NEWSLETTER

TAX REGIME OF PANAMA

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Our tax regime in Panama is regulated under the Tax Code with its respective laws and regulations that base each tax.

Among the main taxes in Panama are the following:

INCOME TAX (LEGAL PERSONS)

25% RATE	30% RATE	ALTERNATIVE CALCULATION OF INCOME TAX (CAIR FOR ITS SPANISH ACRONYM)
Most companies incorporated under the law of corporations in Panama, are taxed at a rate of 25%.	In the cases of companies in which the State owns more than 40% of the shares, are subject to the 30% rate.	Companies that exceed 1.5 million of taxable income may be subject to the 4.67% rate and may request their non-application in accordance with legal provisions for up to three years.

INCOME TAX (NATURAL PERSONS)

0% RATE	10% RATE	15% RATE
The income received for salaries or by the exercise of any profession, profits not exempt by law that do not exceed $ 11,000.00 do not cause income tax.	Income from representation expenses up to $ 25,000.00 will result in a 10% income tax rate.	As for wages or fees exceeding $ 11,000.00 to $50,000.00, will cause a 15% income tax rate. This same rate will be applied to representation expenses exceeding $25,000.00.

25% RATE	Income from representation expenses will cause a rate of 25% once they exceed $ 50,000.00.

ANNUAL FLAT TAX

DUE ON EACH JANUARY 15TH

Any company incorporated within the months of June to December of a given year must cancel its unique rate no later than January 15th of each year.

DUE ON EACH JULY 15TH

Any company incorporated within the months of January to June of a given year must cancel its unique rate no later than July 15th of each year.

Civil entities, cooperatives and non-profit organizations are exempt from this tax.

CAPITAL GAIN TAX

SALE OF SHARES

The buyer must make a deduction equivalent to 5% of the total value of the transaction and turn the payment to the General Directorate of Revenue on behalf of the seller. Then, the seller will have the option of accepting as definitive the final withholding to be applied.

SALE OF MOVABLE PROPERTY

In the case of goods and/or fixed assets, a 10% rate will be applied to the capital gain.

SALE OF REAL ESTATE

The income tax will be calculated at a rate of 10% on the taxable income.

A rate of 3% of the total value of the sale or of the cadastral value, whichever is greater, as an advance to the income tax.

This advance of 3% of the total value of the alienation may be considered as a tax on the final income to be paid.

If the income tax advance of 3% is greater than the applied amount of the 10% rate on the gain obtained from the alienation, a sworn statement may be completed to prove the payment made, said surplus may be requested in cash or be applied as a tax credit for tax payments or be transferred to other taxpayers.

SALE OF REAL ESTATE (REGULAR COURSE)

If the sale is part of the regular course of business, as of January 1, 2011, the income tax applied on the total value of the sale or cadastral value will be applied to the first sale of homes and commercial premises at the rates detailed below:

PROGRESSIVE RATE

NEW HOME VALUE	RATE
Up to $35,000.00	0.50%
Of more than $35,000.00 up to $80,000.00	1.50%
Of more than $80,000.00	2.50%
Commercial premises (new	4.50%

It should be noted that its application is only for building permits issued as of January 1, 2011.

SALE OF REAL ESTATE (GENERAL REGIME)

In cases of non-compliance with the above requirements, the exemption of 2% of the property transfer tax, expressed in Article 1 of Law 106 of 1974, which states that, definitively in the first inscription of the property, it is understood that the exemption will not be recognizable when transferring that property.

PROPERTY TAX CURRENT REGIME

The regime of annual taxes on real estate is taxed according to the following table:

COMBINED PROGRESSIVE RATE

UP TO $30,000.00	OF MORE THAN $30,000.00 UP TO $50,000.00	OF MORE THAN $50,000.00 UP TO $75,000.00	OF MORE THAN $75,000.00
Rate 0%	Rate 1.75%	Rate 1.95%	Rate 2.10%

The standard states that the exemption of the first $ 30,000.00 does not apply to land owned by the horizontal property regime.

On the other hand, there is the alternative combined progressive rate, which applies to any property that is found safe and secure in the payments of that tax and presents a sworn statement of the actuarial value of its property, duly endorsed by a property appraiser company, that table is detailed below:

ALTERNATIVE COMBINED PROGRESSIVE RATE		
UP TO $30,000.00	OF MORE THAN $30,000.00 UP TO $100,000.00	OF MORE THAN $100,000.00
Rate 0%	Rate 0.75%	Rate 1.00%

It should be noted that these rates will be valid until December 31, 2018.

REFORM OF LAW 66 OF 2017

With the reform of the law 66 of 2017, from the year 2019, the rates to property tax will be the following:

COMBINED PROGRESSIVE RATE	
VALUE	RATE
Up to $120,000.00	0%
Of more than $120,000.00 up to $700,000.00	0.50%
Of more than $700,000.00	0.70%

This rate is applicable on real estate under the benefit of Family Equity Tax or main residence.

As for the combined progressive rate on commercial, industrial, other residences and land properties, the following rate will be applied:

ALTERNATIVE COMBINED PROGRESSIVE RATE			
UP TO $30,000.00	OF MORE THAN $30,000.00 UP TO $250,000.00	OF MORE THAN $250,000.00 UP TO $500,000.00	OF MORE THAN $500,000.00
Rate 0%	Rate 0.60%	Rate 0.80%	Rate 1.00%

OPERATION NOTICE TAX

GENERAL RATE	SPECIAL RATE (FREE ZONES)
The Notice of Operations tax covers the activities carried out within the national territory, whether commercial or industrial. The general rate of such tax is 2% of net assets or equity and may not be less than $100.00 and shall not exceed $ 60,000.00.	Regarding the activities of free zones, the rate corresponds to 1% of net assets or equity and may not be less than $ 100.00 and shall not exceed $ 50,000.00.

DIVIDEND TAX

INCOME FROM LOCAL OPERATIONS	The income tax on the distribution of dividends from local operations has a 10% rate.
INCOME FROM FOREIGN OPERATIONS	Regarding the distribution of dividends from foreign operations, the rate will be lowered to 5%, which may be lower or nil in the cases that apply treaty agreements to avoid double taxation.
BEARER SHARES	In cases where bearer shares are held, they will be taxed at a rate of 20%.
FOREIGN COMPANIES BRANCHES	The companies of branches of foreign companies will pay a 10% fee on their taxable income, in this case it will be indistinct if profits have not been distributed. utilidades.

COMPLEMENTARY TAX

INCOME FROM LOCAL OPERATIONS	INCOME FROM FOREIGN OPERATIONS
The tax on the advance of local operations dividend tax has a rate of 4%.	Regarding the tax on the advance of foreign operations dividend tax, the rate is reduced to 2%.

GOODS AND SERVICES TRANSFER TAX (ITBMS FOR ITS SPANISH ACRONYM)

The tax on the transfer of goods and the rendering of services determines the condition of the taxpayer once gross income has been received not exceeding $ 3,000.00 and its annual gross income not exceeding $ 36,000.00.

RATE OF 7%	The activities subject to the 7% rate are transfers of goods, services and imports.
RATE OF 10%	Lodging services and alcoholic beverages are taxed at a special rate of 10%.
RATE OF 15%	Imports, wholesale or retail sales of tobacco derivatives, i.e. cigarettes, cigars, among others, are taxed at a rate of 15%.

CONTRIBUTIONS TO THE CAJA DE SEGURO SOCIAL (SOCIAL SECURITY FUND)

Las cuotas correspondientes de la Caja de Seguro Social se cotizan en base a los salarios pagados por los empleados y recibidos por el empleado, se entiende como salarios o sueldos toda remuneración sin excepción, en dinero o especie, que reciba los empleados como retribución de sus servicios, incluyendo:

- Commissions
- Vacations
- Bonifications
- Allowances, these must be recurrent and exceed twenty-five percent (25%) of a month's salary, the surplus will be considered as wages.
- Representation expenses, which are taxable.

EDUCATIONAL SECURITY	OCCUPATIONAL RISKS	SOCIAL SECURITY
This contribution is subject to the salaries of the employee, which contributes a rate of 1.25% for the employee and a rate of 1.50% for the employer.	The contribution of occupational risks will depend on the employer's economic activity, which can amount to 5.67%.	The employee contribution rate is 9.75% for the employee's wages and a 12.25% rate for the employer. In the cases of the items of the Thirteenth Month (Décimo Tercer Mes), the contribution of the employee is of 7.25% and of the employer a rate of 10.75%

MUNICIPAL TAXES

The municipalities of the Republic are authorized by law to create and collect taxes, fees and contributions that are established in each of the districts. There are some concepts that have impacts on the different economic activities, which are detailed below:

SIGN AND ADVERTISING	This tax is caused in the presentation of signs to the public, this is determined by the municipal treasury based on the dimensions and location of the signs.
ON ACTIVITIES	The tax on industrial and commercial activities is also determined by the municipal treasury, criteria are taken on the number of personnel, location, gross sales, commissions or operations. This tax is paid monthly.
CIRCULATION (PLATE)	The circulation tax is determined based on the type of vehicle whether motorcycle, private cars, trailers, trucks depending on passenger capacity or gross weight. This tax is settled annually.

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