



DIPLOMATIC INSTITUTE



# DOING BUSINESS IN PANAMA

The best business to Latin America

## Abstract

Panama City is the vibrant heart of the Latin America. This cosmopolitan, business-oriented city is your best hub to LATAM.

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# Doing Business in Panama

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## Greetings

HE Adis Urieta Vega, Ambassador of Panama to Israel

If you are an investor, businessman, businesswoman or entrepreneur and have come across this guide on how to do business in Panama, it is because you have already known and heard that our country is an excellent place to do business.



The testimonials will tell you that it is not complicated but there are details that you should know, such as that the investments must be made in US dollars and that with the assistance of a lawyer and accountant, you will prepare the documentation for the Public Registry of Panama.

That is why we are happy and excited about this guide for Israelis. We frequently organize forums in which we promote Panama for Israeli business people and entrepreneurs, we talk about the advantages of our country as a commercial center of the Americas and a commercial bridge for the world. It is important to remember in what area your business will be focused, since it is necessary to know the laws and requirements, which in many cases are not complicated but differ from one sector to another.

The companies that you can set up can be limited companies, corporations, foundations, trusts, individual property etc. and they will be in a country which has the only interoceanic canal in the world; a huge international banking center; it is the flight center of the continent; has powerful ports and several specialized tax-free zones by sector, including Colon, one of the largest in the world.

Congratulations and grateful to the creators of this guide, and I hope those who require it see you soon in Panama.

HE Leo Vinovezky, Director, Israeli Ministry of Foreign Affairs



Shalom!

First of all, congratulations to ILCC for the idea of gathering together through this guide. Business promotes friendship and connects peoples and cultures. Beyond that, it helps economies to grow in a robust way for the benefit of their citizens.

Business and commerce play an increasingly important role as links between the private sectors and the governments throughout both countries and their regions. These all put together, bring political ties closer and stronger. In other words, from our perspective, we believe in Economic Diplomacy and try to do our best.

Panama is known as the Hub of the Americas, being one of the world's most connected countries and having the Panama Canal with ports on both oceans. Panama's economy, low inflation and zero foreign exchange risk, make the country an attractive place for investment by any company from any country. Panama has a mixed economic system which includes a variety of private freedom, combined with centralized economic planning and government regulation.

Israel as the Start Up Nation, is a land of technological, scientific innovation and opportunities in every single field: cyber, agriculture, food tech, water, logistics, you name it. Enshrined into its legislation through laws designed to encourage economic growth, the State of Israel seeks to offer maximally supportive conditions for companies seeking to invest in Israel. Among the numerous incentives are conditional grants, reduced tax rates, tax exemption and other tax-related benefits under the Law for the Encouragement of Capital Investments and the Law for the Encouragement of Industrial R&D.

Coming back to this guide, it can help discover export opportunities and identify local distributors and representatives in Panama, but also to contact authorities to learn how regulations and incentives for investments look and so on.

As you may remember, few years ago, The Government of the State of Israel and the Government of the Republic of Panama resolved to conclude a Free Trade Agreement, as an expression of the special bonds of friendship and cooperation between them, reducing then the obstacles to their bilateral trade.

To conclude, I would like to thank for this opportunity to address the friends of Panama in Israel and the friends of Israel in Panama.

We at MFA, are here to assist.

**Leo Vinovezky**  
**Director of Department for Africa, Latin America & the Caribbean**  
**Economic Division**  
**Ministry of Foreign Affairs-Jerusalem**

Mr. Zvi Lobl, Founder of the Israel LATAM Corporate Center



Panamá is a special and unique country located in the heart of Central America with a special role in the vibrant and dynamic Latin America Economy. The Latin America economy is quite impressive and important, with a population of more than 600 million.

Panamá has many advantages and unique characteristics, I want to mention just a few of them, like the geographic location with excellent connections, both aerial and maritime, the currency is stable and pair to the US Dollar, many free zones for different purposes and diverse services for companies and persons.

Israel is also a special and unique country, with amazing achieving in many sectors with developments that surprise everyone with more and more innovations in technology, science and many others fields. Israel is like David Ben Gurion said: "In Israel if you want to be realistic, you should believe in miracles"

Today Israel and the great skill of their companies can have in Panama unlimited opportunities for business in Panama and from Panama as an access door to the Latin America economy.

Panama and Israel signed a Free Trade Agreement that start in 2020 and more recently, in April 2023 other new agreements for agriculture and environment.

We can say that Israel has in Panama, the best friend that could wish in order to get into the regional market and Panama has in Israel the best friend for the cooperation and participation in the new Middle East that is changing every day in front of our eyes.

Israel LATAM Corporate Center offer an integral solution for all Israelis companies and starts ups that require to be closer to this market. The secret for success in this market is to be "GLOCAL", Global with Local Presence with a convenient cost benefits scheme.

Our Vision in ISRAEL LATAM CORPORATE CENTER is not for make history, is to build the future together now.

Zvi Lobl



Mr. Gabriel Hayon, Chairman of the Diplomatic Institute

When we sat down to write this guide, we saw before our eyes the Israeli exporter struggling to understand the rules of the game in a foreign language, new set of rules, regulations, culture and behavioral codes different from the Western world.



Therefore, we decided to facilitate, in an easy and fluid language, the important information for a businesswoman or a businessman trying to penetrate the continent.

Panama is a bridge:

- **Maritime:** with the Panama Canal that transfers more than 30% of the continent's goods between the Pacific and Atlantic oceans.
- **Air:** hundreds of flights to all parts of the continent and convenient connections to Europe, the USA and Canada
- **Communication:** most of the communication cables and fiber-optics pass through Panama.
- **Cultural:** As a cosmopolitan country with developed banking, shipping and law, you can get by in Panama.
- **Services:** the country has modern medicine, education, culture, transportation and communication

In addition to the comfort that Panama offers, the Israel LATAM Business Center provides an additional layer of comfort:

The ILCC is located in a magnificent office building in the heart of the commercial district of Panama City, right in front of the Israeli Embassy, it is equipped with Hebrew, English and Spanish speaking staff, an Israeli security company and a deep understanding of your needs.

For medium and small companies, the center can be an ideal solution as a front office, a convenient meeting point for access from the whole continent and in a friendly business atmosphere, setting up a showroom and even virtual companies.

You are welcome to contact me directly and I will be happy to assist you in planning your presence in Latin America.



## DOING BUSINESS IN PANAMA

כשישבנו לכתוב את המדריך הזה, ראינו לנגד עינינו את היצואן הישראלי המנסה להבין את חוקי המשחק במגרש חוץ, שפה זרה, מערכת כללים, רגולציות, תרבות וקודים התנהגותיים שונים מהעולם המערבי.

לכן, החלטנו להנגיש, בשפה קלה וקולחת את המידע החשוב עבור אשת או איש העסקים המנסה לחדור ליבשת.

פנמה היא גשר:

- **ימי:** עם תעלת פנמה המעבירה בין האוקינוס השקט לאטלנטי יותר מ-30% מהסחורות של היבשת.
- **אווירי:** מאות טיסות לכל חלקי היבשת וחיבורים נוחים לאירופה, ארה"ב וקנדה
- **תקשורת:** רוב כבלי התקשורת והסיבים האופטיים עוברים דרך פנמה.
- **תרבות:** כמדינה קוסמופוליטית עם בנקאות, ספנות ומשפט מפותחים, ניתן להסתדר בפנמה.
- **שירותים:** במדינה רפואה, חינוך, תרבות, תחבורה ותקשורת מודרניים

בנוסף לנוחות שפנמה מציעה, המרכז העסקי ישראל אמל"ט נותן רובד נוסף של מגרש ביתי:

ה-ILCC ממוקם בבניין משרדים מפואר בלב הרובע המסחרי של פנמה סיטי, ממש מול שגרירות ישראל, הוא מצויד בצוות דובר עברית, אנגלית וספרדית, חברת שמירה ישראלית והבנה עמוקה של הצרכים שלכם.

עבור חברות בינוניות וקטנות, המרכז יכול להיות פתרון אידאלי כמשרד קדמי, נקודת מפגש נוחה לגישה מכל היבשת ובאווירה עסקית ידידותית, הקמת אולם תצוגה ואפילו חברות וירטואליות.

אתם מוזמנים ליצור איתי קשר ישירות ואשמח לסייע לכם בהתאמת הנוכחות באמריקה הלטינית.

## Introduction

Panama, with its centrality within the geographic landscape of Latin America and immense trade routes- both aerial and sea- is the perfect location to expand and penetrate new markets.

As a country with a stable branch democratic government, a multitude of trade agreements, and stabilized Dollar, Panama is a country with immense opportunities. Within the region, it is one of the most stable and growing countries with the highest GDP per capita. Along with the perfect geographical location, both in trade, travel, and weather, Panama is the country to grow your business.

The Israel Latin America Corporate Center (ILCC) allows for the perfect introduction to this new market. The ILCC offers modern offices located in the heart of Panama City, connectivity, and business services in an attractive cosmopolitan location. ILCC also offers physical or virtual showrooms, a trilingual team, 24/8 security, and proximity to the Israeli Embassy. With direct flights to around 100 cities across the Continent, not only is the ILCC the perfect center, but Panama is the perfect city.

The Diplomatic Institute, headed by Gabriel Hayon, launched the Israel LATAM Corporate Center (ILCC) in Tel Aviv, with the presence of HE Ms. Adis Urieta, Ambassador of Panama to Israel, and HE Ambassador Leo Vinovezky, the newly appointed manager of Africa, Latin America, and the Caribbean Department of the Economic Diplomacy Division at the Israel Ministry of Foreign Affairs.

Zvi Lobl, the Founder of the ILCC, explained to the participants the multiple advantages and support the ILCC has both in Israel and Panama.





## Executive Summary

This guide will allow for an overview of Panama and a brief touch on the ILCC for an initial understanding of the country and market.

Starting with “Why Panama” this guide allows for an inside look into the stable and ever-growing country that is Panama. Perfect weather, stable government/dollar, trade agreements, and geographical location allows for business to grow in a new Latin American market.

An overview will be given on key insight into how to conduct business in Panama including the government policies and regulations, how to establish a business/branch, the banking system, and tax system.

Panama, being part of multiple Free Trade Agreements, is a Latin American leader in trading across borders. Israel and Panama’s Free Trade Agreement through the Double Taxation Avoidance Convention allows for bilateral trade between the two countries.

Panama's Fiscal Incentives include free trade zones and appealing taxes for foreign investors.

The Israel Latam Corporate Center – ILCC gives space for Israeli companies that want to come to the Latin American market. Through in-person and virtual office spaces as well as a variety of services, the ILCC allows for a smooth integration to Panama and Latin America as a whole.



## Executive Summary in Hebrew

מדריך זה יאפשר סקירה כללית של פנמה והמרכז העסקי ישראל אמריקה הלטינית -ILCC, על מנת להקנות לכם, היצואנים הישראליים מידע ראשוני של המדינה והשוק.

חשוב להבין שפנמה היא המדינה היציבה והצומחת ביותר באיזור מרכז אמריקה. מזג אוויר מושלם, ממשל פרו-ישראלי, עם גישה עסקית בינלאומית, המטבע החוקי הוא הדולר, הסכמי סחר ומיקום גיאוגרפי מאפשרים לעסקים לצמוח בשוק חדש באמריקה הלטינית.

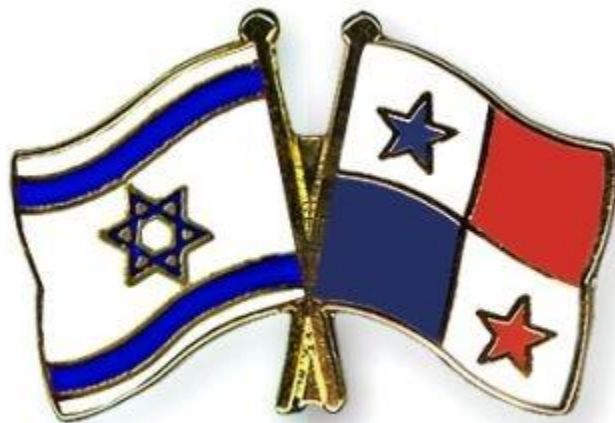
בהמשך נסביר כיצד לנהל עסקים בפנמה כולל המדיניות והתקנות הממשלתיות, איך להקים עסק מקומי, מערכת הבנקים ומערכת המס.

פנמה שותפה למגוון הסכמי סחר חופשי היא מובילה באמריקה הלטינית במסחר חוצה גבולות. הסכם הסחר החופשי של ישראל ופנמה והאמנה למניעת כפל מס מאפשר סחר דו-צדדי בין שתי המדינות, בפתוחות ונוחות מקסימליים.

התמריצים הפיסקאליים של פנמה כוללים אזורי סחר חופשי, הקלות מס וניוד משאבים קל למשקיעים זרים.

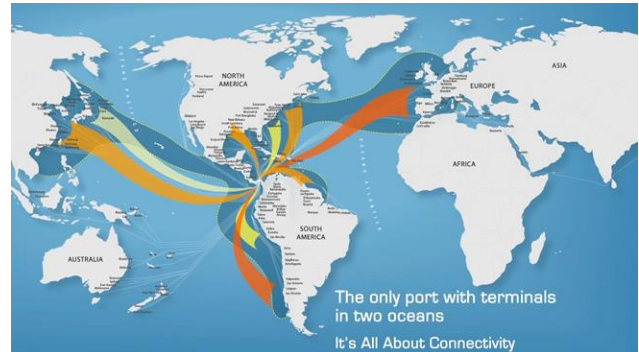
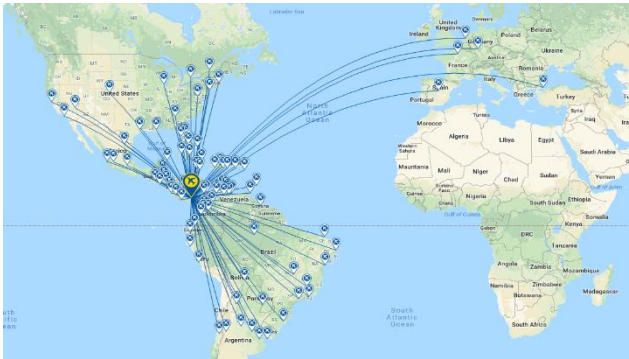
המרכז העסקי הישראלי אמל"ט – ILCC, הוקם במיוחד כדי לספק מגרש ביתי לחברות ישראליות שרוצות להגיע לשוק באמריקה הלטינית.

במרכז יש מגוון משרדים אישיים ווירטואליים, שירותי עזר ומערכת קשרים עניפה במדינה וביבשת.



## Why Panama?

Panama is located in a perfect geographical location with the Caribbean on the East and the Pacific Ocean on the West. With the county being extremely narrow, the Panama Canal was built allowing for a major connection between the two bodies of water. Spawning 80 Kilometers and with a travel time of around 8-10 hours, the Panama Canal is an immense and strategic trade route. The country is also centrally located in terms of land, allowing for direct flights to around 100 cities across the continent and many flights out of the continent.



The main crops of the country include rice, corn, beans, liana, and sugar cane. With both the Caribbean and Pacific bordering the country, the weather and agriculture vary. Large extensions of jungle are present near the Caribbean and forests are present by the Pacific. Panama's climate year-round is ideal and known for its tropical weather. For most of the country, temperatures span from 27C – 29C allowing for comfortability at all times.

Panama's economy has been one of the highest growing in the world. Between 2004 and 2018, the country had an annual growth rate of 7.0% compared to the average of 3.3% of Latin America. As a result of the intense growth rate, Panama has the highest gross domestic product (GDP) per capita in the region.



The Panamanian government is a democratic system based on three separate bodies: the Executive, the Judiciary, and the Legislative.

The Executive Branch, led by the Head of State (known as the President of the Republic), is elected by popular vote every 5 years with the Constitution not allowing for consecutive re-elections.

The legislative branch (known as the National Assembly) is composed of 71 deputies elected by popular vote. Exceptionally, the Legislative Body may be made up of several more deputies, coming from those political parties that having obtained a minimum of 5% of the votes have not obtained any representative.

## DOING BUSINESS IN PANAMA

The Judiciary branch (known as the Supreme Court of Justice) is divided into 4 chambers. The Magistrates of the Supreme Court of Justice are appointed by the Cabinet Council, subject to confirmation by the Legislative Assembly for 10 years.

The Republic of Panama is politically divided into 10 provinces, 79 districts, 679 corregimientos and 4 indigenous regions.

The Ministry of Commerce and Industry (MICI) is the body in charge of developing and executing government policy in matters of industry, trade, and use of resources natural resources, in addition to foreign trade. MICI is divided into two vice ministries: Domestic Trade and Industries which are in charge of planning, organizing, coordinating, directing, and control of the activities of commerce, mines, and industry; and Foreign Trade which directs the policy of foreign trade, negotiations and services to the exporter.

At the regional level, Panama is a member of the Central American Integration System (SICA) and part of the Central American Parliament (PARLACEN).

At the international level, it is a member of the UN since its foundation and currently belongs to most of the agencies attached to the United Nations. Panama is a non-permanent member of the Nations Security Council. Panama is also a founding member of the Community of Latin American States and the Caribbean (CELAC since 2010). In the economic and commercial field, Panama joined the WTO in 1997 and has a large number of Free Trade Agreements (FTAs): United States, European Union, Canada, Chile, Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua), Mexico, Peru, Singapore, Taiwan, South Korea, and Israel, the last two signed in 2020.

Source: [Guia de Pais Panama](#)





## How to do Business in Panama

### Overview

The Panamanian Government has the long-term goal of making Panama the center of Latin American trade and business for foreign investors. The Strategic Plan 2009-2014 understood the opportunity for Panama and created key attractions for foreign investors in multiple areas including fruit exporters, hotels, and logistics service providers. The Panamanian currency is the dollar therefore no control authority is in place leading to a stabilized currency. The transfer of funds to the country is non-taxable and there is no registration requirement for capital leading to an easier business establishment.

Panama has centralized their foreign business investors through PRIONVEX a “sole office” where any investor regardless of nationality can obtain all necessary information to establish themselves in Panama. To diminish foreign competition Panama has established special rates on some products.



In order to prevent money laundering or bank problems the government has instituted the Basel II recommendations leading to transparency within the banking system.

Restrictions still exist however for foreign investors such as retail business being solely for Panamanian citizens.



### Establishing a Business

Five forms of legal entities are recognized by Panamanian Law.

1. Corporations of Stock Company – Sociedad Anónima
2. Limited Liability Company (Sociedad de Responsabilidad Limitada)
3. General partnerships (Sociedad en Nombre Colectivo)
4. Ordinary Limited Partnership (Sociedad en Comandita Simple)
5. Joint- stock Company (Sociedad en Comandita por Acciones)

These legal entities allow for an easier day to day operation.

### Establishing Branch in Panama

If business would like to operate in Panama, they can establish branches and/or agencies. They must be registered with the Panamanian Mercantile Registry and may not perform activities not allowed in their home country under Panama's Commercial Code.

### Banking System

There is no central bank in Panama but rather a Superintendence of Banks which is autonomous from the central government. There are three different bank licenses.

1. General – Banks under the Laws of Panama and branches of foreign banks that have activities in Panama and abroad.
2. International – Banks under the Laws of Panama that solely practice business abroad.
3. Representation – Banks that have offices in Panama but are not performing banking transactions.

### Tax System

The tax system is regulated by the tax code with the most recent reform that reduces tax rates, raising the overall rate of VAT, and sets the new Tax Tribunal. The corporate income tax rate is 25%

Sources: [Doing Business 2020](#) [Doing Business in Panama 2020](#)



## Statistics and Trade Information

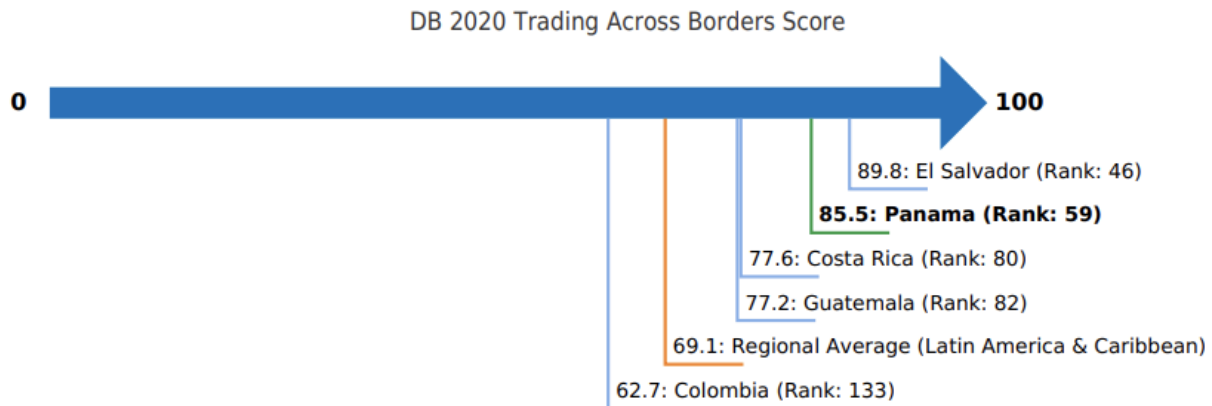
Panama’s incorporation into the World Trade Organization allows for a variety Free Trade Agreements throughout the continent and overseas.

### Trading across Borders - Panama

Indicator	Panama	Latin America & Caribbean	OECD high income
Time to export: Border compliance (hours)	24	55.3	12.7
Cost to export: Border compliance (USD)	270	516.3	136.8
Time to export: Documentary compliance (hours)	6	35.7	2.3
Cost to export: Documentary compliance (USD)	60	100.3	33.4
Time to import: Border compliance (hours)	24	55.6	8.5
Cost to import: Border compliance (USD)	490	628.4	98.1
Time to import: Documentary compliance (hours)	6	43.2	3.4
Cost to import: Documentary compliance (USD)	50	107.3	23.5

Doing Business 2020

**Figure - Trading across Borders in Panama and comparator economies - Ranking and Score**



Doing Business 2020

Source: [Doing Business 2020](#)

## Panama Fiscal Incentives

Panama has a variety of fiscal incentives that make it ideal for foreign investors. With multiple free zones companies are exempt from import duties on goods, income tax, sales tax, export tax, and selective consumption tax from royalties on exportation and re-exportation. The government has also seen the potential the country has and instituted special laws in regards to tax exemptions that benefit foreign investors.

Source: [Panama: Corporate – Tax Credits and Incentives](#)



## Panama Israel Relations

### Panama Israel Free Trade Agreement

A free trade agreement between Israel and Panama entered into force on January 1, granting preferential market access for goods and aiming to eliminate trade barriers between the countries.

The bilateral trade deal, the first between Panama and a Middle Eastern country, was signed On May 17, 2018, by Economy Minister Eli Cohen and Panamanian Trade and Industry Minister Augusto Arosemena Moreno.

Under the agreement, which aims to establish rules enabling a comfortable environment for both trade and investments, will enable Israeli exporters and importers trading with Panama to receive a series of tax and duty reductions and exemptions.

According to the Central Bureau of Statistics, trade between the two countries in 2018 stood at approximately \$19 million. Israeli exports totaled \$17.3m., primarily in the sale of machinery, metals, optical equipment and chemicals. Imports from Panama amounted to about \$1.8m., consisting mainly of agricultural produce, food and machinery.

“The Economy and Industry Ministry, through the Foreign Trade Administration, continues to strengthen Israel’s economic ties with countries of the world, with emphasis on development economies whose potential for growth is great,” said Cohen.



“This will strengthen Israel’s foothold in Latin America, which is in line with the Economy and Industry Ministry’s policy of opening new possibilities to Israeli industry, while providing a competitive advantage to Israeli manufacturers.”

Source: [Wikipedia](#)



## Double Taxation Avoidance Convention

Any resident of Panama and Israel is covered under the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.

### Taxes Covered

1. The convention will apply to income taxes imposed by Contracting State, political subdivisions, or local authorities.
2. In Israel: the income tax, company tax, and the tax imposed on gains from the alienation of property according to the real estate taxation law.
3. In Panama: income tax provided in the Fiscal book.

In accordance with the convention, business profits are only taxable in the contracting state unless in the other contracting state a permanent establishment is present. Ship or aircraft international trade profits are only taxable in the contracting state where the enterprise is established.

Double taxation in Panama will be eliminated when a Panamanian Resident is taxed in Israel Panama will exempt income from taxes. Double taxation in Israel will be eliminated when an Israeli Resident is taxed in Panama Israel will deduct that tax from the income tax.

Source: [International Agreement Panama and Israel](#)

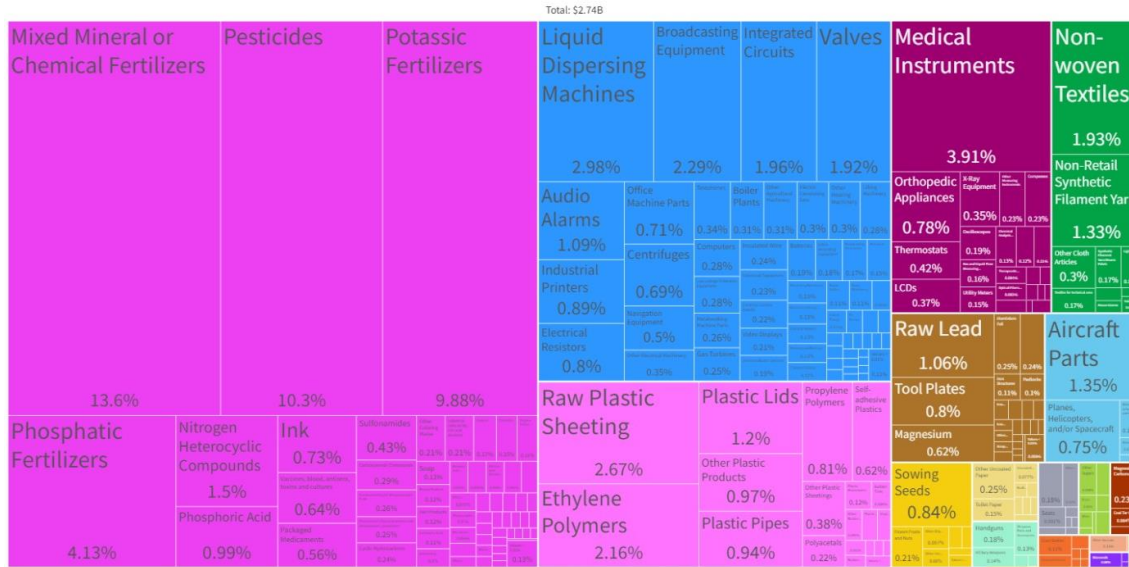




## Israeli Export to Latin America

Israel is exporting to Panama in value of 2.74 B dollars.

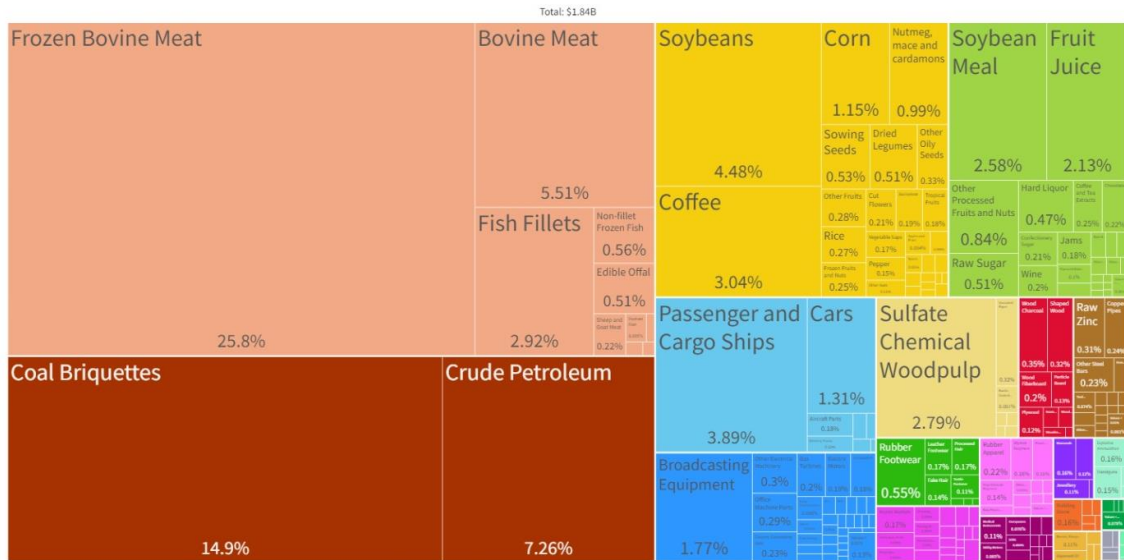
◀ 2020 What does Israel export to Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay? (2021)



## Israeli Import from Latin America

Israel imports from Latin America in a value of 1.84 B dollars

◀ 2020 What does Israel import from Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay? (2021)



## ILCC - Israel LATAM Corporate Center

### Objectives

The objective of the ILCC is to create a permanent space for Israeli companies that want to be closer to the Latin American market. Companies can rent annual in-person or virtual offices.

The ILCC includes:

1. Exclusive private space
2. Unlimited use of meeting rooms with Smart TV3. Internet service with Wi-Fi throughout the office
3. Trilingual receptionist (Spanish, English, and Hebrew)
4. Service of Light Drinks, Coffee, Tea, and water for users and their guests.
5. Civil liability insurance policy within the facilities
6. Security service and physical surveillance and CCTV in the facilities.
7. Digital access control to the building and main office entrance.
8. Cleaning of common areas.
9. Telephone number and physical address for banking, legal procedures, and message reception.

The annual rent of virtual offices includes:

1. Telephone number and physical address for banking, legal procedures, and message reception.
2. Use of meeting rooms and presentations or physical office free of charge 12 times a year

### ILCC Launching – Press Release

The Diplomatic Institute, headed by Gabriel Hayon, launched in Tel Aviv the Israel LATAM Corporate Center. – ILCC, with the presence of HE Ms. Adis Urieta, Ambassador of Panama to Israel, and HE Ambassador Leo Vinovezky, the newly appointed manager of Africa, Latin America, and the Caribbean Department of the Economic Diplomacy Division at the Israel Ministry of Foreign Affairs.

Zvi Lobl, the Founder of the ILCC explained to the participants the multiple advantages of locating the front office in Panama City, in visibility, connectivity, business services, and attractive cosmopolitan location, with direct flights to some 100 cities across the Continent. The ILCC offers modern offices, physical or virtual, showrooms, a trilingual team, 24/8 security, and proximity to the Israeli embassy.

The event took place at the Export Institute with the presence of businesspersons that are active or planning to export to Latin America.

DOING BUSINESS IN PANAMA



## Contacts

### Panama Embassy in Israel

31 Karlibach St., Beit Lishkat Hamischar Building, floor 5, Tel Aviv, Israel

03-575-9793

[embpanamaisrael@mire.gob.pa](mailto:embpanamaisrael@mire.gob.pa)

### Israeli Embassy in Panama

Aquilino de la Guardia Street, Banco General Tower, Floor 17.

Tel:

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Lecture given by  
**LAC Legal**  
in cooperation with the  
**Diplomatic Institute**



**LAC**  
L E G A L



# International Tax Guide

FOR DOING BUSINESS IN PANAMA.



## 360° Services

At Legal Accounting and Consulting Group, we include Tax services to offer comprehensive 360° services that cover all the legal, accounting, and financial needs of our clients. With a holistic and personalized approach, we provide effective solutions to help our clients achieve their goals and maximize their business success. Our professional and high-quality services are designed to ensure that your company grows and thrives. Trust us to provide expert advice and support you every step of the way.

## Office Locations

### NATIONALS

#### HEAD QUARTER

50th Street, Tower Financial Center, 36 floor

#### AGUADULCE

Manuel Robles avenue, Edificio Santiago  
Apóstol, Aguadulce

#### DAVID

3rd Avenue West, Edificio Urbex, Office N.3,  
David, Chiriquí

### INTERNATIONALS

#### COSTA RICA

Escazú Avenue, San José Province,  
San Rafael De Escazú, Costa Rica

#### NICARAGUA

111 Etapa, Managua 14042, Nicaragua

#### HONDURAS

Centro Corporativo Los Próceres, Tower 1, 7th  
floor, Office 3. Tegucigalpa

#### SALVADOR

Pasaje Senda Florida Norte, No 124, Colonia  
Escalón, San Salvador

#### GUATEMALA

13th street 2-60 Zona 10 Edificio, Topacio, Azul Of.  
701, Guatemala

## What makes Lac Legal the right choice?



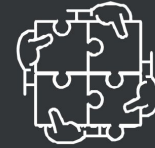
Personalized and  
committed attention  
from our lawyers.



Competitive rates and  
different payment  
options.



National and  
international presence.



Synergy with our  
accounting and financial  
consulting subsidiaries.





# International Tax Guide

FOR DOING BUSINESS IN PANAMA.



## General Overview of Panama

**4.2M**  
POPULATION (est. 2023)

**18.8%**  
GDP GROWTH 2022  
Constant Prices 2018.

**\$17,409**  
PIB PER CAPITA 2022  
Current Prices.

**2.9%**  
INFLATION 2022

### POLITICS:

Panama has political stability with a presidential representative democratic republic with a multi-party system, whereby the President of Panama is the head of state and government. **Since 1990 Panama abolished its army**

**Spanish - English**  
LANGUAGE

**PAB**  
**US Dollar**  
CURRENCY

**\$2,721M**  
FOREIGN INVESTMENT 2022

**41.2%**  
GROWTH OF FDI  
(2022 vs 2021)

**65**

### OPERATING BANKS

Global Competitiveness Index, Banking  
System Soundness #16

### INVESTMENT GRADE

Standard & Poor's	<b>BBB</b>
Moody's	<b>Baa2</b>
Fitch	<b>BBB</b>

## Type of Company:

The legal entities are the most suitable vehicle for doing business in Panama, the most important type of companies recommended are:

**Corporation - Sociedad Anónima (S.A.)**. It's the equivalent of a public limited company in English-speaking countries.

**Sociedad de Responsabilidad Limitada (S.R.L.)**, which is like a Limited Liability Company (LLC) in many other jurisdictions and also, it's considered a transparent entity.

Both entities offers the following advantages:

- Limited Liability
- Flexibility in ownership
- Privacy and Anonymity
- Easy Process of Incorporation
- Asset Protection
- No Minimum Capital Requirements

# Tax System:

The Republic of Panama has a territorial tax system, also known as source taxation, which means that income generated within Panama is taxed at the source regardless of whether it is received by a resident or non-resident.

Residency is only relevant to determine if the entity is subject to withholding tax (WHT) or not.

## Relevant Tax rates

**Individual Income Tax:** is levied at progressive rate as follows:

\$0.00 - \$11,000	0%
\$11,000.01 to \$50,000	15%
Earnings over \$50,000	25%

**Corporate Income Tax** 25%

**Dividends** 10% (from Panamanian source)  
5% (from foreign source)

**Withholding Tax** 12.5% applies on remittance

**Capital Gain Tax** 3% - Real estate property  
5% - 10% - Securities

**Value-added tax (VAT)** 7%  
*known in Panama as ITBMS*

**Thin capitalization** There are no thin capitalization rules.



# Tax System

## Practical Example

### Facts:

- An international company located in Panama performs consulting services within the territory and at the same time sells products manufactured in China and received in Brazil.
- The company hired in Austria a software company in order to use the software for its business activities in Panama, the royalty fees is US \$5,000.00
- The company in Panama has a bank account in a financial institution within the country and received interest.
- Its total taxable net income from Panamanian source income deriving from consulting services is US \$45,000.00 and its net income from the sale of products abroad is US \$100,000.00.

## Tax Demonstration

### Corporate Income Tax (CIT)

According to the territory principle the company will be taxed only for the earnings generated within Panama.

Panamanian source income                      US \$45,000.00 x 25%

**CIT Tax**    **US \$11,250.00**

### Dividends

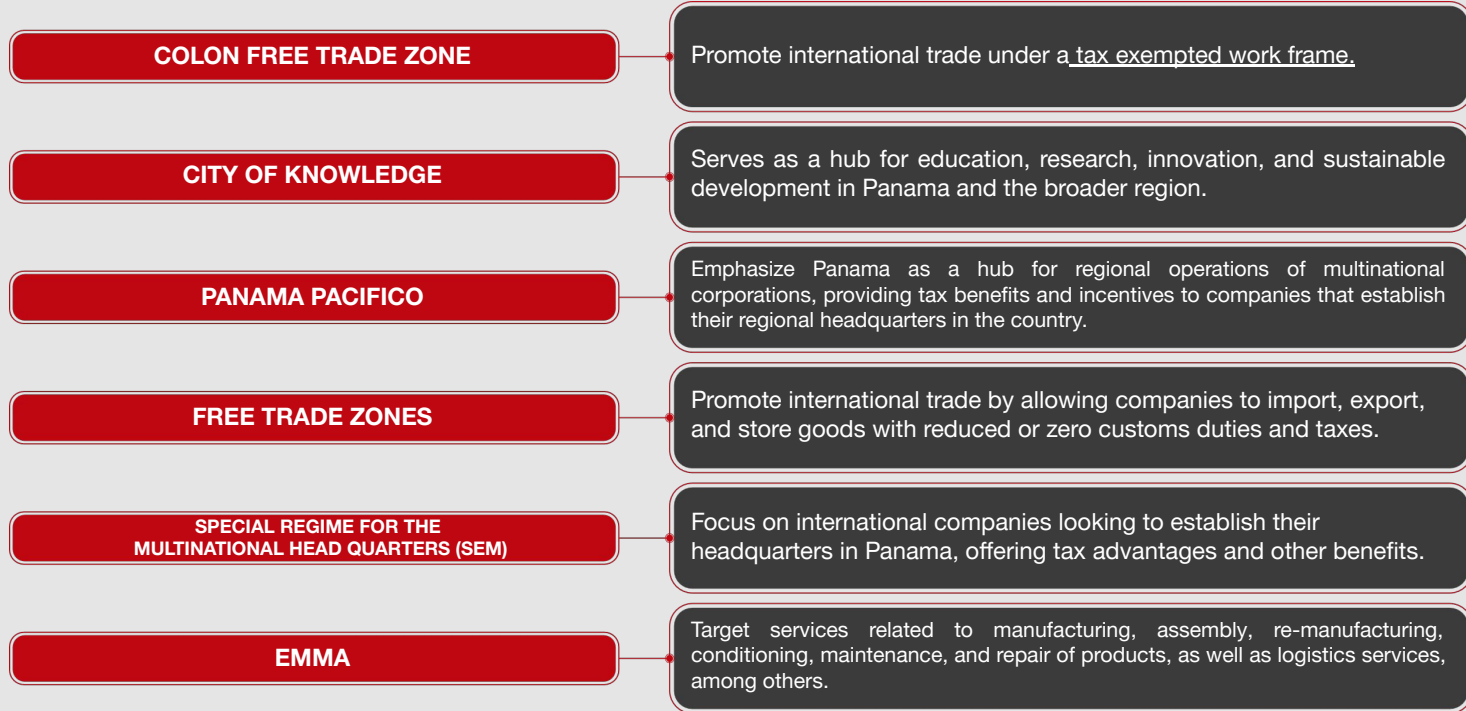
Panamanian source                              US \$45,000.00 x 10% = **US \$4,500.00**

Foreign source                                    US \$100,000.00 x 5% = **US \$5,000.00**

**Withholding Tax**                              US \$5,000.00 x 12.5% = **US \$625.00**

*Interest earned by the bank account are not taxable.*

# Tax Regimes





## Tax Regimes Summary

Tax Exemptions	COLON FREE TRADE ZONE	CITY OF KNOWLEDGE	PANAMA PACIFICO	FREE TRADE ZONES	SEM	EMMA
CIT	●	●	●	●		
Dividends		●	●		●	●
Operation Notice Tax		●	●		●	●
VAT (ITBMS)	●	●	●	●	●	●

# International Taxation



**DOUBLE TAX  
TREATIES**



**TRANSFER  
PRICE**



**EXCHANGE OF  
INFORMATION**

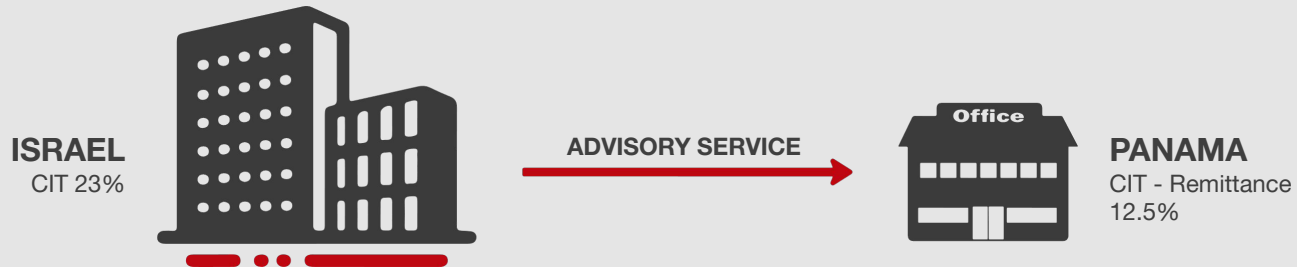


## what is a Double Tax Treaty?

Also known as *Double Tax Agreement (DTA)* or *Double Tax Avoidance Agreement (DTAA)*, is a bilateral treaty signed by two countries to avoid or resolve issues involving double taxation of passive and active income, also related to the prevention of fiscal evasion with respect to taxes on income.

Panama and Israel have a tax treaty since 2012.

## How the Double Tax Treaty between Panama and Israel works?



### REGULAR TAX TREATMENT

Fee	US\$ 25,000.00
CIT - Remittance	US\$ 3,125.00
<b>Remittance after taxes</b>	<b>US\$ 21,875.00</b>

### TAX TREATY TREATMENT

Fee	US\$ 25,000.00
CIT-Remittance	US\$ 0.00
<b>Remittance after taxes</b>	<b>US\$ 25,000.00</b>

## Double Tax Treaty Network

1. BARBADOS
2. SOUTH KOREA
3. UNITED ARAB EMIRATES
4. SPAIN
5. FRANCE
6. THE NETHERLANDS
7. IRELAND
8. ISRAEL
9. ITALY
10. LUXEMBOURG
11. MEXICO
12. PORTUGAL
13. QATAR
14. UNITED KINGDOM
15. CZECH REPUBLIC
16. SINGAPORE
17. VIETNAM



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# THANKS

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## PRACTICE AREA

- Corporate Services
- Insurance and Reinsurance
- Litigation and arbitration
- Taxes
- Real Estate
- Government Procurement and Contracts
- Immigration Law
- Administrative
- Maritime
- Labor Law

