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Terra Classic (LUNC) 1.2% Tax Burn Has Positive Outlook But Remains an Issue

Original:

<https://www.btcc.com/en-US/academy/research-analysis/terra-classic-lunc-1-2-tax-burn-has-positive-outlook-but-remains-an-issue>

The previous few days have been very eventful for [Terra Classic](#) [LUNC], as they have been very close to implementing a big milestone. The community has been worried about the surplus of [LUNC](#) supplies on the market ever since the crash in May. This issue is being addressed by the 1.2% tax.

A lot of people who trade LUNC or are thinking about trading LUNC could be confused with the 1.2% tax, so we'll break it out quickly for them. There will be a 1.2% tax on all LUNC transactions conducted on the blockchain. Wallet and smart contract interactions are included. However, it is possible that LUNC trading on exchanges will not be subject to the tax.

The tax was proposed as a means of bringing down the surplus of LUNC. The cost of making on-chain transactions using Terra Classic will increase, which is a huge drawback.

The cost that society is willing to pay in order to achieve deflation. It is currently unknown whether this will be a problem for any projects trying to implement their protocols on Terra Classic.

<https://twitter.com/luncvalidator/status/1565285838749048832?s=20&t=oU5QRJdoJvA4R3FAAjHajw>

Rocket from the LUNC

This week, LUNC saw a strong gain, which might probably be attributed to people's favorable reaction to the 1.2% tax increase. Measures of this nature will aggressively cut back on the surplus, which will help its long-term price trend.

The price of the coin has increased by about 160% in the past week. The recent upswing was sufficient to push it into overbought territory, resulting in a gloomy forecast for the near future.



At the time of writing, the cryptocurrency market was down 16.77%, indicating that profit-taking was taking place after the overbought conditions.

Given that tax and burn mechanisms currently encourage substantial capital injection at lower price levels, its downside may be limited.

There has been a recent increase in the number of people using LUNC's social features. This has happened twice in the past days, suggesting that more investors are paying notice.

Since there is now a substantial incentive for long-term HODLing, this conclusion may incentivize additional LUNC accumulation and mitigate its downside.

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Terra Classic's weighted sentiment index is aiming to increase dramatically in favor of the bulls. Now that investors are starting to warm up to the network, these changes could cause LUNC to enter a robust accumulation phase.

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