

INVESTORS' OPINIONS TOWARDS DIGITAL VIRTUAL ASSET INVESTMENTS PROPOSAL ON UNION BUDGET 2022

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ABSTRACT

In present scenario Cryptocurrency which plays a vital role in the development of economies throughout the world. Coins were introduced in 2009, but they gained high importance in 2021. In India, the cryptocurrency is still common. Even now, cryptocurrency is considered illicit activities in India. In 2020, the cryptocurrency transaction volume was 0.62%. In 2021, the transaction volume was 0.15%. Our government was even changed the name as Digital Virtual Assets with Blockchain system instead of Cryptocurrency. According to the Indian government's proposals in the 2022-2023 union budget, digital virtual assets will be taxed 30%, this shows our government planned that a digital virtual asset would become legal in the future. To address this research paper, the researcher should describe the tax regime on digital virtual assets and then explore the views of investors and industrialist in regard to the proposed tax on these assets. The study has dependent on secondary source of data.

Keywords: Digital Virtual Asset, Cryptocurrency, Tax regime, proposed.

INTRODUCTION

The term 'cryptocurrency' in its broadest sense refers to digital tokens, or coins, that are registered on a distributed and decentralized ledger called a block chain. Moreover, the field of cryptocurrencies has expanded in recent years since Bitcoin was launched over a decade ago, and tomorrow may finally see the release of the next great digital token. As of 2018, Bitcoin has the largest market cap, largest user base, and highest popularity among cryptocurrencies. Cryptocurrency is a way to fix the problems of traditional currencies by empowering currency holders with power and responsibility. Satoshi Nakamoto is a pseudonymous developer who created Bitcoin as the first decentralized cryptocurrency in 2009. In the present

federal budget 2022- 2023, our government proposes to introduce Digital Virtual Assets based on a block chain framework. To accomplish this, our financial minister proposed a 30% tax on digital assets and a 1% tax on TDS. Indian government proposed to set off.

OBJECTIVES OF THE STUDY

1. To understand the proposed tax rates on digital assets in the union budget for 2022-2023.
2. To obtain investor opinions on the taxation of digital virtual assets.
3. To determine the industrialist opinions on proposed taxation on digital virtual assets.

LIMITATIONS

30% is the highest tax regime for the investors. So, the transaction of digital virtual currency will become lower percentage.

METHODOLOGY OF THE STUDY

The study has dependent on secondary data. The secondary data were collected from the text book, leading journals, magazines and related websites.

HISTORY OF CRYPTOCURRENCY

A cryptographic electronic money called e - cash was invented in 1983 by American cryptographer David Chaum. In 1995, he introduced Digicash, an early form of encrypted electronic payments that required users to download software in order to withdraw notes from a bank and to craft specific encrypted keys before they could send the funds. The digital currency can therefore be untraceable by the bank that issued it, the government, or third parties. The National Security Agency published a paper titled How to Make a Mint: the Cryptography of Anonymous Electronic Cash in 1996, explaining a Cryptocurrency system. It was first published in a MIT mailing list, and later in 1997, in The American Law Review (Vol. 46, Issue 4). The concept of B-money, characterized as anonymous and distributed electronic cash, was described by Wei Dai in 1998. The following day, Nick Szabo wrote about bit gold. Exactly like Bitcoin and other cryptocurrencies that would follow it, bit gold (not to be confused with the gold-based Gold Exchange) was described as an electronic currency system that required users to complete a proof of work function, with the solution being cryptographically generated and published. Satoshi Nakamoto, a pseudonymous developer suspected to be behind bitcoin's creation, created the first decentralized cryptocurrency in 2009. A cryptographic hash function, SHA-256, was used in its proof-of-work scheme. In April 2011, Namecoin was created as an effort

to form a decentralized DNS that would make internet censorship very challenging. Following that, Litecoin was released in October 2011. The UK Treasury announced on 6 August 2014 that it had commissioned a study to investigate cryptocurrencies and what role they might play within the economy. Additionally, the study was supposed to report on whether or not regulation was necessary. It released its final report in 2018 and announced a consultation on crypto assets and stable coins in January 2021. The Legislative Assembly of El Salvador passed a bill classifying Bitcoin as legal tender 62–22 in June 2021, making El Salvador the first country to accept Bitcoin as legal tender. As of August 2021, Cuba recognized and regulated cryptocurrencies, including Bitcoin, through Resolution 215. After a crackdown on cryptocurrency that had previously banned the operations of cryptocurrency intermediaries and miners in China in September 2021, the Chinese government declared all crypto transactions illegal. Cryptocurrencies, such as Bitcoin, have existed since 2009 and are based on centuries-old technology. In recent years the cryptocurrency gained popularity. Decentralized cryptocurrency doesn't have a central authority since it's decentralized.

LIST OF CURRENCY AVAILABLE IN CRYPTOCURRENCY

Table – 1

Latest currency available in cryptocurrency

Year of Introduction	Currency	Symbol	Founder(s)	Programming Language of Implementation	Consensus Mechanism
2021	Internet Computer	ICP	Dominic Williams, DFINITY Foundation	Rust[75]	
2021	Safe Moon	SAFEMOON	SafeMoon LLC	Solidity[74]	PoW
2020	Polkadot	DOT	Gavin Wood	Rust	PoS
2020	Shiba Inu	SHIB	Ryoshi		PoS
2020	Avalanche	AVAX	Emin Gun Sirer, Kevin Sekniqi, Maofan “Ted” Yin		PoS

Source: Secondary data

Interpretation

Table – 1 interprets that, in 2021, Internet Currency was introduced. The symbol was ICP. The founder of the currency was Dominic Williams, Dfinity Foundation. Programming language of Implementation is Rust [75]. 2021 Safe Moon currency was available. The symbol of the currency was SAFEMOON and the founder of the currency was SafeMoon LLC. The programming Language of Implementation is Solidity [74] and the consensus mechanism was PoW. In the year of 2020, the Polkadot currency was sold and symbol of the currency was DOT. Gavin Wood was the founder of the currency and the programming language was Rust, PoS were the consensus mechanism. In 2020, Shiba Inu was available and the symbol of the currency was SHIB. The founder of the currency was Ryoshi and the consensus mechanism was PoS. In 2020 Avalanche was available and the currency was AVAX. The founder of the currency was Emin Gun Sirer, Kevin Sekniqi, Maofan “Ted” Yin. The consensus mechanism was PoS.

VIRTUAL CURRENCIES TAXATION AROUND SELECTED COUNTRY IN THE WORLD

Table - 2

Selected Countries Virtual Currencies Taxation

Country	Tax treatment
UK	<ul style="list-style-type: none"> • 20% for higher and additional rate taxpayers • 10% for basic rate taxpayers. • The tax-free allowance for capital gains tax is up to £12,300
USA	<ul style="list-style-type: none"> • Transferring crypto between wallets and donating crypto to a qualified tax-exempt charity will not be taxable. • Tax reportedly between 10 to 20% on crypto transactions.
Italy	<ul style="list-style-type: none"> • Cryptocurrencies to fiat currencies will be subject to a flat 26% substitutive tax.
Canada	<ul style="list-style-type: none"> • Only 50% of the capital gain is subject to tax, and not the entire gains

Source: Secondary Data

HIGHLIGHTED PROPOSED TAX RATE IN UNION BUDGET 2022 – 2023

Indian Financial Minister Nirmala Sitharaman proposed tax rates on virtual digital assets in the union budget for 2022 - 2023.

- In the Budget, a 30% tax on virtual digital assets has been proposed.
- It was stated in Budget 2022 that all income from the transfer of digital assets (crypto) will be taxed at 30%, plus a 1% TDS on consideration relating to the transfer of virtual digital assets above the threshold.
- The gains or losses on sale of virtual assets will not be allowed to be offset against any other gains or losses.

While computing such income, no deductions shall be allowed for expenditures or allowances other than the cost of acquisition.

INDUSTRIALIST OPINION ABOUT TAX REGIME OF DIGITAL VIRTUAL ASSETS

During honorable Indian Finance Minister Sitharaman Budget speech on February 1, she stated that there had been a spectacular rise in transactions in virtual digital assets. It is imperative to establish a specific tax regime for transactions of this magnitude and frequency. As a result for the taxation of virtual digital assets, she proposes that all income from the transfer of a virtual digital asset be taxed at 30 percent."

In an exclusive interview with **Reema Sharma of Zee Media, Ashish Singhal, co-chair of the Blockchain and Crypto Assets Council, Founder of Coin Switch, shares his thoughts on taxation on VDA and cryptos in India.**

Question - 1: FM Nirmala Sitharaman has categorically said that the term is 'Crypto' and not 'Crypto-currency' as being discussed in the common parlance. What is your view on it?

Answer – 1: Cryptocurrencies should also be classified as assets. Globalization is moving towards decentralization. Technological advancements and crypto-assets serve to facilitate the creation of a decentralized world aka Web3.0. . Regulating crypto assets is crucial as it allows Indian citizen's access to crypto assets in a secure and safe manner. India already has faster payment systems like UPI, so cryptocurrencies are better used as assets than currency.

Question – 2: In her Budget speech, the FM has said that income from virtual digital assets (VDA) will be taxed at 30%. How does the crypto biz interpret it?

Answer – 2: Overall, we see this as a positive development. It also indicates that this industry is being recognized by the government. The situation is more nuanced now. Could we tax this at the same rate we tax

other assets like securities. These nuances need to be worked out. Several of these finer points will be addressed with the government, according to the industry.

Question – 3: The tax on VDA will be levied from 2023. How does it affect crypto investors this year?

Answer – 3: We are still reviewing the fine print, so investors should consult their certified chartered accountants.

Question – 4 : FM has said that RBI is soon going to introduce a Digital Rupee. How can we understand Digital Rupee in light of Crypto and vice-versa?

Answer – 4: In our opinion, this is a positive step. It establishes a clear line of demarcation between the currency (legal tender) and other crypto assets. Cryptos and other digital assets can therefore be innovated while the monetary system remains stable.

INVESTOR'S OPINION ABOUT TAX REGIME OF DIGITAL VIRTUAL ASSETS

As the finance minister announced, "taxing cryptocurrency does not bring legitimacy," but it is also clear that the country would not want to ban trading in cryptocurrencies, and is expecting to conclude stakeholder conclusions before introducing the bill in parliament to regulate VDA. In terms of investors' perceptions, taxes have both a negative and a positive impact on virtual digital assets. In view of the potential negative impact the tax which is proposed 30% might be reduced in the future for VDA investors. As the proposed tax of 30% is expected to have a positive impact on the digital asset transaction in India, the regulation of the transaction should be improved.

CONCLUSION

In this Budget, however, nothing was mentioned about the much anticipated Cryptocurrency and Regulation of Official Digital Currency Bill, 2021, which has been eagerly anticipated by the entire crypto industry as a way to provide clarity to the otherwise cloudy future of crypto in India. India's central bank, the Reserve Bank of India, has repeatedly made it known that it is against cryptocurrency, which makes the future even more uncertain. To conclude the industrialist opinion of VDA is, whether the tax proposals will result in glut of supply of VDA into the market following a heavy sale to avoid tax or whether it would shift investments from this asset class into equity markets, which have the benefit of lower taxation remains to be seen.

Although the finance minister is clear that taxing cryptocurrency does not legitimize it, it is also clear that the country does not want to prohibit cryptocurrency trading. The country will conclude its stakeholder

conclusions before introducing the bill in parliament to regulate virtual currency. As concluded that investor opinion concerning the taxation of digital virtual assets in the future would be regulated properly.

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