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Is Germany Really the Most Crypto-Friendly Country? Maybe Not

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No, Germany Isn't the World's Most Crypto-Friendly Country

When it comes to business, what's the first thing you associate "EU" with ? Incredibly high taxes and a murderous bureaucracy.

So it came as a bit of a surprise when [Germany recently took top spot away from Singapore as the world's most crypto-friendly jurisdiction](#), according to CoinCub's ranking report.

The rationale? No taxation on crypto if you sell it after a year of holding. If you sell it (over 600 euros, or \$648) prior to that one-year point, you are taxed under the usual capital gains regime.

To be sure, this is a very good thing for long-term HODLERS. If you are long bitcoin and want to stack sats, this tax regime will treat you very well.

However, this doesn't work very well for decentralized finance ([DeFi](#)). Decentralized exchanges, yield farming, liquidity mining, all of this relies on rapid trades and transactions. It's what underpins this fancy new machine, which has over \$100 billion in value currently locked in.

So a DeFi trader in Germany is going to have a nasty tax bill come tax time. Figuring out the tax liability is difficult, when the average month of a DeFi trader is a complex and intricate web. Crypto derivatives trading - which pumps through hundreds of billions of dollars a day in volume - is also subject to the usual capital gains tax, too. Germany's crypto friendliness quickly slips away if you look at it under this rubric.

Crypto has naturally gravitated to hubs like Singapore because of the lack of capital gains tax. Singapore is an island city with no natural resources, so in order to jump-start its development as a hub it created a tax-friendly regime to encourage trade.

With no capital gains tax there's no need to worry about the length of holding when experimenting with new protocols. You're just able to trade.

Granted, Singapore has made some moves that would be considered "anti-crypto," but this still doesn't mean the country should be considered crypto unfriendly.

The Monetary Authority of Singapore (MAS) discourages crypto trading by the general public because it knows that if enough people get rekt after leveraging their retirement savings, they will complain to politicians who will ask for more oversight and control - this oversight and control just isn't in the DNA of a financial hub like Singapore.

But despite this discouragement, the lack of capital gains tax persists, and anyone who wants to trade can move on. Other behavior like drinking alcohol and smoking tobacco are also discouraged in Singapore, and are accompanied by high tax on vices. There is no such vice tax in cryptocurrencies.