

# Understanding Investor Sentiment on VDA Taxation in India



As India approaches the February 2026 Union Budget, discussions around the taxation and regulation of Virtual Digital Assets (VDAs) have assumed renewed importance. Over the past few years, India has taken a cautious yet structured approach to crypto, introducing a defined tax framework and strengthening compliance and reporting requirements. As the ecosystem matures and participation broadens, understanding how existing policies are perceived by market participants becomes critical to informed and balanced policymaking.

Against this backdrop, CoinSwitch undertook a nationwide survey to capture investor sentiment on VDA taxation and regulation. The objective was to assess awareness of the current tax regime, perceptions of fairness, behavioural impact on participation, and expectations from the forthcoming Union Budget. The survey also sought to understand broader views on regulatory clarity and the long-term role of crypto within India’s financial system.

The findings presented in this report reflect the perspectives of nearly 5,000 respondents. While the survey is perception-based and not intended to represent the entire population, it offers valuable directional insights into how crypto-engaged users are responding to the current policy environment and what changes they believe would support sustainable growth, compliance, and onshore market development.



# Executive Summary



The survey reveals a high degree of awareness alongside growing concerns about structural aspects of the tax regime. The findings offer directional insights into investor behaviour, policy expectations, and the importance of regulatory clarity for investors.

## Key Highlights

**1.** Nearly 88% of respondents are aware of India's crypto tax regime. However, over 63% perceive the framework as unfair.

**2.** About 59% of respondents report reduced participation in crypto investing or trading due to taxation. This suggests that the current regime may be discouraging active onshore participation and could be influencing a shift in trading activity towards offshore markets.

**3.** Over 80% of respondents are seeking changes in the upcoming Union Budget, with priorities centred on rationalisation rather than rollback. Lower tax rates and loss set-off provisions emerge as the most commonly cited expectations.

**4.** A majority of respondents favour taxing crypto in line with other financial assets such as equities or mutual funds. This reflects a broader desire to normalise crypto within India's existing financial and tax architecture rather than treat it as an exceptional or isolated asset class.

**5.** Nearly 80% of respondents emphasise the importance of clear and comprehensive regulation beyond tax policy, underscoring that taxation alone is insufficient to drive long-term confidence and participation.

**6.** More than half of respondents believe crypto should be encouraged as a new asset class, with safeguards. Support for outright

discouragement remains limited, indicating that public sentiment broadly favours enablement with appropriate oversight.

Overall, the survey highlights a strong willingness among crypto investors to comply with taxation and regulation, provided the framework is perceived as fair, predictable, and aligned with broader market practices. As policymakers consider the February 2026 Union Budget, these findings offer timely insights into how targeted reforms could strengthen onshore participation, improve market efficiency, and reinforce India's position in the evolving global digital asset ecosystem.

## Objective

The survey was designed to understand awareness, perceptions, and expectations around crypto (Virtual Digital Assets – VDA) taxation and regulation in India, ahead of the Union Budget.

## Sample Size

The survey received responses from nearly 5000 participants.

## Respondent Profile

Respondents primarily comprised existing CoinSwitch users/investors, ensuring relevance to VDA taxation and policy discussions. A small proportion of respondents indicated that they do not currently invest in crypto, allowing for broader sentiment capture.

## Data Collection

The survey was administered digitally, enabling pan-India participation. The study was conducted using a structured survey as a multiple-choice questionnaire designed to assess attitudes towards crypto (Virtual Digital Assets – VDA) taxation and regulation in India.

Responses were collected anonymously, with no personally identifiable information recorded or stored, to encourage candid and unbiased feedback. All questions were mandatory, resulting in a 100% response rate across all questions.

## Limitations

As a perception-based survey, findings reflect respondent sentiment at the time of data collection and may not be representative of the entire Indian population. Results should be interpreted as directional indicators of crypto-engaged user sentiment rather than definitive population estimates.

# Survey Insights



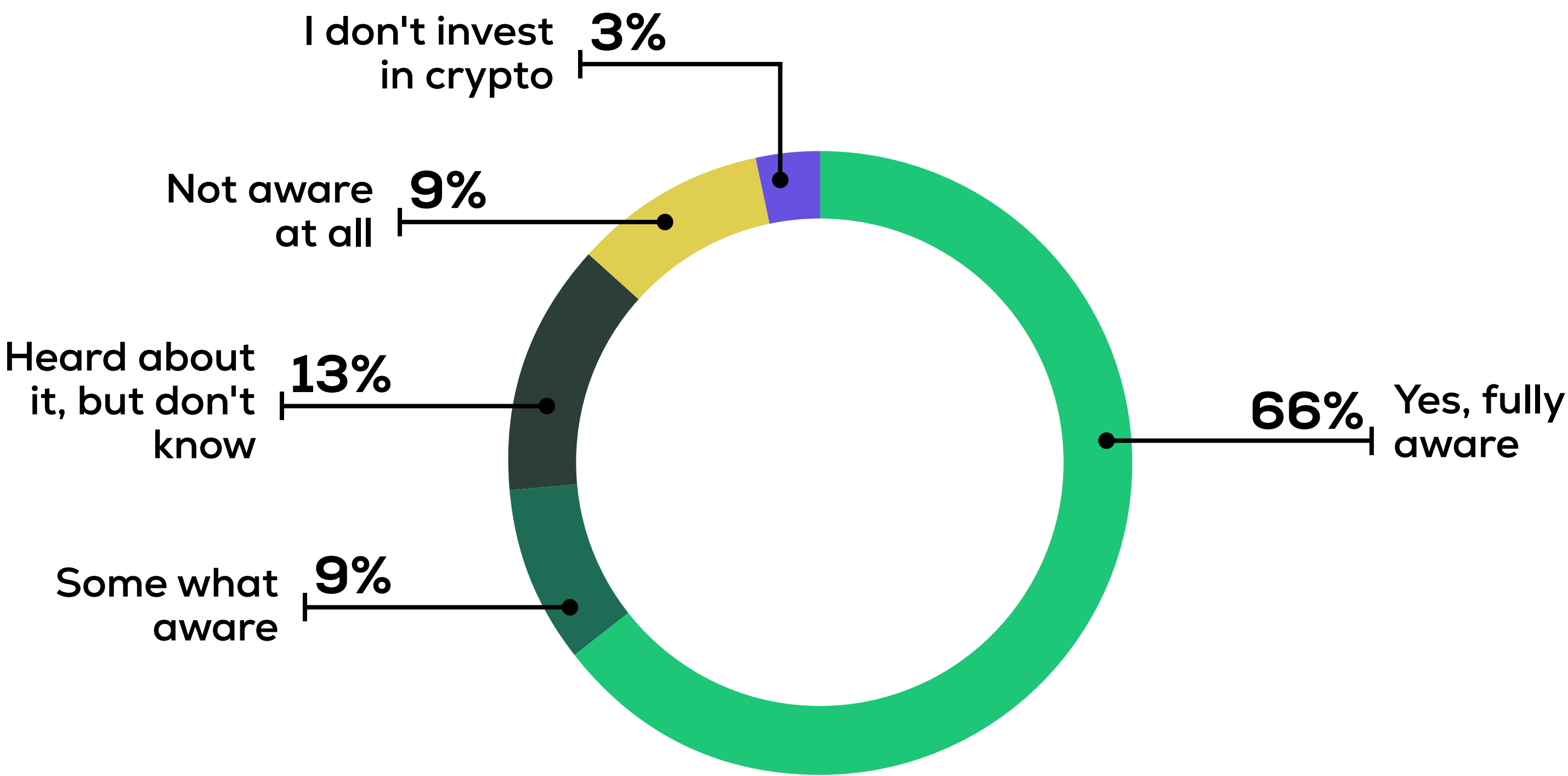
## 88% of Respondents Are Aware of Crypto Taxation in India

The survey indicates a high level of awareness about India’s current crypto taxation framework among participants. A significant 66% of respondents stated they are fully aware of the existing regime, including the 30% tax on gains, the absence of loss set-off or carry-forward provisions, and the 1% TDS on transactions.

In addition, 22% respondents reported partial awareness. Only 9% of respondents indicated no awareness at all, suggesting that information about crypto taxation has reached most active and semi-active participants in the ecosystem.

### Insight

Awareness levels are relatively high among participants, indicating that the current tax framework is well-known.





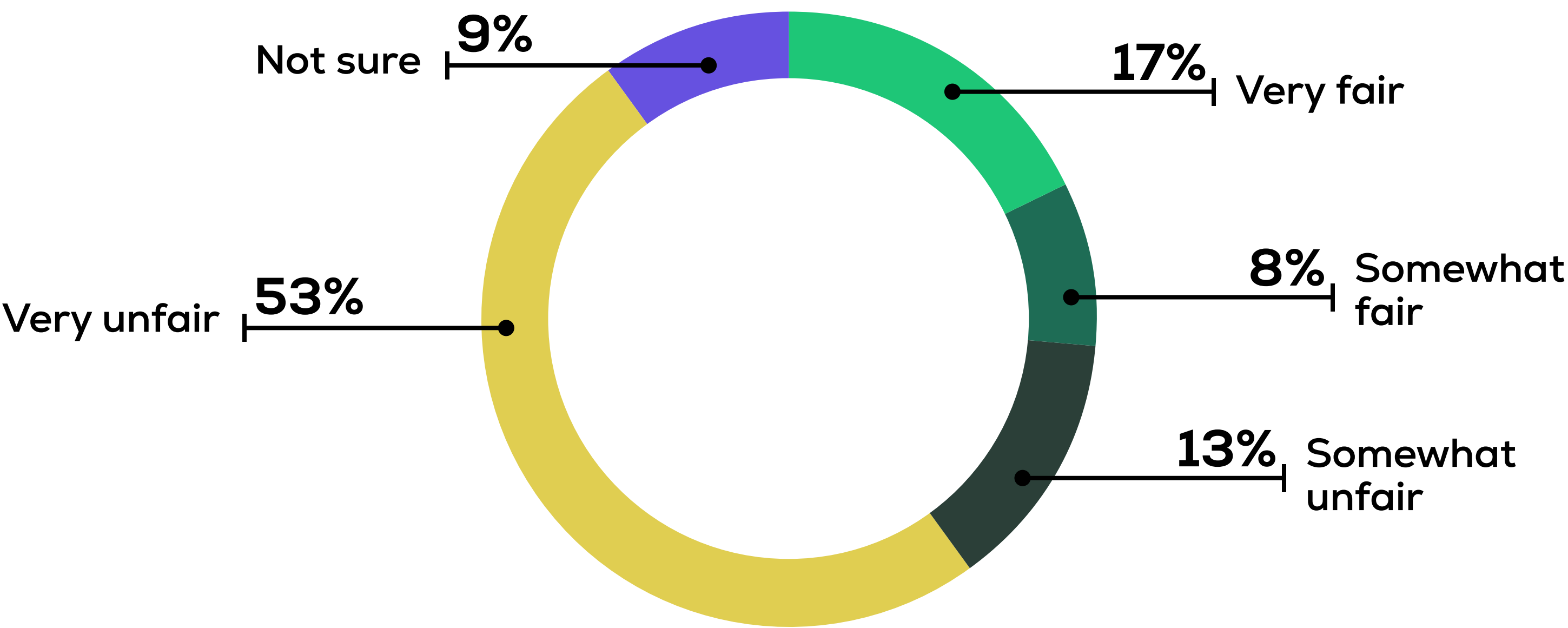
# Perception of Fairness of Current Tax Regime



## 66% of Investors View India’s Crypto Tax Regime as Unfair

Despite high awareness, perceptions around fairness are overwhelmingly negative. Nearly 66% of respondents consider the current crypto tax regime unfair, out of which with 53% describing it as “very unfair” and 13% as “somewhat unfair.”

In contrast, only 25% of respondents believe the regime is fair, either very or somewhat, while 9% remain unsure or undecided.



### Insight

There is a strong negative perception around fairness, suggesting that dissatisfaction is structural rather than driven by lack of information.

# Impact of Taxation on Participation in Crypto Investing/Trading



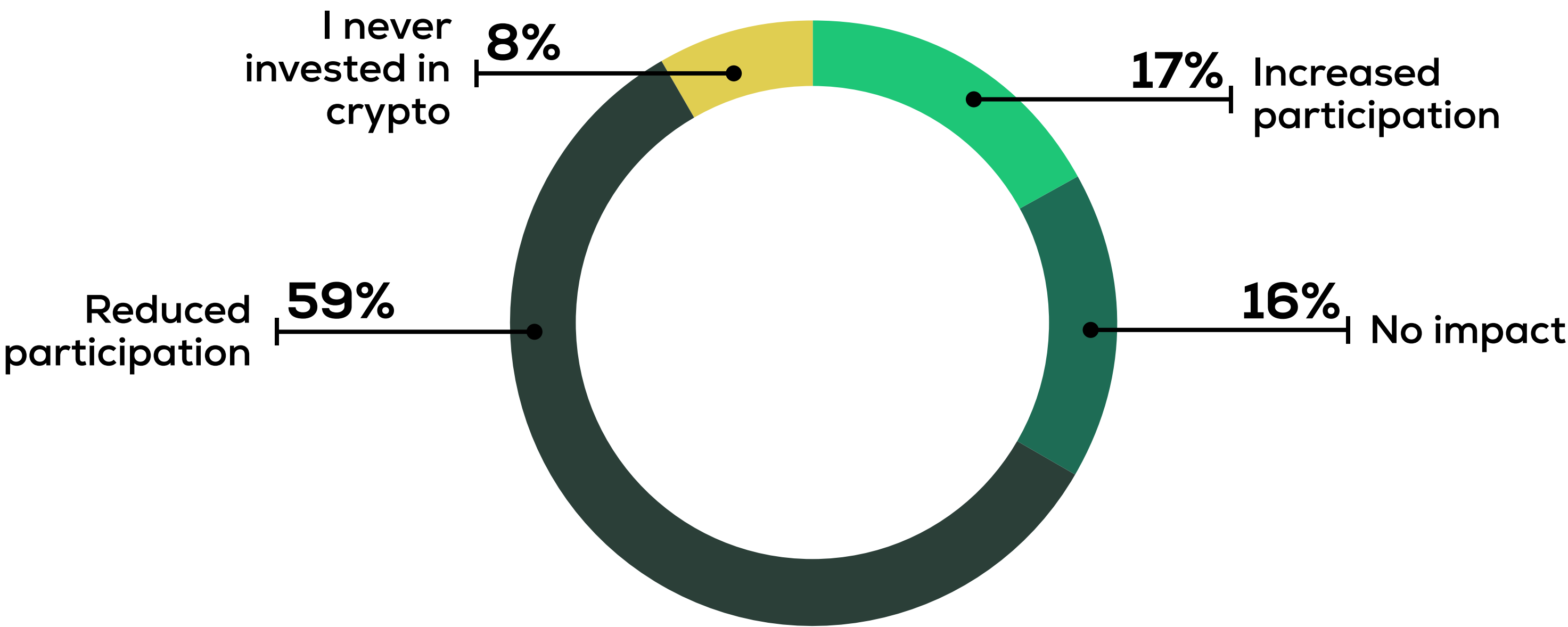
## Over Half of Crypto Investors Have Reduced Participation Due to Taxation

The current tax regime appears to have had a material impact on investor behaviour. A clear 59% of respondents report that they have reduced their participation in crypto investing or trading as a direct consequence of the existing tax policy.

Meanwhile, 17% report increased participation, and 16.5% say the tax framework has had no impact on their activity levels.

### Insight

The tax framework appears to be discouraging active participation. This could also suggest increasing trading activity towards offshore markets. On the other hand 14% says increased participation reflecting long-term holders or institutional-leaning participants who prioritise regulatory certainty over short-term tax impact.





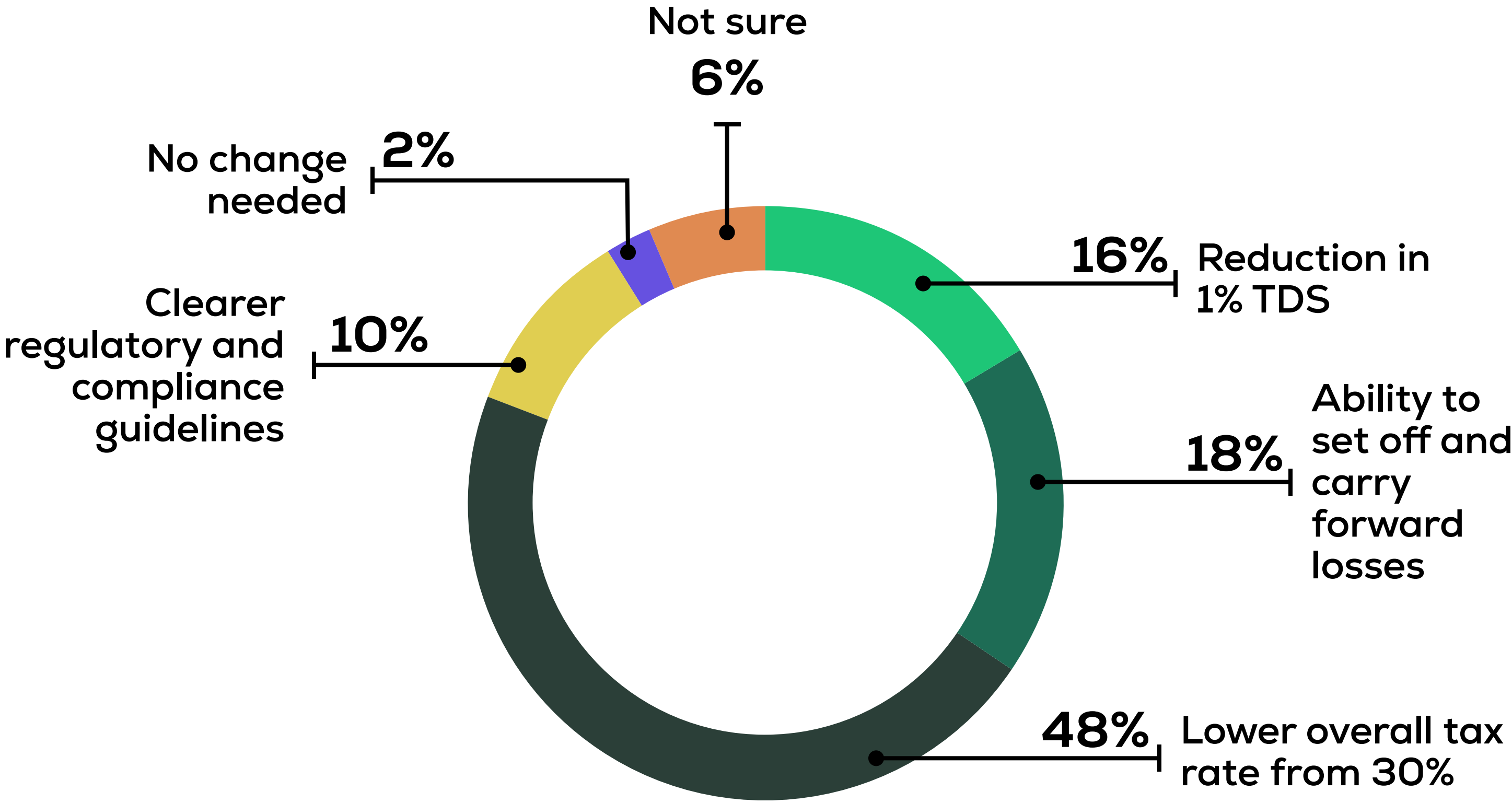
# Changes Expected in the Union Budget



## Lower Rates, Loss Set-Offs Top Budget Wish List

When asked about expectations from the upcoming Union Budget, respondents expressed a clear and consistent set of priorities focused on rationalisation rather than rollback of taxation.

- > 48% want a lower overall tax rate than the current 30%.
- > 18% seek the ability to set off and carry forward losses, similar to other asset classes.
- > 16% want a reduction in the 1% TDS, which is often cited as a barrier to liquidity.
- > 10% want clearer regulatory and compliance norms.
- > Only 2% feel that no change is needed.



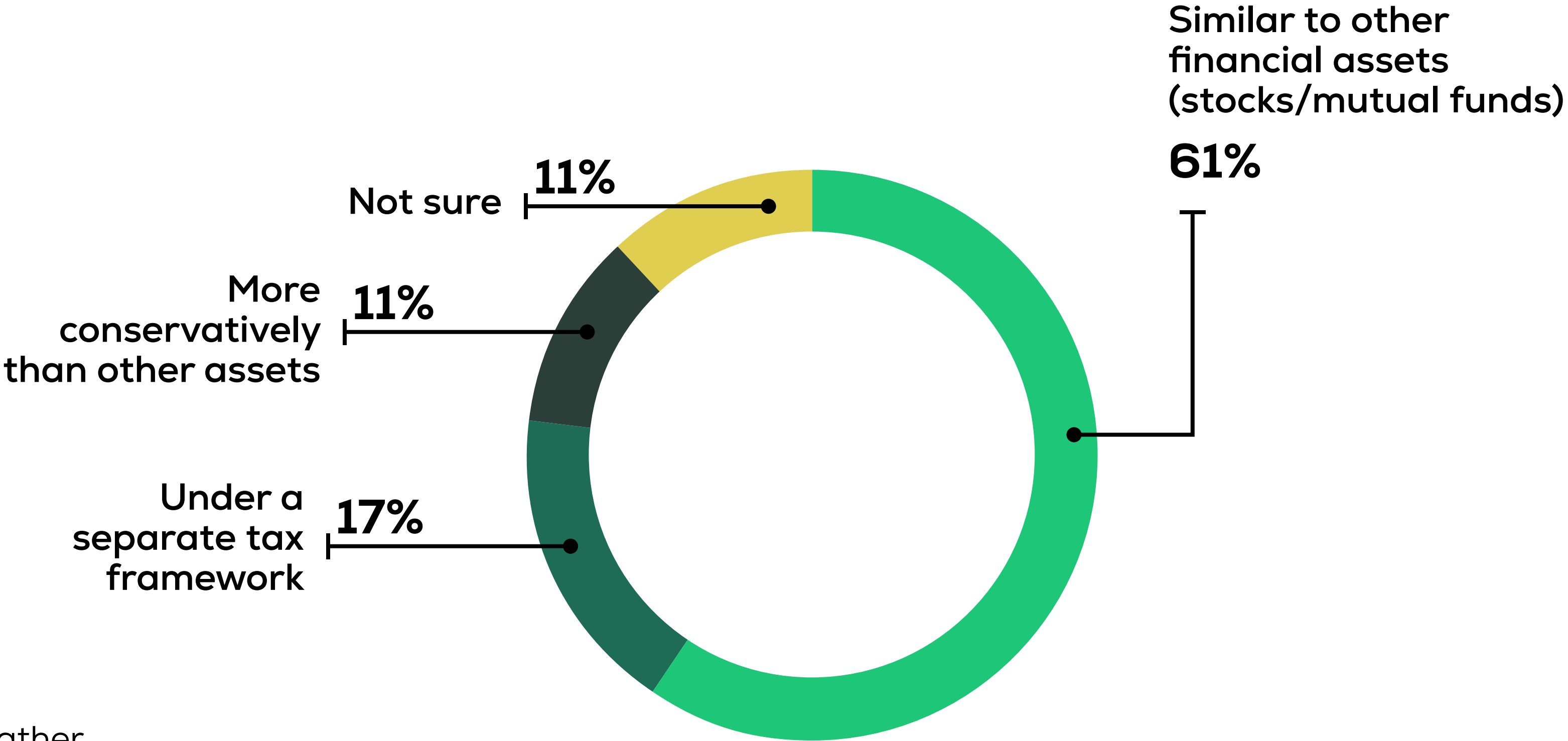
### Insight

The overwhelming preference is for reform and fine-tuning, not tax exemption. This suggests a willingness among investors to comply with taxation, provided the framework is perceived as fair, growth-oriented, and aligned with broader financial market practices.

## Three-Fifth Want Crypto Taxed Like Stocks & Mutual Funds

A strong majority of respondents believe that crypto should be integrated into India’s mainstream financial taxation system. 61% favour taxing crypto similarly to assets such as equities or mutual funds, including comparable rates and loss adjustment provisions.

In comparison, 17% prefer a separate tax framework, while 11% support more conservative or stricter taxation.



### Insight

The preference is clearly towards normalisation rather than exceptionalism. Investors appear to view crypto as a legitimate financial asset class that should be governed by familiar and predictable tax principles.

# Sources of Information on Crypto Policy & Taxation



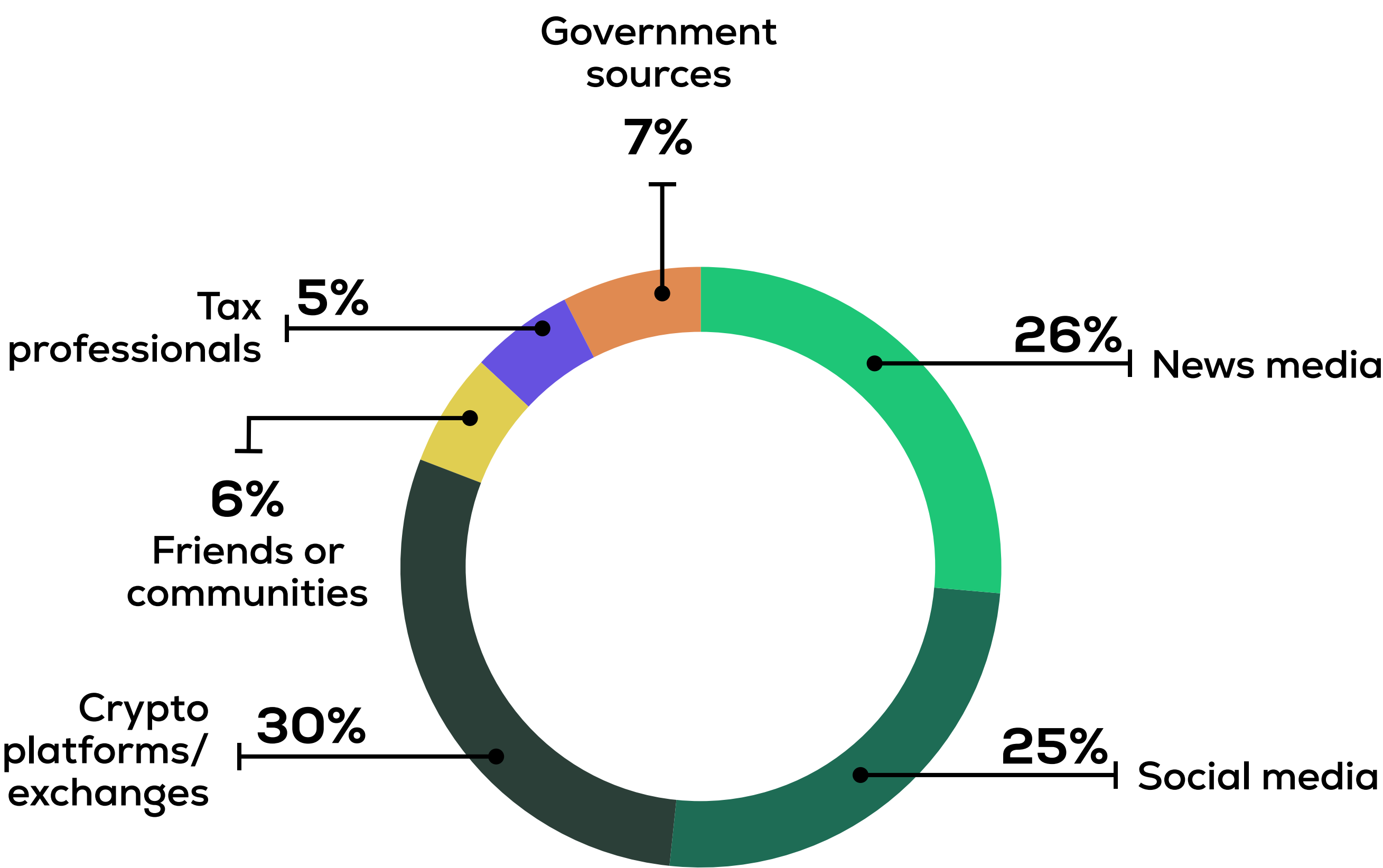
## 80% of Crypto Investors Say Clear Regulation is Extremely Important

Survey responses show that participants access information on crypto taxation and policy through a diverse set of channels, with market-facing platforms and media emerging as the most commonly used sources.

- > Crypto platforms and exchanges are the leading source, cited by 30% of respondents.
- > News media follows closely at 26%.
- > Social media accounts for 25% of information access.
- > Government sources and tax professionals are referenced by around 7% each.

### Insight

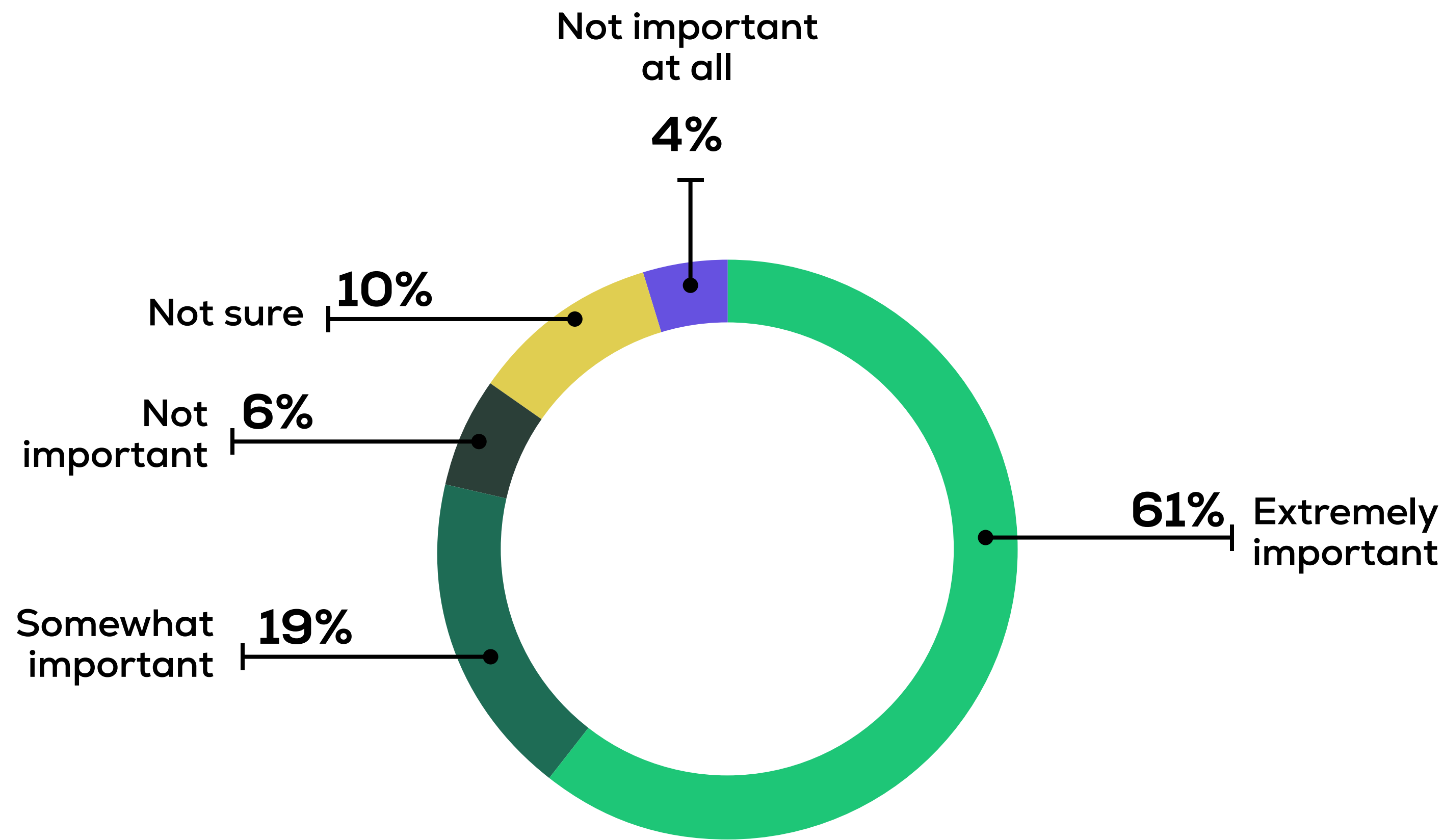
Platforms and media play a far greater role than official channels, highlighting the need for clearer and more proactive government communication.



# Importance of Regulatory Clarity (Beyond Taxation)

## Nearly 85% of Crypto Investors Say Clear Regulation is Extremely Important

Beyond taxation, respondents place very high importance on broader regulatory clarity. 61% say clear regulation is extremely important, while an additional 19% say it is somewhat important.



### Insight

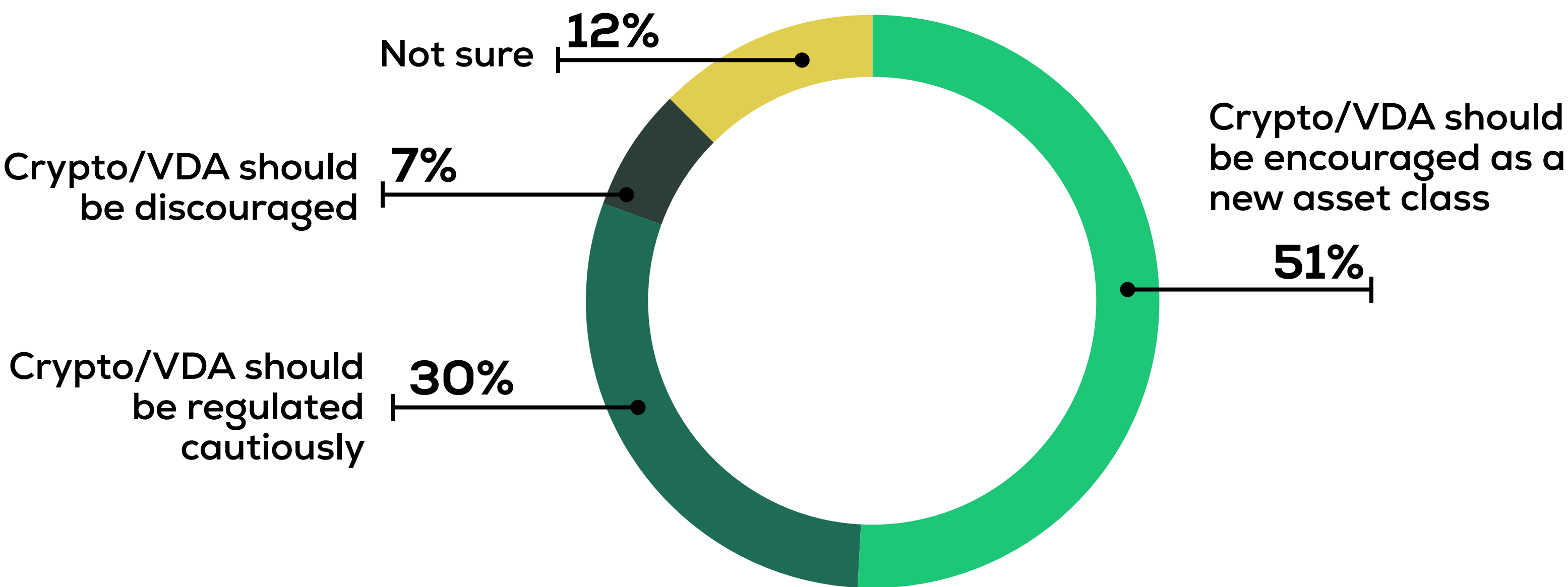
Tax reform alone is insufficient; broader regulatory certainty is seen as critical for long-term participation and confidence.

# Overall Policy Outlook on Crypto in India



## More Than Half of Crypto Investors Believe Crypto Should be Encouraged as a New Asset Class

The broader policy sentiment captured in the survey is largely positive. A majority 51% believe crypto and VDAs should be encouraged as a new asset class, while 30% support cautious regulation. Only 7% believe crypto should be actively discouraged.



### Insight

Public sentiment leans strongly towards enablement with safeguards, rather than restriction or discouragement.



The survey reflects a constructive and pragmatic outlook. A strong majority of respondents are not seeking tax exemptions or regulatory rollbacks. Instead, they express a preference for rationalisation, through lower tax rates, loss set-off provisions, reduced TDS, and clearer regulatory guidance, aligned with established financial market practices. This indicates an openness to compliance and long-term engagement, provided the framework supports market efficiency and predictability.

Beyond taxation, the importance placed on broader regulatory clarity highlights the need for a holistic policy approach. Respondents consistently emphasise that clear, stable, and comprehensive regulation is essential to building confidence, sustaining onshore participation, and supporting the responsible growth of the crypto ecosystem in India.

Overall, the survey suggests that investor sentiment is broadly supportive of crypto being recognised as a legitimate asset class within India's financial system, subject to appropriate safeguards. As policymakers consider the Union Budget and the next phase of India's digital asset policy, these insights offer a timely opportunity to recalibrate the VDA framework in a manner that balances revenue considerations, investor protection, and the competitiveness of India's onshore crypto markets.