



# INSIGHTS

## INDIA'S UNEVEN CRYPTO LANDSCAPE

Ronnie Ninan, *Risk Analyst*

26 May 2022

## BACKGROUND

On 18 Apr, India's Finance Minister Nirmala Sitharaman, during a panel discussion titled Money at a Crossroad, hosted by the Managing Director of the International Monetary Fund (IMF), Kristalina Georgieva, discussed the risks posed by cryptocurrencies as an unregulated medium of asset exchange, and the legal clarity mandated by a global front and the 'opportunities' of introducing a central bank digital currency (CBDC).



FM Nirmala Sitharam At IMF Panel Discussion

*I think the biggest risk for all countries across the board will be the **money laundering** aspect and the aspect of currency being used for **financing terror**.*

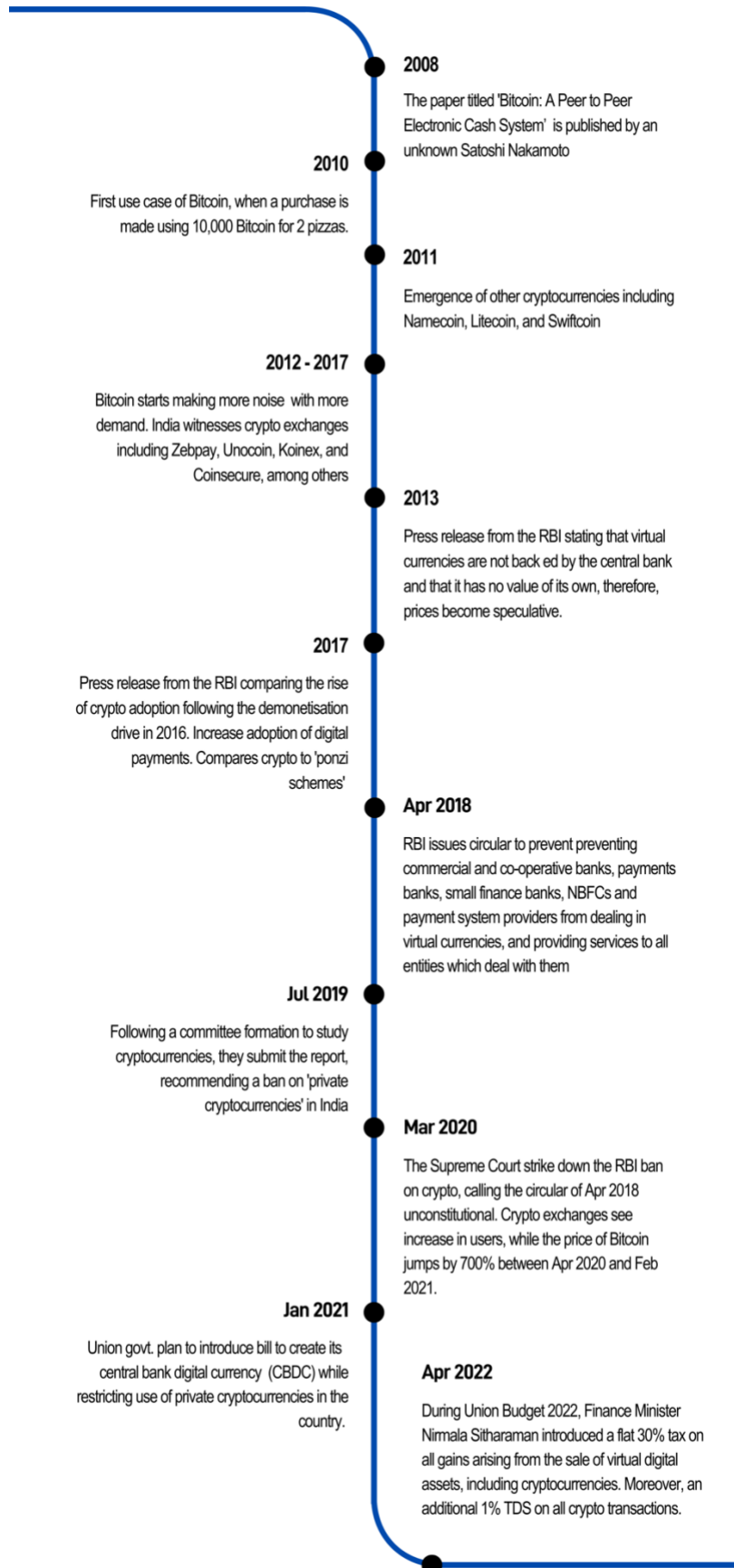
***Regulation** using technology will have to be so adept that it has to be not behind the curve, but be sure that it is on top. And that's not possible. If any one country thinks that it can handle it. It has to be across the board.*

## INDIA'S CRYPTO TAX

Finance Minister Nirmala Sitharaman declared a capital gains tax of 30% on crypto transactions, beginning immediately, in the Union Budget of Apr 2022. The crypto industry, as well as the millions of small-time customers who utilise Indian crypto exchanges, were outraged. There was also a 1% tax deducted at source (TDS) for purchasing or selling crypto, as well as taxes on crypto gifts, with no possibility to recoup losses. The crypto taxes took effect on 01 Apr, 2022, and the TDS will begin on 01 Jul, 2022. The crypto industry fought back with a change.org petition and an online campaign, as well as meetings with Members of Parliament (MPs), after the taxes were first proposed in Feb 2022. There had been some hope that the capital gains tax, known as TDS, would be decreased, but this did not materialise. She went on to stress that the TDS is "mainly for tracking purposes, not as a new or additional tax," and that "the entire tax due to the government may always be reconciled." The crypto sector in India reacted strongly, calling the bill's passage without favourable modifications "more harmful than good" and "one that will hamper the industry's overall growth." "This can lead to cascading participation on Indian exchanges and lead to a rise in capital outflow to foreign exchanges," said Nischal Shetty, co-founder and CEO of WazirX, India's largest crypto exchange. The crypto volume on the Indian exchanges plummeted by \$6,92,092 (about Rs 5.19 crore or 44%) in the first 4 days after the 30% tax was implemented, compared to the volume on 31 Mar 2022.



INDIA'S CRYPTO REGULATION TIMELINE



## INDIA CRYPTO ADOPTION ANALYSIS

India is still very young when compared to the global crypto adoption rate. However, the analysis by the blockchain and research firm ChainAnalysis ranked India in 2nd place in the Global Crypto Adoption Index in Oct 2021 and Jan 2022. In Apr 2022, the knowledge services platform, Finder, revealed in a report that India has further risen in the global adoption of crypto to rank 1st globally. The survey compared users of crypto from 27 countries.



### Key Takeaways from the Report



Cryptocurrency ownership has increased to 286.2 million. A rise of 61.6 million new owners since Jan 2022.



Bitcoin is the most popular cryptocurrency amongst Indian users. However, there has been a dip in its ownership between Jan 2022 and Apr 2022, from 35.2% to 29.3%



India has risen by one rank as of Apr 2022, compared to Jan 2022, in the global crypto adoption index.



India's crypto adoption rate is almost double the global average of 15%

## CHAOS FACING INDIAN CRYPTO EXCHANGES

Coinbase is one of the largest crypto exchanges on the planet. In 2022, they had planned to enter the Indian market to provide their services, but it all crashed very quickly. During their launch event on 07 Apr, they announced that Indian crypto investors will be able to send funds to Coinbase's local exchange via the country's well-known online payments system, UPI (Unified Payments Interface). The announcement marked the beginning of the exchange's official operation in the world's second-largest internet market. After a few hours, the National Payments Corporation of India (NPCI), the UPI's regulating body, issued a one-line statement stating that they were unaware of cryptocurrency trades being conducted through the UPI system. Coinbase frantically shut down all crypto payment services in India a few days later. Coinbase clients said that they were denied the ability to deposit Indian rupees into their accounts following the quick and dramatic move, jeopardising the company's expansion goals before it even began.



This was, however, not the only instance of crypto exchanges and users in India facing issues with payment following the Union Budget 2022 announcements on the crypto tax. CoinSwitch, Kuber, and WazirX, three prominent Indian crypto exchanges, had ceased allowing rupee deposits for the purchase of cryptocurrencies via a commonly utilised state-backed transfer channel, prompting customers to vent their dissatisfaction on social media. Deposits were disabled from these exchanges after the NPCI stated that it was unaware of their UPI platform being utilised for payments on crypto exchanges. Following the deactivation of the UPI for deposits, trade volumes on Indian crypto exchanges dropped by 60% to 90%. Trading volume on WazirX fell to \$46,801,290 (about Rs. 362 crore) on 08 Apr 2022, according to CoinGecko, compared to \$157,468,430 (approximately Rs. 1,220 crore) on 31 Mar 2022. The move has greatly impacted the Indian daily-users confidence in the possible viability of cryptocurrency investments in India.

### CRYPTO DEVELOPMENTS FROM OTHER COUNTRIES

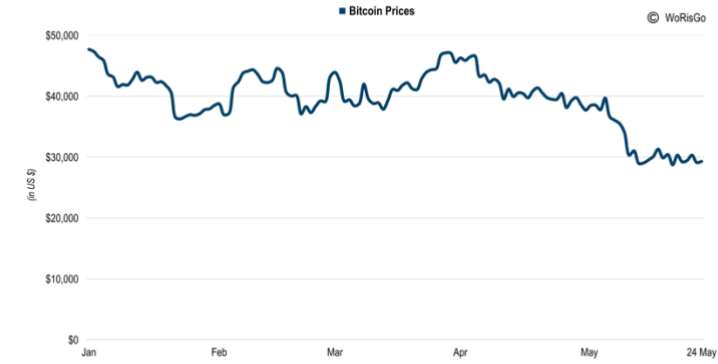
**Turkey:** According to reports from Bloomberg, the Turkish government is working on a draft bill to strengthen control over the country's digital asset market, including cryptocurrencies. The legislation also targets cryptocurrency exchanges, mandating them to operate on Turkish land with a minimum capital of 100 million liras (\$6.1 million). In the following weeks, President Erdogan's ruling AK Party will focus on the business by developing a crypto regulatory bill. The measure should provide officials more power when it comes to market surveillance. They're also considering levying a tax on cryptocurrency buyers. It's unclear whether this step will be done, or what percentage of the tax will be imposed.

**El Salvador:** El Salvador, a Central American country, decided to purchase 200 Bitcoin on 06 Sept 2021, following the legalisation of Bitcoin as an official currency. when it was worth around \$10.3 million. The day was regarded as a watershed moment in the history of the crypto market, and it was met with great enthusiasm. After reaching an all-time high of \$69,000 in Nov 2021, Bitcoin has lost 55% of its value. With Bitcoin's value falling, several detractors have stepped up their attacks on El Salvadoran President Nayib Bukele and his desire to continue consuming more Bitcoin. At current currency rates, the country's coffers have 2,301 BTC, which are worth slightly more than \$67 million. According to reports, Bukele's Bitcoin gamble has already resulted in massive losses equal to the country's planned interest payments.

**Central African Republic:** After recognising Bitcoin as legal tender in April 2022, the Central African Republic (CAR) is ready to set up digital currency infrastructure. CAR President Faustin-Archange Touadera announced the upcoming launch of "Sango," the country's first major crypto endeavour, via Twitter on May 24, 2022. The crypto hub in the Central African Republic was built shortly after the National Assembly legalised Bitcoin as legal tender. Following El Salvador, CAR has become the first African country and the second country in the world to accept Bitcoin as legal tender. As a result of the continent's growing crypto usage, a number of African governments have begun to embrace digital assets.



Crypto Prices Fall Since All-time High In Nov 2021



### Crypto Regulations Around The World

Country	License Required	Central Bank	Currency Project
Canada	Yes	Yes	Yes
United States	Yes	Yes	Yes
Mexico	Yes	Yes	Yes
Chile	Yes	Yes	Yes
Argentina	No	No	No
Brazil	No	No	Yes
India	No	Yes	Yes
China	No	Yes	Yes
UK	Yes	Yes	Yes
Switzerland	Yes	Yes	Yes
EU	Yes	Yes	Yes
Japan	Yes	Yes	Yes
South Korea	Yes	Yes	Yes
Hong Kong	Yes	Yes	Yes
Australia	Yes	Yes	Yes
Singapore	Yes	Yes	Yes
Thailand	Yes	Yes	Yes

COMPLY ADVANTAGE®




### ASSESSMENT & CONCLUSION

The Goods and Services Tax (GST) Council is proposing putting a 28% GST on cryptocurrencies, according to multiple media outlets. According to sources, the GST Council has formed a committee to look into imposing a 28% GST on all crypto-related activities and services. This has come as a shocker to the remaining investors in the crypto industry after many left the ecosystem following the new crypto tax implemented following the Union Budget 2022. The bulk of the crypto adoption in India comes from small-time investors, but the market continues to be run by crypto whales (those who hold crypto valued at more than \$1 million). The crypto tax of 30% and the subsequent addition of the 1% TDS has spooked many investors, but the adoption and possibility of cryptocurrencies in a digitally motivated country such as India will not let the invention—the most significant since the internet—die down. While the crypto market is currently in a slump, and with more market-friendly crypto regulations, India is expected to witness a rise in more economically sound crypto-led adoptions across Indian business sectors.


### ABOUT THE AUTHOR

**Ronnie Ninan** is a Risk Analyst at WoRisGo and is responsible for analyzing and assessing the risk and threat for India. He is part of the core team at the firm, looking into regional, geo-strategic, and travel security risks. He has a postgraduate diploma after completing the Young India Fellowship from Ashoka University, Sonapat. He completed his Master's in International Studies from the Symbiosis School of International Studies, Pune. He has a Bachelor's degree in Physics from St. Xavier's College, Mumbai. Being a published author, he has also been an active contributor to various online platforms. His areas of interest include emerging technologies, science and technology policy, defence policy, and supply chain management.







**WORLD  
RISK &  
GOVERNANCE**



[www.worisgo.com](http://www.worisgo.com)



[risk.services@worisgo.com](mailto:risk.services@worisgo.com)




1800- 572- 8600

Prepared at the Risk Assessment and Analysis Centre, Bangalore

©COPYRIGHT-WoRisGo

Terms of Use - The business continuity, compliance and security risk advisory contained above is based on analysis of information in public domain and our expertise in the domains. For certain verifications, we have also depended on due diligence with officials wherever necessary or feasible. The analysis and information are provided on as-is basis with no liability. Various organizations may arrive at different outcomes, business continuity plans and other decisions based off on these inputs. Our analysis is just one of the several data points towards enabling such decisions. This analysis should be consumed in the context of your organization's risk appetite, business practices, governance policies and bearing other situational and relevant factors in mind.



**Your GRC Partner:  
our assurance during  
uncertainties**

