiram Patel”, the maxim that I have used was upheld by the Supreme Court.

Therefore, “CC cannot be classified as a legal tender in India”. This is the reason for the conclusion.

#### 5. Is it possible to treat “bitcoins or other CCs as a commodity”?

A commodity means essentially an item that has a trade purpose, the term commodity in Indian statutes has not been explicitly specified, and the nearest meaning of a product can be matched by the definition of 'goods.' The term "goods" is stated in the Sales of goods Act of 1930 that describes goods as "all manner of movable property other than actionable claims or assets. It includes inventories and shares, crops and herbs and property attached to or belonging to a property that has been agreed to be separated before sale or under the sales agreement." This description does not state whether a product should have any physical properties, so the possibility of classifying Bitcoins as a good is not ruled out. Furthermore, this concept is not exclusive and can be construed freely as including CC.

“In the case of Tata Consultancy Services Vs State of Andhra Pradesh” the Supreme Court classified

computer software as 'goods;' while it is debatable that CC qualify as computer software, it still sheds light on the perception of the immateriality of computer codes for classification purposes. SC claimed that in the above case;

“computer software is intellectual property, whether it is conveyed in diskettes, floppy, magnetic tapes or CD ROMs, whether canned (Shrink-wrapped) or uncanned (customized), whether it comes as part of computer or independently, whether it is branded or unbranded, tangible or intangible; is a commodity capable of being transmitted, transferred, delivered, stored, processed, etc. and therefore as a ‘good’ liable To sale tax.”

The clarification requires the transmission of the land. Will Bitcoins comply with this? It should be noted that Bitcoins were stored in an e-wallet electronic area that is secured by a private key (which has been discussed in Chapter 5). It is used to enable and check transactions with this private key. Similar analogy can be drawn on any moving object, where, unlike the e-wallet and private key, the lock and key is tangible. Therefore it is also possible to store and transfer mobile property as the owner wants (in e-wallet) and to charge the tax and track the government if CCs are to be counted as products.

6. “Can CC come under the purview of securities”?

The term 'securities' refers to the instruments that an investment investor presents to investors; these instruments reflect the object of investment without transferring the property of the object. Section 2(h) of the 1956 SCRA described this: This is the following:

“(i) Shares in or in any incorporated company or other entity corporate; exchange, scripts, stocks, bonds, debentures and debentures of similar kind;

[(ia) derivative;

(ib) Units or any other instrument provided to participants in such schemes by any collective investment plan;]

[(ic) Security receipt, as described in Article 2(zg) of the Financial Asset Recovery and Security Interest Act, 2002; Security receipt;]

[(id) Units or such other instruments distributed under any mutual fund scheme to investors;]

(ii) Securities of government;

(iia) other instruments which may be considered securities by the Central Government; and

(iii) securities rights or interest;

First, since CCs don't depend on underlying assets their price hinges on demand and supply, Bitcoins or any CC lack the very important character of being represented as 'safe,' so it's not a 'security.' Secondly,

it is generated by a machine algorithm, rather than by anyone. It cannot even be classified as derivatives, as it does not meet the primary safety requirements. Therefore, CC cannot be classified as anything other than land in India. It can be understood.

#### Application of CCs' in a Contract

Will an individual be effective if he/she tries to implement a contract using CC? Two situations may exist, one for which Bitcoins is the contract consideration and the other for the purpose of contract. The 1872 "Contract" is a legally binding agreement [15] according to the Indian Contract Act, and the essential elements in a legally binding agreement include:

1. The contracting parties must be qualified i.e., they must be a major, aged 18.
2. Free consent should exist, i.e. without intimidation, misrepresented ness, excessive influence, fraud and error.

3. A legitimate object that is not explicitly considered invalid should be taken into consideration. Consideration is defined as, "When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something, such act or abstinence or promise is called a consideration for the promise"

The term "something" can be interpreted as meaning the transfer of CCs' from this description.

The fact that the essence of the consideration is not clearly specified in the Act except that Bitcoins may not be illegal in nature as it has been stated in Section 23 of ICA, 1872 may be used as a consideration. Section 23 notes that the Court will become an illegitimate object, if the subject-matter is considered unethical and opposed to public policy. The word "public politics" and "morality" are therefore subjective, and depending on society and on the circumstances, it is not hard and easy to determine whether or not anything is immoral. Until now, the judiciary has not shared anything which can make a CC unlawful.

CCs may also be considered because they have not been deemed an illegal object. For the same purpose, the CC can also be the object of a contract; there is no law declaring it unlawful.

"When CC is discussed under the Sales of Goods Act 1930", the situation shifts in which money is an important factor for the fulfilment of a contract. Article 2(2)(10) of the Act stipulates that a "price" applies to a selling money [18] and a tender money that is not CC. In other words, CCs cannot be used for the purchase of products pursuant to the "Sale of Goods Act 1930".

## “Intellectual Property Issues” :

“Intellectual property” is a product of the human intellect that relates to tangible objects. Intellectual property rights are defined as the right to the owner of this tangible property under the law. Copyright, trademark, patent and concept are included. Ever changing technology has led to new ways of protecting various types of intellectual property; it is investigated if virtual currencies qualify as a tangible property as an intellectual property. In order to be protected, it must be remembered “that the property” must “have an underlying commercial value”.

A patent can only be registered in India if it consists of an “invention or process; originality, non-obviousness and utility”; the patent gives the inventor exclusive rights and power. Bitcoins are created and authenticated by the mining process as described in Chapter 4, mining is carried out using a special combination of software and hardware to resolve complex algorithms and monitor transactions. While the definition currency is a commercial utility and a modern process, It is not a publicly accessible and proprietary mechanism (open-source software), and thus no rights can be attached to the owner, since none exists. “The Patents Act” of 1970 states that an invention cannot be considered by a mathematical, commercial procedure, computer programme or algorithm per se. [19] It can also be inferred that no mean can be patented for Bitcoins or CCs.

The Indian Copyright Law of 1957 allows a computer programme to be patented. It is known as "a collection of instructions, expressed in words and codes, schemes or other forms, including a readable media, able to lead a computer to perform a specific task or to achieve a specific outcome." This applies to the literary work and the computer software. [20] [20]. [20]. The software that enables Bitcoins to be created and traded is open-source software, meaning that the code is available in public and updated as required. The change in the code has various outcomes, such as the creation of new codes and copyright elements, but differences are hard to understand and to identify the author. Furthermore, it will not produce a marketing code until it becomes a new CC such as Ethereum that is distinct from Bitcoins.

In India, "mark" refers to a symbol that can be graphically displayed, that can differentiate between one person's products or services and those of another and that can include product shapes, packaging and colour combinations.

[21] The report was released. A trademark's main characteristics are its singularity, recognisable characteristics, which enables customers to differentiate between a product.

Bitcoin began the whole wave of CCs and became a common term. For CCs, proving the uniqueness is not easy. It is used by various businesses in different contexts on the basis of the services they provide in connection with CCs. Thus, "Bitcoin" is denied the key purpose to mark the word because the term "Bitcoin" has been used differently by many companies and would not give the public any distinctive characteristics to distinguish its roots. But if the same word has been fused with another word or visually changed, it may be recorded as a trademark. CCs are however a registered label, such as 'Ethereum,' established by an entity.

## **Tax Implications of CC in India**

The government almost ignored CCs before Bitcoin's price rose and this year brought enormous profits to the owners. Little by little, tax authorities began to issue warnings to Bitcoin transactions participants. In India, the only way to tax CCs are not accepted as a legal tender is to regard it as a capital asset [22].

CCs' The Income Tax Act 1995 calls "capital assets of any kind owned by an assessee in connection with his company or business." "Capital assets"

The concept is not limited to one property, thus intangible property such as Bitcoin may be included. As long as CCs are used as an investment tool, its benefit as a capital gain can be taxed [24]. Furthermore, depending on the time that the property was owned, it may be listed "as long-term or short-term capital asset. The property" is classified as a long-term asset whether it remains in holding for over 36 months or "it is a short-term capital asset. The" distinction is significant because in each case the tax implications are different.

Persons conducting business in CCs will require regular Bitcoin transactions and these transactions are not considered as capital assets but as "company and occupational profits."

A miner using his machine to mine Bitcoins can also be considered as a business income (including a portion of the CC) after good testing. But when considering it as a capital asset, the consequences of the miner's own output during the mining process will not be taxed, as it spends no expense to buy the Bitcoins. "In the case of the Commissioner of Income Tax against B.C. Srinivasa Setty [25], it was noted that the" calculative process could not be implemented in cases where the purchase cost was not ascertainable. The same may be true for mining, where a miner cannot determine the acquisition cost.

## Challenges

CC has heavy math, making it the safest form of currency. However, recent case studies have a different impression. Mt.Gox lost bitcoins equal to US\$620 million in 2014 as a major hack when Japan focused on CC exchange and is said to have been a result of poor management within the business. [26] The report of the Council of Europe Many cases of CC thieving/hacking have been recorded, but the CC group has not been greatly discouraged. New security measures were instead developed and verification processes were developed to prevent these backgrounds. In such cases, the legal system of the IT Country and CC acts as guardian angel; in the case of CC, I.T. rules can be enforced but the CC's multifaceted characteristics do not suffice. In this section, I will investigate whether Indian legislation is capable of dealing with CC-related challenges and obstacles. "Under the Information technology Act, 2000"

, "computer" means, "any electronic magnetic, optical or other high-speed data processing device or system which performs logical, arithmetic, and memory functions by manipulations of electronic, magnetic or optical impulses, and includes all input, output, processing, storage, computer software, or communication facilities which are connected or related to the computer in a computer system or computer network"[27]

Bitcoins can fall under the responsibility of the computer because: It is a device that fulfils the definition's functions.

1. "It is transacted in a network of connected computers" through computers.

The computer-related offences referred to in the Act may also "be used to deal with CCs. The I.T Act" deals with the following questions:

1. *Hacking* — In accordance with Article 43 of the IT Act, anybody accessing his/her computer device without the permission of the computer owner. The word "hacking," which gives a broader significance, was replaced by "computational offences." It can also include this act:
  - Destruction, removal and misappropriation of device output.
  - Computerized data alternation.
  - Program alternation or violence.

The "above-mentioned Acts cover everything from the introduction of a virus to the computer system"

to the initiation of a DSD[29]. The I.T. Act states that such an act shall be declared illegal. It notes that anyone who perpetrates such actions in a criminal (dishonest and fraudulent) manner is punishable by up to five (5) years or the same. Sections 24 and 25 of the IPC should be interpreted as 'dishonestly'[30] and 'Fraudulently,'[31].

2. *“Identity theft – Section 66C of the IT Act” considers the use of digital signatures as a criminal offence unauthorised, fraudulent and dishonest. In this Section, for instance, if someone mistakes “my privacy key to access my Bitcoin e-wallet without my permission. Up to 3 years and a fine”, to be extended to INR One lac, shall penalise the suspect.*

In addition, Section 66D of the Act concerns impersonation as a criminal offence with respect to an electronic signature. Up to 3 years and a fine may be incarcerated, extending to INR One lac.

7. *Cyber-Terrorism– The I.T. Law notes that the purpose of computer-related crimes is to threaten India's unity, dignity, stability, sovereignty or terror in the individual population or any part of it. Section 66F(I) shall allow for a life sentence of imprisonment. Back to the CCs, the decentralised system and “anonymity can be misused to” finance terrorist acts that could endanger domestic security and the economy. CCs are supposedly common and highly regarded and classified as “security,” and a cyber terrorist could hack into the network and disrupt the system in such a situation. The Indian economy, the public order and the sovereignty of India could suffer as a result of such an action.*

Bitcoins began the whole wave of CCs and became a common term for CCs, so it is not easy to prove the uniqueness as it is used by various businesses in different contexts on the basis of the services they provide in connection with CCs. Thus, "Bitcoins" is denied the key purpose to mark the word because the term "Bitcoins" has been used differently by many companies and would not give the public any distinctive characteristics to distinguish its roots. But if the same word has been fused with another word or visually changed, it may be recorded as a trademark. CCs are however a registered label, such as 'Ethereum,' established by an entity.

## **CC's tax consequences in India**

The government almost ignored CCs before Bitcoins' price rose and this year brought enormous profits to the owners. Little by little, tax authorities began to issue warnings to Bitcoin transactions participants. In India, the only way to tax CC's are not accepted as a legal tender is to regard it as a capital asset. CCs' The Income Tax Act 1995 calls "capital assets of any kind owned by an assessee in connection with his company or business." "Capital assets" The report The concept is not limited to one property, thus intangible property such as Bitcoins may be included. As long as CCs are used as an investment tool, its

benefit as a capital gain can be taxed[24]. Furthermore, depending on the time that the property was owned, it may be listed “as long-term or short-term capital asset. The property” is classified as a long-term asset whether it remains in holding for over 36 months or “it isa short-term capital asset”. The distinction is significant because in each case the tax implications are different.

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Challenges CC is encrypted in the most safe type of currencies with heavy mathematical functions. However, recent case studies have a different impression. Mt.Gox lost bitcoins equal to US\$620 million in 2014 as a major hack when Japan focused on CC exchange and is said to have been a result of poor management within the business. [26] The report of the Council of Europe Many cases of CC thieving/hacking have been recorded, but the CC group has not been greatly discouraged. New security measures were instead developed and verification processes were developed to prevent these backgrounds. In such cases, the legal system of the IT Country and CC acts as guardian angel; in the case of CC, I.T. rules can be enforced but the CC's multifaceted characteristics do not suffice. In this section, I will investigate whether Indian legislation is capable of dealing with CC-related challenges and obstacles. “computer means all electronic magnetic, optical or other hi-speed data processing” devices or systems performing “logical, arithmetical, and memory functions by means of electronic, magnetic, or optical pulse manipulation and includes all” connected or related information inputs, outputs, data processing, processing, software, storage systems or communication facilities.

Bitcoins are subject to the computer's competence since: it is a device that meets the functions specified in the specification. “It is transacted in a network of connected computers” through computers.

“The computer-related offences referred to in the Act may also be used to deal with CCs. The I.T Act deals with the following” questions:

Hacking — In accordance with Article 43 of the IT Act, anybody accessing his/her computer device without the permission of the computer owner. The word "hacking," which gives a broader significance, was replaced by "computational offences." “This act may also include: destruction, deletion and

misappropriation of machine output”.

- Computerized data alternation.
- Program alternation or violence.

## CONCLUSION

The prone to using bitcoin in order to disobey national and international legislation and to curtail the safety of sovereign countries is driving action by countries all over the world. Given the abilities of cryptocurrencies to challenge the ability of sovereign states to enforce domestic and international law, each country should develop its own legislative approach, combining regulatory, adoption and the prohibition of specific aspects while participating in an international debate on the development of a comprehensive cryptocurrency standard.

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