Open Letter to the Ministry of Economy and Finance and the Italian Government

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The 42% Tax Rate on Crypto Capital Gains is Discriminatory, Unfair, and Damaging to Technological Innovation in Italy

Introduction

As of June 2024, over 1.3 million Italians held crypto assets with authorized intermediaries, representing a total value exceeding €2.2 billion. In total, more than 2 million Italians have invested in crypto through authorized intermediaries in recent years, with the majority being under 40 years old (source: OAM). This number rises to around 3.6 million when including those holding crypto assets directly or through unauthorized intermediaries (source: Blockchain & Web3 Observatory of Politecnico di Milano).

Due to their low correlation with other forms of investment, crypto assets reduce portfolio risk while maintaining the same level of return (source: Digital Gold Institute). The Research Institute of Certified Financial Analysts (CFA) has suggested allocating 2.5% of investment portfolios to Bitcoin since 2021.

There are 150 Virtual Asset Service Providers registered with the OAM, and the sector generates around €2.7 billion, up 85% from 2023 (source: Ansa).

The preamble to the European MiCA (Markets in Crypto Assets) regulation states: "_The crypto-assets sector can contribute to innovation and economic growth in the Union. By fostering the development of new services and business models, it can promote job creation and financial innovation. It is therefore essential to ensure a clear and uniform regulatory framework at the Union level to support the expansion of this sector while safeguarding financial stability and protecting investors_."

Unfairness for Italian Investors and the Younger Generation

The increase in 2025 of the substitute tax on crypto capital gains to 42%, from the usual 26% applied to financial income, would be fiscally discriminatory and therefore unfair, likely even unconstitutional. It would violate basic principles of tax fairness and equality by creating a distinction between direct investments in crypto assets, taxed at 42%, and indirect investments through funds (ETFs, ETPs, ETCs, etc.) and derivative instruments, which would remain taxed at 26%.

Moreover, young people, who are often the target of financial education efforts due to their low propensity to save, would be disproportionately affected. The gap between the financial intermediaries' world and digital natives is vast, but crypto is part of their reality, and they invest their savings in it. Does it make sense to target the preferred investment tool of an entire generation?

Damage to the Italian Crypto Services Industry

The increase in taxation would severely disadvantage the Italian crypto services industry, undermining innovation and the country’s attractiveness to investors, startups, and technological talent. It would slow the development of innovative projects in Italy based on or supported by crypto assets, making it harder for companies to attract capital.

In a less favorable fiscal environment, the relevance of the Italian market would shrink: investors and service providers would shift their focus and operations to countries with more flexible and attractive regulations, such as

Switzerland (no capital gains tax on crypto), Germany (no tax on crypto gains held for at least 12 months), France, Lithuania, Malta, or Estonia.

This would encourage a "brain drain" in fields like computer science, cryptography, and digital law, which are crucial for digital transformation, leading to a loss of human capital and long-term competitiveness.

Italy risks missing the opportunity to develop strategic skills and infrastructure related to crypto assets, leaving the field open to competing countries that are investing in these technologies. The result would be a less dynamic and less globally competitive digital ecosystem.

Impact on Financial Advisory Services

The disproportionate increase in the tax rate compared to other financial investments imposes a significant tax constraint on financial advisory activities. In an already complex environment of benchmarking and financial planning, professionals would have to prioritize tax arbitrage (choosing financial instruments and tax domicile) over the genuine economic interests of their clients, ultimately reducing tax revenues in the medium to long term.

Counterproductive Effect for the Treasury

With the 2023 budget law, the Government finally filled a legislative gap, providing a clear, albeit improvable, tax framework. This intervention removed uncertainty for investors, allowing them to fulfill their tax obligations. Today, this progress would be disrupted, increasing discontent and weakening efforts to combat tax evasion.

Additionally, the majority of investors holding crypto assets directly or through unauthorized intermediaries would be incentivized to stay under the radar, while others might turn to opaque and unauthorized operators.

Finally, the revenue estimates for this tax are high but unrealistic. Not everyone bought Bitcoin when it was worth only a few hundred euros, and those who did are already looking at favorable tax regimes available within the European Union and Europe. Paradoxically, the disproportionate and unjustified tax increase would have the counterproductive effect of driving crypto capital out of Italy.

Many investors could be prompted to realize their capital gains by the end of 2024, causing clear market distortions to minimize the tax impact. Many others who don't plan to liquidate their crypto in 2025 still hope for increasing valuations, making them more inclined to seek tax arbitrage.

Political Implications of the Proposal

In recent years, the Italian Government, regulators, and major national financial institutions have invested heavily in developing digital infrastructure and blockchain projects, recognizing their potential to improve efficiency, transparency, and security in economic processes. Drastically increasing taxation on crypto assets would contradict these investments and could undermine years of public and private efforts to promote innovation.

In an increasingly digital world, digital sovereignty is becoming a priority for countries seeking to maintain control over their critical infrastructures. As seen in the U.S. election debate, crypto assets play a crucial role in this dynamic. Digital sovereignty requires a long-term vision and a balanced approach, with rational regulation that does not stifle innovation.

Moreover, the proposal to increase the tax rate represents a glaring contradiction to the Government's stated intention not to raise taxes and to favor young people and businesses.

Conclusion and Next Steps

As professionals involved in the crypto world at the entrepreneurial, professional, or scientific levels, our commitment is to do everything possible to raise awareness among institutions about the risks associated with this decision and the opportunities that the digital economy could bring to our country if adequately supported. We, therefore, ask the Government to reconsider the proposed tax increase and adopt a more balanced and forward-looking approach to crypto asset regulation.

We hope for a constructive dialogue with the Ministry of Economy and Finance to find solutions that, while improving tax collection efficiency, support the country's economic growth without compromising investor confidence or stifling the enthusiasm of innovators and entrepreneurs. For example, we suggest incentives to bring hidden assets to light and encourage service providers to act as tax substitutes.

Italy has the potential to position itself as a hub for technological innovation, but to achieve this, tax policies must be fair and growth-oriented, not punitive. We believe that only through dialogue and balanced regulation can Italy seize the opportunities offered by new technologies and contribute to the development of a modern, inclusive, and competitive financial system.

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