

# Panama's Crypto Law: No Legal Tender, but Digital Assets Exempt From Capital Gains Tax

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Panamanian Congressman Gabriel Silva – the sponsor of a bill passed on Thursday regulating the use of cryptocurrencies in the country – said the bill doesn't allow for any crypto to become legal tender, but makes possible free use of crypto as a means of payment for any transaction.

- "We can't just establish bitcoin because that will be unconstitutional and if it's unconstitutional, then the project won't happen," said Silva, speaking on Twitter spaces. Panama has no currency per its constitution, but has officially been on the U.S. dollar for more than a century.
- Prior to the bill, said Silva, it was illegal for digital asset companies to set up shop in Panama, but that would change once the legislation becomes law.
- Additionally, he said, the law treats crypto assets as foreign-source income, which in accordance with Panama's territorial taxation system, means no taxes on capital gains.
- "The idea is to just respect the tradition that Panama has already had for many years, where the country taxes what happens inside of its borders, and the internet is obviously not in any country's borders," explained Felipe Echandi, a local crypto entrepreneur who assisted Silva in drafting the bill.

- President Laurentino Cortizo still must sign the bill for it to become law, but the legislation was passed by a 40-0 vote, suggesting good prospects for that to happen.