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Terra Classic Tax Burn: Everything You Need to Know

Original:

<https://www.btcc.com/en-US/academy/research-analysis/terra-classic-tax-burn-everything-you-need-to-know>

Abstract:

- A new 1.2% transaction [tax burn](#) mechanism is being planned for implementation by [Terra Classic](#) (LUNC).
- The error caused by the destruction of the Terra ecosystem necessitated the introduction of the 1.2% tax.
- Some cryptocurrency markets may refuse to participate in the tax burn.
- The price of LUNC has increased by a whopping 200%.

The tax burn of Terra Classic has sparked debate in the cryptocurrency community. Many people are concerned about the future of Luna Classic, the native token of the original Terra network (LUNC). Recently, Terra Classic [LUNC] has been on the cusp of a major breakthrough, making the preceding days extremely eventful.

The community has been concerned about the surplus of LUNC supplies ever since the market crash in May. This problem is being addressed by the 1.2% tax. A group of people who hope to get rich quick by causing a rally in the price of the crypto asset [Terra Classic](#) have been advocating for months for a massive token burn that would reduce the supply of Terra Classic and drive up the price.

Terra Classic Tax Burn, Explained

In June, the first detailed plan to implement this transaction tax was put forward. However, it did not elaborate on how this would work or on the coding that would need to be inserted into the network's backbone in order for it to function.

However, just recently, a community member named Edward Kim presented a more detailed proposal in Terra Classic's official forum that clarified the Tax's operation in greater detail.

Terra Luna's collapse in early 2022 led to a precipitous decline in the security of digital transactions. The loss of such a large player sent shockwaves through the industry, ushering in a "crypto winter" that was particularly challenging for cryptocurrency investors.

Many have been concerned about the availability of Terra Classic since the market crash in May. This problem should be eased by the 1.2% tax. In the business world, mention of Terra Luna is common knowledge. Just where did this Terra Classic thing come from, anyway? Do Kwon devised a scheme to revive Terra Luna's ecosystem after its collapse. And from there, Terra 2.0 was conceived.

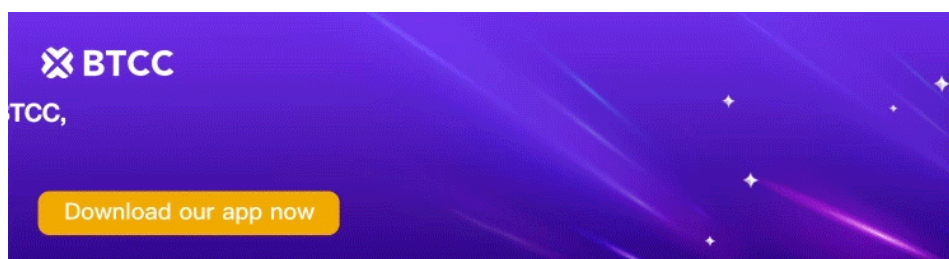
The concept successfully produced a new layer-1 Terra blockchain devoid of the underlying algorithmic stablecoin. Previously known as Terra Blockchain, the new name for the old blockchain is Terra Classic (LUNC).

Terra is the official name for the new blockchain system (LUNA).

In any case, the 1.2% tax may be news to many LUNC traders and would-be traders, so here's a quick rundown. The 1.2% fee will be applied to all Terra Classic transactions processed on the main network. This entails not only dealing with a wallet, but also a smart contract. However, transactions conducted on an exchange might not be subject to the Tax.

The goal of the Tax is to help deal with the surplus of Terra Classic. One major drawback is that this solution will increase the cost of on-chain transactions.

Although there has been a shift toward accepting a deflationary price by the community at large, it is unclear whether or not this will pose difficulties for ongoing projects.



Terra Classic Price Pumps

After hearing Kim's proposal, many people speculated that the implementation of the Tax would be a watershed moment for Terra's LUNC token, with prices rising to as much as \$1 per token. Therefore, it is obvious why the token has been doing so well in the past few weeks.

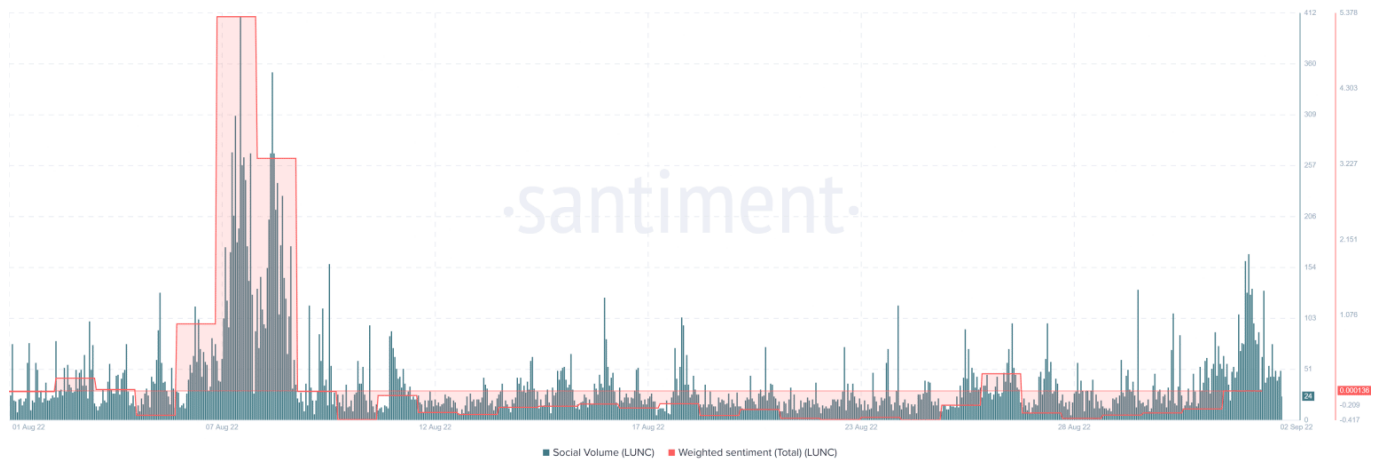
Throughout the month, their idea gained traction, and the price jumped 21% from \$0.0002387 to \$0.0002899. Those gains could approach 200 percent for long-term LUNC holders.

Based on information from CoinMarketCap, there are currently 6.15 trillion LUNC tokens in circulation. If all 6.15 trillion were to change hands every day, only about 700 billion would be taken out of circulation, for a grand total of 6.07 trillion.

In all likelihood, the positive responses to the 1.2% tax contributed to the week's strong performance of LUNC. This rise was sufficient to push it into overbought territory, where a short-term bearish outlook is triggered.

An increase in social volume is also something LUNC is currently experiencing. This has become more apparent in recent days, suggesting that traders are paying closer attention to the news.

The introduction of such a potent incentive for long-term HODLing could lead to greater terra-classic accumulation and less price decline.



Terra Classic's weighted emotion indicator has shifted in favor of bulls as a response to the widespread pessimism that has been weighing on the market. As a result of these changes, investors are becoming more receptive to LUNC, which could usher in a period of robust accumulation for the network.

The network's market cap would be around \$6 trillion if LUNC tokens were to increase in price to \$1 each. To date, however, no decentralized apps have been built to make use of this network (dApps). There is also no longer a dedicated development team working on it to fix bugs and add new features that would be helpful in making the ecosystem flourish.

The 1.2% Tax Burn May no be Supported by Crypto Exchanges

According to information provided by CMC, the vast majority of LUNC trading takes place on regulated markets like Binance, Gate.io, and Huobi. For this reason, some exchanges may decide to delist the token if the community votes in favor of this proposal.

Binance has stated that as of September 7th, all LUNC deposits and withdrawals will be halted for the Ethereum network, BNB Smart Chain, and Polygon Network. Due to the recent closure of the Terra Classic Shuttle bridge, this decision has been made.

Binance is the most used CEX for trading LUNC at the moment, with over \$300 million changing hands in the last 24 hours. Transaction volumes may decrease in relation to LUNC trading if Binance stops supporting trading on these networks before the shutdown of the Shuttle bridge. Potentially lower trading volume due to higher transaction fees.



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New Terra Classic Tax Burn

The citizens of Terra LUNA Classic were overwhelmingly supportive of the move to alter the LUNC tax burn rate. The grassroots movement that led to the proposition was widely praised.

Twitter user Akujiro said that community members had brought forth the project after it was approved by the Terra LUNA Classic administration. According to Akujiro, 82% of voters approved the idea, and this time around, KuCoin, a cryptocurrency exchange, joined in.

To sum up, Akujiro said, "We are decentralized, I encourage everyone to start dialogues and take action."

Proposal 5234 just passed! 🇵🇸❤️🇵🇸

This was a community proposal brought forward by community members which passed

governance!

- [@kucoincom](#) voted for the first time
- Had an 82% vote rate

We are decentralized, I encourage everyone to start discussions and take action!♥□

— Akujiro | Ginkou□ (@Akujiro2) [October 17, 2022](#)

Twitter user 4lex 4sh4w TR echoed this sentiment, praising the “great community engagement” and noting that 83 percent of people took part. Although around a fourth of validators didn’t cast ballots, this milestone was nonetheless reached. They estimated that 92% of voters (those who did not abstain) favored the Yes position.

Binance, a cryptocurrency exchange, promised changes after the initiative passed. When the LUNC tax burn mechanism goes active, deposit and withdrawal costs will alter.

Since Binance handles so many LUNC and USTC deposits, the exchange has decided to lower the 1.2% consolidation charge to 0.2% for all such deposits. Please be aware that Binance does not waive the withdrawal fees imposed by other exchanges or platforms for LUNC and USTC deposits. The 0.2% tax burn and Binance’s withdrawal fee will be deducted from the total withdrawal amount users get, the notification states.

Almost 30 Years to Waste 10 Billion LUNC

Since a slower rate of reduction has been implemented, the LUNC tax burn mechanism is expected to take significantly longer to achieve its ultimate target. It is estimated by LUNC Burner that Terra LUNA Classic will destroy 10 billion LUNC in around 28 years and 9 months at a LUNC tax burn rate of 0.2%.

According to the statistics displayed on the site, a total of about 22,428,000,000 LUNC, or about 0.325756% of the total supply, have been burned as of the time of writing. We deduct the amount of LUNC that has been burned from the on-chain supply to get the overall supply. According to CoinGecko, its current value is 6,907,072,876,045.

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