

PANAMA

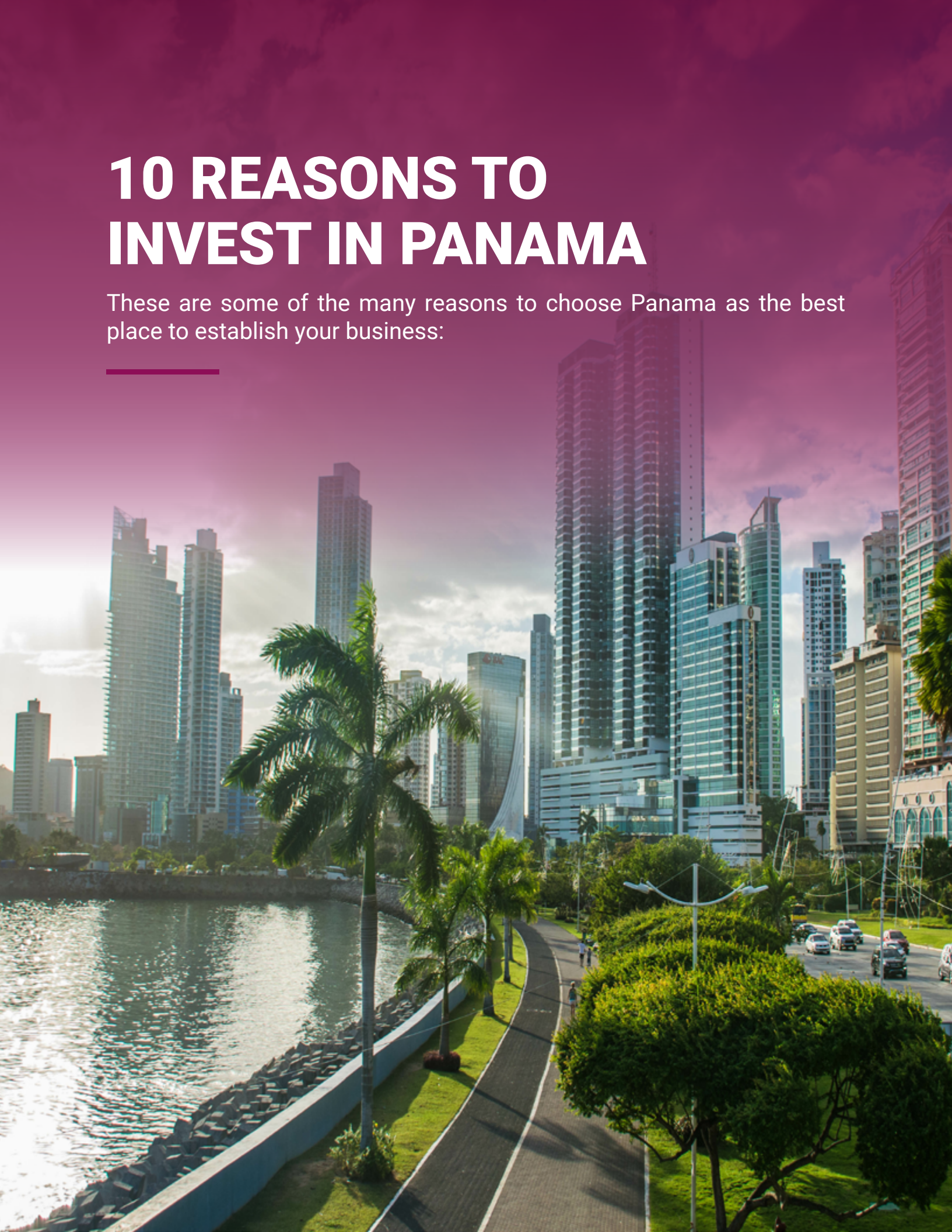
A HUB OF OPPORTUNITIES

Icaza
González-Ruiz
Alemán



10 REASONS TO INVEST IN PANAMA

These are some of the many reasons to choose Panama as the best place to establish your business:



Economic liberalization

Panama has signed [free trade agreements](#) with its main trading partners, including the United States, the European Union, Korea, Mexico, Colombia, Chile and Peru, providing direct access to 59 countries in Latin America and a market of 1.3 billion potential customers. Additionally, the country obtained high scores in the World Bank's Doing Business ranking in the areas of obtaining credit, starting a business and cross-border trade.

International Financial Center

The country has an international financial center comprised of banks, finance companies, insurance companies, reinsurance companies and securities firms, which offer a wide range of services related to the financial and capital markets. In particular, the banking system is very solid and has a dynamic group of more than 80 local and international banks.

There are no exchange controls or restrictions on capital repatriation.

Telecommunications

Panama has a first class telematics infrastructure. Seven of the most important fiber optic cables pass through the country, through which 90% of the data traffic circulates.

Favorable Tax Policies

The Panamanian tax legal framework establishes the principle of territoriality, taxing only income generated in the territory of Panama. Panama has one of the most competitive corporate tax rates in Latin America (25%), as well as in relation to sales tax (7%). Additionally, Panama has a wide network of [treaties to avoid double taxation](#) with countries such as Mexico, Spain, the Netherlands, France, United Kingdom, Italy, Czech Republic, Vietnam and others.

It also collaborates with fiscal transparency by having signed several treaties for the exchange of tax information.

Legal Stability of Investments

We have a general law that provides legal stability for 10 years to investments in the main economic sectors of the country, in terms of taxes and some special legal regimes.

In addition, Panama has signed 23 bilateral treaties of legal protection, among others with the United States and several countries in the region, and multilateral treaties (MIGA; MIF).

Dollarized economy since 1904

Panama has had a Monetary Treaty with the United States of America since 1904. The use of the dollar as legal tender maintains the country's economic stability with much lower inflation rates compared to the currencies of other Latin American countries.

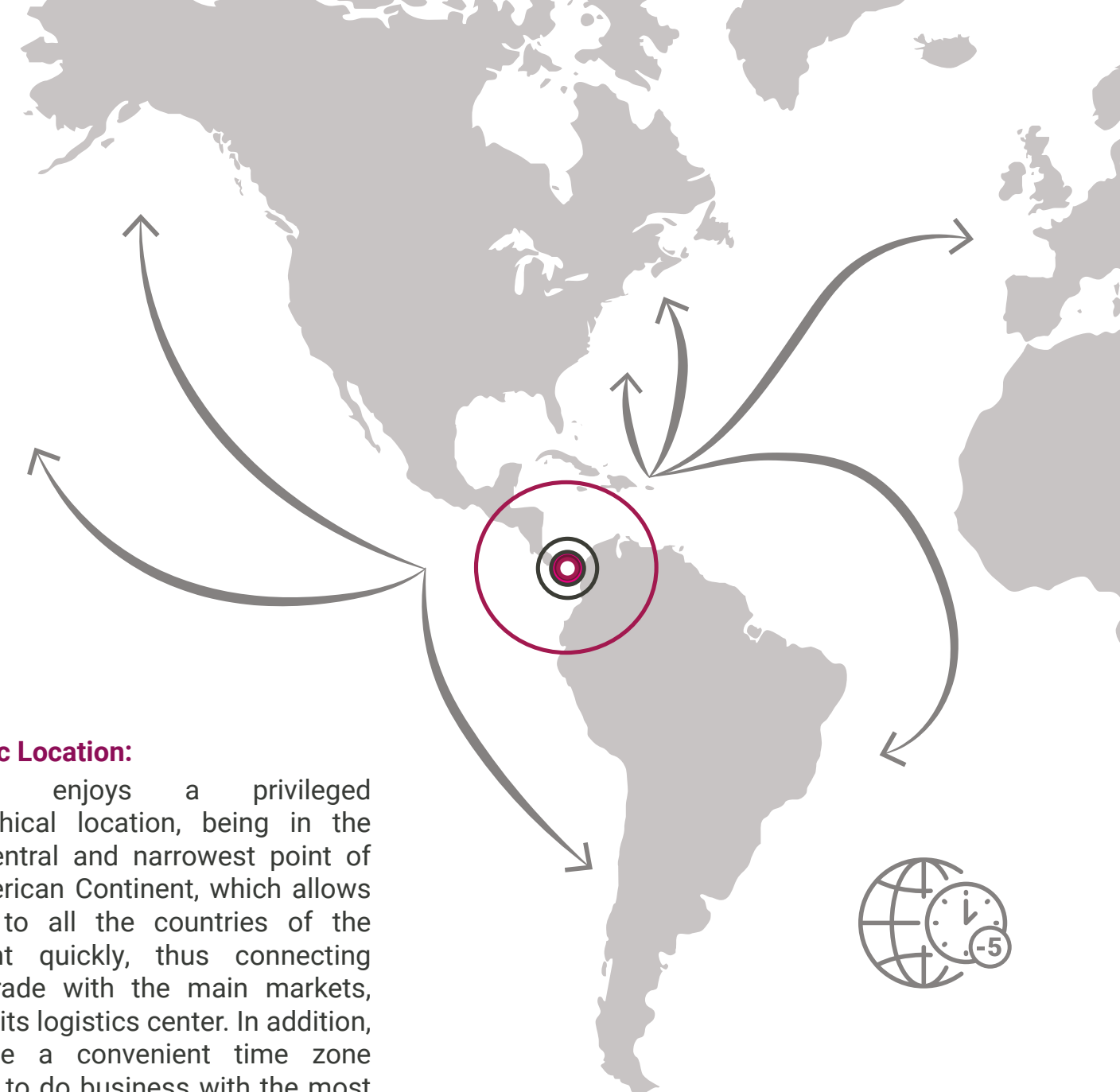
Political and economic stability

Panama is a politically stable country, which has enjoyed the last 30 years of alternation in government, characterized by being democratic and republican. It is considered by the World Bank as one of the most stable countries in Latin America.

Special Economic Zones

The Special Economic Zones, among them the Colon Free Zone, the City of Knowledge and Panama Pacifico, offer an interesting variety of benefits to local and foreign investors to establish their companies and take advantage of our privileged geographical position. Our legislation has special legal provisions, which favor the establishment of headquarters of multinational companies, to offer from our country a diversity of services to companies that belong to the economic group, allowing taking advantage of economies of scale.

The benefits include, among others, tax, immigration and labor incentives, which allow maximizing the potential.



Strategic Location:

Panama enjoys a privileged geographical location, being in the most central and narrowest point of the American Continent, which allows access to all the countries of the continent quickly, thus connecting world trade with the main markets, through its logistics center. In addition, we have a convenient time zone (GMT-5) to do business with the most important commercial and financial centers in the world.

Connectivity

The Panama Canal, operational since 1914 and expanded in 2016, is the main maritime route for mobilizing 8% of world trade, connecting the world's main markets. In addition, Panama has the busiest ports in Latin America on both the Pacific and the Atlantic, which are operated by major world-class port companies.

The Panama Railroad, also operated by an international company, connects the Atlantic with the Pacific in a matter of 1.5 hours, through a two-way route, and with the capacity to move up to 2 million containers per year.

Tocumen International Airport is the best-connected airport in Latin America, with 90 destinations in 35 different countries.

AT ICAZA, GONZÁLEZ-RUIZ & ALEMÁN

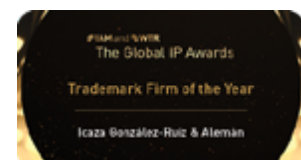
WE HELP YOU MATERIALIZE YOUR PLANS

Icaza, González-Ruiz & Alemán is one of the most prominent law firms in Panama. Founded in 1920, it has its headquarters located in Panama and offices in the most important financial centers of America, Europe and Asia.

The firm offers a wide range of legal services in practice areas such as: administrative law, corporate law, maritime law, formation and management of corporations, banking and finance, capital markets, immigration, labor law, intellectual property, international trade, litigation, public contracting, taxation, estate planning, among others. We provide personalized and competent solutions to corporate clients, multinational companies and public entities, while remaining committed to offering customized, partner-led legal advice to private clients.

The law firm has extensive experience assisting multiple companies from all over the world to establish or expand their operations in Panama.

AWARDS & RECOGNITIONS:



WE GUIDE YOU STEP BY STEP



Planning

We provide relevant information for decision-making and to assist in the planning and evaluation process of your projects, as well as business opportunities, drafting of commercial contracts, leasing of premises, labor issues, and customized professional services.



Establishment

We advise on the establishment and operation of your business, facilitate the incorporation of companies, the process of applications for immigration visas, licenses required for your business, trademark registrations, among others.



Launching

Advice on the start of operations, complying with all required registrations.



Ongoing support and training

Updates relevant to your business, training on changes in laws, tax, labor, immigration and intellectual property issues.

PERSONALIZED SERVICES FOR YOUR BUSINESS

Establishing a company in Panama is a simple and convenient process, made even easier with the support of Icaza, González-Ruiz & Alemán.

The IGRA team works in an integrated and streamlined manner to support the establishment and successful expansion of clients' businesses in the country. Our relationship with our clients is long-term and we are available to provide assistance at any stage of their business development.

Business Support

- Assistance in identifying properties
- Visa applications
- Licensing
- Registration of trademarks and sanitary registrations
- Ongoing advisory services
- Relationship management with governmental institutions

Business Update Information

- Advisory services according to business areas
- Company incorporation procedures
- Tax and business regulations
- Labor legislation
- Immigration requirements
- Business costs

Specialists in special sectors to serve clients

- Creative Industries
- Consumer Protection
- Financial Technology
- Innovation and Technology
- Tourism
- Transportation and Industry
- Banking and Finance
- Agriculture
- Mining
- Energy

Introduction to service providers

Accountants | Real Estate Agents | Consultants



INVESTMENT OPPORTUNITIES

ECONOMIC ZONES AND SPECIAL SYSTEMS



COLON FREE ZONE

- Exempt from import and export taxes
- Low tax rates on re-export profits.
- Income tax and sales tax incentives.
- Competitive building and land rental costs.
- Intellectual property protection
- Highly connected area through the port and corridor system.
- Immigration facilities for executives
- Ideal for logistics services, imports and re-exports, sales, marketing and distribution of products, manufacturing, refining and processing of goods.



CITY OF KNOWLEDGE

- Exempted from import taxes
- Exempted from foreign transfer taxes
- Capital exempted from direct taxes on patents and licenses.
- Exempted from income taxes if the organization produces, assembles or processes high technology products.
- Special visas for foreign employees of affiliated companies and their families.
- Ideal for companies related to: Global services, product development, environmental management, cultural and creative industries, communication and information technology, human development, science, business administration and entrepreneurship.



PANAMA FREE TRADE ZONES

- Dividend tax at 5% and supplementary tax at 2% in cases where there is no distribution of income.
- Temporary exemptions for the transformation of products outside the zone.
- 0% tax on customs fees for goods and services required to operate.
- Exempted from income tax on rents and subleases.
- Special temporary permits for professors, students and researchers.
- Permanent visa for investors
- Special working conditions
- Ideal for logistics services, high-tech manufacturing, manufacturing, assembly, higher education, aviation industry services, environmental services, environmental services, health and general services, and scientific research.



PANAMA PACIFICO

- Business license exemption
- Exempted from taxes on dividends, imports and exports, income taxes, sales taxes, taxes on patents, among others.
- Offers a One Stop Shop where assistance is provided to companies registered in the area directly, where formalities can be carried out with 17 government offices within the area for:
 - > Customs procedures
 - > Immigration
 - > Environmental permits
- Excellent infrastructure
- Immigration and labor flexibility
- Ideal for logistics services, high-tech manufacturing, manufacturing, maritime and aviation services, corporate headquarters.



HEADQUARTERS OF MULTINATIONAL COMPANIES (SEM)

- Reduced income tax rate (5%).
- Does not cause transfer tax as long as they are provided to entities of the corporate group abroad
- Exempted from payment of dividend tax, supplementary tax and branch tax, regardless of the source of income.
- Permanent residence for personnel after five years.

- Ideal for logistics, product development, electronic processing, design of construction plans, financial management of a commercial group, consulting services, marketing and advertising of a commercial group, management of regional operations.



MULTINATIONAL COMPANIES FOR THE PROVISION OF SERVICES RELATED TO MANUFACTURING (EMMA)

- 5% income tax
- Exempted from ITBMS payment.
- Exemption from payment of dividends, supplementary taxes and branch taxes, regardless of the source.
- Visa for temporary personnel of a multinational company rendering services related to manufacturing.
- Visa for permanent personnel of multinational companies or permanent residence of personnel of multinational companies.
- Special labor conditions for foreign employees
- Ideal for multinational companies offering services related to product manufacturing, machinery and equipment, product assembly, maintenance and repair, remanufacturing, refurbishing, as well as product development, analytical services and logistics services.



PUBLIC-PRIVATE PARTNERSHIPS

PPPs are a long-term public contractual modality (up to 30 years, extendable for up to 10 more years and up to 5 years if delays attributable to the Contracting Public Entity occur), through which the Central Government, one or more autonomous and semi-autonomous entities of the Non-Financial Public Sector, municipalities or companies in which the State owns at least 51%, after a public bidding process. The same may agree with private sector entities the use of their knowledge, experience, equipment, technology and financial capacity, as well as the distribution of risks and resources, for the design, construction, expansion, financing, exploitation, operation, maintenance, management and/or supply of infrastructure, associated equipment or public services, included in the Five Year Investment Plan or listed from time to time by the Cabinet Council, the amount of which may not be less than B/.15 million, except in the case of municipalities.



AGROPARK OPERATORS AND DEVELOPERS

- By means of Law 196 of February 8, 2021, the Special System for the establishment of Agropark Operators and Developers is created.
- Agroparks group different agri-food activities.
- The National Agribusiness Directorate shall process the applications of companies interested in operating and developing Agroparks and the approval of the Agropark Operating and Development Company Licenses shall be under the control of the Agribusiness Productive Chain Commission.

- The companies holding a license, and those authorized to be installed within an Agropark shall enjoy the following incentives and benefits:

- > Exemption from taxes on construction materials, equipment, machinery, vehicles and furnishings for its activities for a period of five years as of the approval of the license.
- > Import tax of 3% for raw materials, semi-finished or intermediate products and other supplies which enter into the composition or the manufacturing process of the products;
- > Exemption from real estate tax on new commercial and industrial improvements for a term of twenty years as of the date of issuance of the occupancy permit;
- > The right to deduct, at a rate of 20% per year, losses incurred during the first two fiscal periods after the beginning of activities, deductible in the following five fiscal periods;
- > Reduced income tax rate, tax on dividends and supplementary tax corresponding to 50% of that established in the Fiscal Code, during the first five years;
- > Special customs tariff system.



TOURISM

By means of Law No. 80 of 2012, as amended by Law No. 122 of December 31st, 2019.

The Law offers tax incentives, and territorial and customs taxes to:

- Hotel and hostel builders outside of Panama City
- Existing hotels with less than 50 rooms that obtain a quality certificate.
- Companies offering tourism services such as conventions, exhibitions, travel promotion, cruises, ecotourism, among others (each activity requires a minimum number of attendees or foreign passengers).
- Companies that offer nautical tourism services and are owners of cruise ships, yachts, marinas and ports.
- Companies that offer nature, adventure and beach tourism services.
- Companies that offer tourism products approved by the National Tourism Council.
- The requirements vary according to the type of tourism activity.
- The Panama Tourism Authority issues all permits.
- The deadline to apply for incentives is December 2025.



RENEWABLE ENERGY

- For the construction and operation of wind energy, biomass, natural gas and power plants.
- Tax benefits: exempted from income tax, exempted from import taxes and commercial and industrial license taxes.

- Tax credits of up to 5% of the total value of the investment for works which become public infrastructure.
- Exemption from customs taxes for equipment, machinery, materials, parts and other imports necessary for the operation of the plant.
- Possibility of using an accelerated amortization method to depreciate tangible assets.
- Companies manufacturing natural gas generation equipment are exempted from paying all national taxes for 20 years, while wind energy generation equipment and its installation are exempted for 15 years.



FILM ACTIVITIES

Whereby Law No. 16 of April 27th, 2012 establishes the Special System for the Film and Audiovisual Industry.

- It creates a Panama Filming Commission
- It creates the National Film Register for Foreigners
- It offers tax, customs, labor and immigration benefits for foreign productions in the national territory, with special areas appointed for the development of the film and audiovisual industry.
- Expedited processing of immigration permits for foreign personnel
- Work permits for foreign personnel
- Temporary custody of equipment in customs without a consolidated guarantee
- Tax incentives for special areas as part of the development of the film and audiovisual industry
- Permits to film in locations throughout the national territory
- Assistance with required paperwork for public services
- Associations with producers, technicians, casting agencies and national personnel.

IMMIGRATION OPTIONS

Investor Visa:

- Minimum investment of US\$160,000 in any business.
- US\$2,000 for each dependent.
- A commercial license and registration before the Social Security Institution is required.
- 5 Panamanian employees.

Free Zones Investor Visa:

- Minimum investment of US\$250,000 with funds from abroad in an authorized operator or promoter of a Free Zone.
- After 2 years of expiration of their temporary residence visa, the individual is granted permanent residence.

Permanent Residence as a Qualified Investor:

- Minimum investment of US\$500,000.
- Real Estate investments made through a corporation, foundation or a trust.
- Investments in a Fixed-Term deposit of US\$750,000.
- It is applicable for real estate investments through a promise to sell contract, investments through a Securities Brokerage House, or through a Fixed-Term deposit in the banking sector.
- Grants Permanent Residence in Panama within 30 days.

Foreign Personnel Visa for those hired in the Colon Free Zone:

- It is solely applicable to foreigners who have been hired in executive, managerial positions or technicians specialized in business operating in the Colon Free Zone.
- Minimum monthly salary of US\$2,000.

Agricultural Investor Visa:

- Minimum investment of US\$60,000 in an Agroindustrial or Aquaculture company in Panama.
- US\$500 for each dependent.
- The investment must be in areas that the Ministry of Agricultural Development indicates are of interest to the country.

Permanent Residence for Economic Solvency:

- Minimum investment of US\$300,000 in Real Estate, in a Fixed-Term Deposit in a local bank or a combination of both options.
- Funds must come from abroad.
- US\$2,000 for each dependent.

Reforestation Investor Visa:

- Minimum investment of US\$80,000 in at least 20 hectares of a reforestation project certified by the government.
- For dependents, the additional investment of US \$2,000 is required.

Panama Pacific Investor Visa:

- Minimum investment of US\$250,000 in a company registered at the Panama Pacific Special Economic Area.
- Funds must come from abroad.

Film Industry Investor Visa:

- Minimum investment of US\$150,000 in the Film industry
- Funds must come from abroad.

Call Centers Investor Visa:

- Minimum investment of US\$250,000 in an authorized Call Center.
- Funds must come from abroad.





TRADE AGREEMENTS IN FORCE IN PANAMA

TRADE TREATIES IN FORCE

1. European Union Central American Association Agreement (EU-CAAA)
2. FTA Panama – Israel
3. Trade Promotion Treaty (TPC) Panama and United States
4. FTA Panama – Chile
5. FTA Panama – Singapore
6. FTA Panama – Peru
7. FTA Panama – Nicaragua
8. FTA Panama – Honduras
9. FTA Panama – Guatemala
10. FTA Panama – El Salvador
11. FTA Panama – Costa Rica
12. FTA Panama – Canada
13. FTA between EFTA States and Central American States
14. FTA Panama – Mexico
15. United Kingdom and Central America Association Agreement
16. Free Trade Agreement between Korea and Central America

ONGOING TRADE AGREEMENTS

1. Panama – Cuba Trade Agreement
2. Partial Scope Agreement between Panama and Colombia
3. Partial Scope Agreement between Panama and Dominican Republic
4. Partial Scope Agreement between Panama and Trinidad and Tobago
5. Economic Cooperation and Trade Agreement subscribed between Panama and Israel
6. Latin American Integration Association – ALADI
7. Incorporation Protocol of Panama to the Central American Integration System
8. The Central American Customs Union

DOUBLE TAXATION AGREEMENTS

- | | |
|-------------------------|--------------------|
| 1. Barbados | 10. Qatar |
| 2. South Korea | 11. United Kingdom |
| 3. United Arab Emirates | 12. Czech Republic |
| 4. Ireland | 13. Singapore |
| 5. Israel | 14. Spain |
| 6. Italy | 15. France |
| 7. Luxembourg | 16. Mexico |
| 8. Netherlands | 17. Vietnam |
| 9. Portugal | |

TAX INFORMATION EXCHANGE AGREEMENTS

- | | |
|------------------|------------------|
| 1. Canada | 6. Japan |
| 2. Denmark | 7. Norway |
| 3. Finland | 8. Sweden |
| 4. Iceland | 9. United States |
| 5. Faroe Islands | 10. Greenland |

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