BHARAT WEB3 ASSOCIATION

Web3 Sector Immediate Action Plan for the New Government

BWA Advocates for Web3 Recognition, Regulatory Clarity, Ease of Doing Business and Skill Development for the Web3 Sector

New Delhi, April 25, 2024: As the upcoming Budget will lay the foundation for Viksit Bharat 2024, the BWA suggests the following initiatives for the government in its immediate action plan for the growth of the sector.

- Recognize and include the Web3 sector within startup initiatives endorsed by Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Electronics and Information Technology (MeitY), and the office of the Principal Scientific Advisor (PSA), among other relevant departments. (Details in Appendix 1)
- More than 80% of G20 members and financial hubs are offering regulatory clarity on crypto assets. Building on India's G20 leadership, there's an urgent need for a globally-coordinated, clear policy framework on digital assets to mitigate risks and foster innovation. BWA proposes
    - Forming a panel to discuss and draft a model legislation in consultation with the industry and/or;
    - Release of a discussion paper elaborating the various benefits/risks and regulatory approach for India within the first 100 days.
- The Web3 sector presents a trillion dollar opportunity for India. India is home to over 1,000 Web3 startups, making it one of the largest ecosystems in the world, accounting for 12% of the world's Web 3 developers in 2023 from a 3% in 2018. To build on this immense potential, the government should come out with focused skill development programs to enhance skills in blockchain/web3. Regulatory sandboxes can be set up across India to promote Web3 start-ups fostering innovation.
- Facilitate access to E-KYC/C-KYC for Virtual Asset Service Providers (VASPs), enabling VASPs to be able to conduct the necessary KYC related compliances and fulfil their obligations under the Prevention of Money Laundering Act, 2002 (PMLA), as well as streamlining the customer onboarding process on our platforms.
- Facilitate the provision of escrow accounts and banking services for VASPs, fostering smoother operational frameworks.
- Since the taxation regime for VDAs introduced in the union Budget 2022 has not achieved the intended purpose of enabling VDA transactions to be monitored, rationalize the framework to make India a global hub for Web3 activity. This includes:
    - Reducing the rate of TDS on transfer of VDAs to 0.01% from 1% currently.
    - Re-examine the flat rate of 30% applicable to income from transfer of VDAs.
    - Allowing offsetting of losses.

Dilip Chenoy, Chairperson, Bharat Web3 Association, said, "With over a 1000 startups operating in the burgeoning domestic Web3 space, India's immense Web3 talent is undeniable. The BWA has been working closely with the government to create a conducive environment for the sector, and we hope the next government looks at our request and includes our asks in their immediate action plan to foster the growth of the ecosystem, and establish India as the global hub for Web3."

About Bharat Web3 Association

Bharat Web3 Association is an industry body uniting leading members from India's Web3 ecosystem to leverage blockchain and scalable technologies to accelerate growth and transformation in India. Members of the association include infrastructure providers such as Polygon; Virtual Digital Assets ('VDA') exchanges such as WazirX, CoinDCX, Coinbase, and CoinSwitch; gaming platforms such as Hike; and other Web3 players like Liminal and Tax Nodes. This pool is representative of the diverse nature of the Web3 ecosystem. BWA is committed to raising awareness, conducting research, establishing industry standards, nurturing the Indian talent pool, protecting consumers' interests, and encouraging stakeholder dialogue with the objective of building a buoyant Web3 ecosystem in India.

The Association's mission is to help India realise its vision of being a leading digital economy. They advocate for collaboration between the regulatory bodies and the industry to create awareness about the new age technology and the emerging asset class. The Association takes its cues from global case studies on Web3 technology use cases, its acceptance, and its diverse benefits.

Appendix 1: Web3 Recognition under various Government Initiatives

1. **Startup India (DPIIT):** The current Web3 categorization under Startup India only includes 'Bitcoin & Blockchain' under the Category of Financial Technology. This sub-categorization is too restrictive and does not capture its broad applications beyond finance. The Web3 ecosystem, which includes a variety of blockchain networks like Ethereum, Polygon, Solana, and Polkadot, extends beyond just Bitcoin. To better represent this diversity, it is suggested to introduce a separate 'Web3' category in industry classifications. This would include multiple sub-categories, reflecting the extensive uses of blockchain technology and ensuring a more comprehensive representation of its capabilities.

   Similarly, creation of award categories for Web3 startups in the Startup India Awards will act as an incentive for startups through recognition of their work by the government.

2. **Ministry of Electronics and Information Technology (MeitY):** MeitY has unveiled its National Strategy on Blockchain aimed at establishing infrastructure to develop applications addressing real-world challenges. To advance this strategy towards implementation, it is suggested to organize Hackathons to address the government's priority issues using blockchain technology. Successful pilots could later be scaled up. Additionally, as the DIA addresses Emerging Tech, incorporating Web3 into the Act is recommended.

3. **Niti Aayog:** NITI Aayog has led the push for adopting cutting-edge technologies by demonstrating their practical benefits. The first part of 'Blockchain: The India Strategy'

reflects insights from pilot programs and consultations over the past two years. Release of Part 2, will provide further guidance on fostering a robust blockchain ecosystem in India.

4. **Office of the Principal Scientific Advisor:** Established to foster readiness for future technologies, the Office of the PSA may focus research in blockchain, DeFi, VDAs, and NFTs to spur innovation. It may also examines blockchain's role in enhancing other emerging technologies like AI, providing policy advice, R&D support, and pilot projects across various ministries and departments.

5. **Ministry of Commerce:** Historically a talent exporter, India sees Web3 as an opportunity to shift towards exporting products, services, and solutions. To support this transition, the Ministry of Commerce may consider organizing seminars and workshops to enhance trade capabilities.

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