

# India to launch state-backed 'digital rupee', tax crypto

February 1 2022, by Nivrita Ganguly

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Finance minister Nirmala Sitharaman unveiled her budget to parliament.

India will introduce a state-backed "digital rupee" and impose a 30 percent tax on profits from virtual currencies, the government announced Tuesday while unveiling the next financial year's budget.

The plans are a blow to one of the world's fastest-growing cryptocurrency markets, which has remained unregulated despite burgeoning local trading platforms and glitzy celebrity endorsements.

They make India the latest major emerging economy to rein in the sector, after China went even further in outlawing all cryptocurrency transactions last September.

"There has been a phenomenal increase in transactions in virtual digital assets," finance minister Nirmala Sitharaman told parliament, adding that the growth necessitated a proper tax framework.

Profits made trading cryptocurrencies and other digital assets will be taxed at 30 percent from April, while any losses from digital transactions will not be granted offsets against other income.

A one-percent tax will be deducted at the source for all digital asset transactions, including cryptocurrencies and NFTs, a move that the finance minister said would help the government track each trade.

Sitharaman also said the central bank would introduce a "digital rupee", based on blockchain technology, by the end of March 2023.

"Introduction of central bank digital currency will give a big boost to (the) digital economy. Digital currency will also lead to a more efficient and cheaper currency management system," she said.

Cryptocurrencies have been under scrutiny by Indian regulators since first entering the [local market](#) nearly a decade ago, with a surge in fraudulent transactions leading to a [central bank](#) ban in 2018.

India's Supreme Court lifted the restrictions two years later and the market has surged since, growing by nearly 650 percent in the year to

June 2021—second only to Vietnam, according to research by Chainalysis.

Prime Minister Narendra Modi last year warned that Bitcoin presented a risk to [younger generations](#) and could "spoil our youth" if it ended up "in the wrong hands".

The government last year proposed banning "all private cryptocurrencies", but ultimately held back.

"It's good to finally have some clarity on the taxation aspect," said Sathvik Vishwanath, the co-founder of Unocoin, one of India's oldest crypto trading platforms.

"Now we can infer that if they are introducing taxation it's because they know that the ban (on trading cryptocurrencies) is not happening."

## **'More growth and more jobs'**

Tuesday's budget also included plans to ramp up infrastructure spending to support the economy's post-pandemic bounceback as officials grapple with rising inflation and unemployment.

Spending of 7.50 trillion rupees (\$100 billion) will be directed to roads, railways, defence, housing and energy in the coming financial year, as the government eyes important state polls in the coming weeks.

"This budget is filled with possibilities for more infrastructure, more investments, more growth and more jobs," Modi said.

India is forecasting world-beating economic growth of up to 8.5 percent in the coming financial year, according to estimates released Monday.

The budget was "short on big-bang proposals" but had struck a balance between recovery and improving the country's fiscal position, said Rudra Sensarma, an economics professor at the Indian Institute of Management Kozhikode.

India is nonetheless running a large budget deficit, which is forecast to fall slightly to 6.4 percent of GDP in 2022-23.

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