



Bitcoin Is Legal Tender in El Salvador: Should You Buy?

Description

Earlier this morning, the Republic of El Salvador became the first country in the world to designate Bitcoin “legal tender.” President Nayib Bukele believes the move will bolster the nation’s economy and help bring a vast swathe of its population into the formal economy. However, the move also has wider implications for the way Bitcoin is treated in the rest of the world.

Here’s a closer look.

Bitcoin is now legal tender

Legal tender is defined as “a form of money that courts of law are required to recognize as satisfactory payment for any monetary debt.” Over the past 13 years of its existence, Bitcoin has never been an official legal tender in any country. Today, El Salvador has changed that.

President Nayib Bukele announced he would introduce a bill to make the digital currency legal tender in his Central American nation. This morning, the bill passed with 62 out of 84 votes in the Salvadoran Congress.

The government now plans to introduce a domestic Bitcoin wallet for its citizens, 70% of whom don’t have a bank account. The move also has an impact on remittances. Roughly 20% of El Salvador’s gross domestic product (GDP) is based on remittances from abroad. Using Bitcoin for these foreign exchange transactions could reduce costs and make transfers faster.

The president claims that if 1% of the world’s Bitcoin is transferred to El Salvador over time, it would boost the nation’s GDP by 25%.

Wider implications

The legal tender designation has wider implications for Bitcoin across the world. El Salvador's move sets a precedent that other nations can follow. If El Salvador is successful, it wouldn't be surprising to see small nations with faltering economies adopt Bitcoin, too.

The designation of "legal tender" also changes the way tax authorities and accounting standards treat BTC. Right now, tax authorities in many parts of the world consider Bitcoin property for tax purposes. Meanwhile, accounting standards consider it an "intangible asset." But now that Bitcoin is legal tender in one part of the world, it may be better to consider it on par with the Nepalese rupee or Ethiopian birr, for example.

Whether tax authorities and accountants make this change remains to be seen.

How to buy Bitcoin

If this milestone has made you more optimistic about Bitcoin's future, you may want to consider adding some exposure to this digital asset. **CI Galaxy Bitcoin ETF** ([TSX:BTCX.B](#)) seems to be the cheapest and most convenient option for most Canadian investors.

Launched in March, BTCX now has \$24.18 million in assets under management. The management fees are 0.4%, which makes it the cheapest [Bitcoin ETF](#) on the market right now. The ETF also qualifies for your Tax-Free Savings Account, which means you can effectively have tax-free Bitcoin exposure.

BTCX is also relatively secure, since the company stores all its Bitcoin cold wallets. These cold wallets are hardware devices that are disconnected from the internet. That means they're less vulnerable to cybercriminals.

Bottom line

The world's most popular cryptocurrency is now officially legal tender in at least one country. That could have a positive impact on El Salvador's economy and the Bitcoin ecosystem over time.

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