

Japan says Bitcoin not a currency, but taxable
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Japan's Chief Cabinet Secretary Yoshihide Suga speaking to the media at the prime minister's official residence in Tokyo. – AFP pic, March 7, 2014 Bitcoin is not a currency but transactions involving it could be "subject to taxation", Japan's government said today, in a move that might pave the way for formal regulations on the troubled virtual unit.

Tokyo also said that banks could not broker Bitcoin transactions or open accounts holding the virtual unit, in an apparent bid to clamp down on the digital currency.

But, as regulators around the world grapple with how to handle Bitcoin, the Japanese statement did not clarify if Tokyo would immediately begin cracking down on it, or how it would do so, given the unit's opaque nature.

Bitcoin "does not fall under the category of a currency" as defined by Japanese law and "generally speaking it is subject to taxation if it meets conditions laid out in income tax law, corporate tax law and sales tax law, among others", the government statement said.

If Bitcoin transactions were used for money laundering "that would constitute a crime", it added.

"As a matter of common sense, if there are transactions and subsequent gains, it is natural... for the finance ministry to consider how it can impose taxes," Chief Cabinet Secretary Yoshihide Suga told reporters today.

Asked whether Japan would become a global leader on regulating Bitcoin, Suga said: "We are now sorting things out under the current law and mulling what the government can do."

Unlike traditional currencies backed by central banks, Bitcoin is generated by complex chains of interactions among a huge network of computers around the planet.

Its relative anonymity and lack of regulation has been attacked by critics who fear it could be used to finance organised crime or terrorism.

Last week, the spectacular failure of the Japan-based MtGox trading exchange set off alarm bells over Bitcoin, which backers have promoted as a low-cost alternative to fiat currencies such as the US dollar or Japanese yen.

The United States Federal Reserve head Janet Yellen has said the Fed had no powers over a currency that only exists virtually with no central authority behind it. Several countries, including Russia and China, have heavily restricted how Bitcoin can be used.

Yellen has said US regulators, including the Treasury, are watching the Bitcoin sector for potential money laundering and other criminal uses of the digital currency.

MtGox, which at one time reportedly processed 80% of global Bitcoin transactions, last week sought bankruptcy protection and admitted that it lost half a billion dollars worth of the digital currency.

This week, an alleged theft of \$600,000 worth of the currency by hackers forced a Canada-based online business serving Bitcoin traders and investors to shut down.

Singapore police said yesterday they were investigating the "unnatural" death of a 28-year-old American boss of a Bitcoin exchange.

Autumn Radtke, chief executive of Singapore-based First Meta, was found dead on February 26, but no foul play was suspected, police said.

Yesterday, Newsweek claimed it had found the true identity of the mysterious person or group behind the Bitcoin revolution – "Satoshi Nakamoto", a 64-year-old, Japanese-American physicist and model train enthusiast.

Nakamoto has denied being involved in Bitcoin. – AFP, March 7, 2014

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