



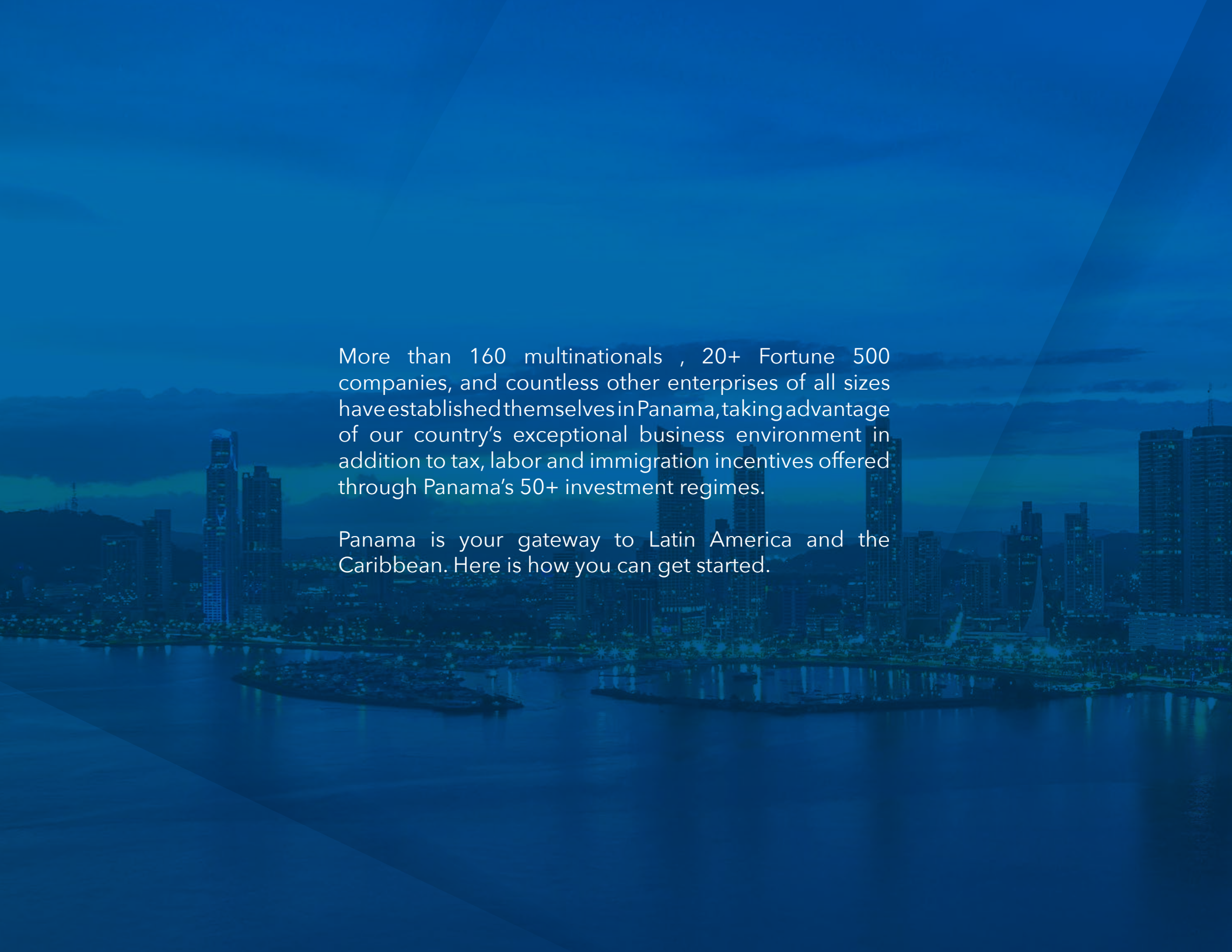
REPUBLIC OF PANAMA
— NATIONAL GOVERNMENT —

PRO**PANAMA**

MINISTRY OF FOREIGN AFFAIRS



SPECIAL INVESTMENT REGIMES

A night-time photograph of the Panama city skyline, featuring several tall skyscrapers illuminated against a dark sky. The city is situated along a body of water, with the lights reflecting on the surface. The image has a blue color overlay and a diagonal line running from the top left to the bottom right.

More than 160 multinationals , 20+ Fortune 500 companies, and countless other enterprises of all sizes have established themselves in Panama, taking advantage of our country's exceptional business environment in addition to tax, labor and immigration incentives offered through Panama's 50+ investment regimes.

Panama is your gateway to Latin America and the Caribbean. Here is how you can get started.



Special Investment Regimes

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www.zolicol.gob.pa



Colon Free Zone (ZLC)

The largest free trade zone in the Americas, renowned for its highly connected multimodal platform. It is supported by a variety of logistics and financial services that leverages its connectivity to improve the cargo flow to regional markets.

Relevant Laws and documents:

- Law 8 of April 4, 2016, which reorganizes the Colon Free Zone and makes other regulations.
- Law 7 of April 4, 2016 that modifies and adds articles to Law 29 of 1992, which adopts a special free port system for the Province of Colón, for its effective implementation and operation.

Appropriate for:

- Logistics Services
- Imports/Export/Reexportation
- Repackaging, storage, sales and redistribution
- Refinement & Processing

Incentives:

Tax:

- Tax exemption on imports, re-exports and manufacturing of goods
- Tax exemption on re-export incomes
- Tax exemption on invoicing
- Tax exemption on other national or provincial taxes

Migratory

- Migratory facilities for foreign executives

Infrastructure

- Low cost on the rent of land, building or any required spaces
- Digitalized security system
- A large financial network of national and international banks
- Sales through e-commerce.





www.panamapacifico.com



Panamá Pacífico

Panamá Pacífico

A special economic zone that serves as a hub for high-tech manufacturing, logistics services, commercial activities, and non-traditional services, with an eco-friendly residential area, containing dedicated areas for warehousing and distribution centers, manufacturing, commercial offices, airport operations, and residential.

Relevant Laws and documents:

- Law 41 of July 20, 2004

Appropriate for:

- Logistics Services
- Electronic Processing
- Manufacturing
- Aviation and Maritime Services
- Headquarters and Services for Business

Incentives:

Tax:

- Income tax declarations (5%)
- Exempt Dividend tax
- Exempt the Valued Added tax (called ITBMS in Panama)
- Reduce withholding tax of 2%

Migratory

- A 15% foreign labor force is allowed (only 10% is permitted outside of the zone according to the Panamanian Labor code).
- All work permits and residence visas can be obtained at Panama Pacifico authority facilities.
- All types of residence visas obtained in Panama Pacifico can be extended for the direct family members (Sons or Parents).
- Foreign staff hired as specialists have the right to import 100% duty-free, for a single time, all types of articles for personal or domestic use, up to the sum of USD100,000

Labor

- Fixed rates for overtime (maximum 25%) and for work done on holidays
- The weekly rest days are negotiable between the employer and the employees. According to the Panamanian Labor code, the rest days are on Sunday.
- Companies can be open for business, even in National Holidays.

Infrastructure

- Integrated Procedures System: Companies can access the necessary public institutions to apply for licenses or permits.
- Single Record: Business owners can undertake all the necessary processes with one single entity located inside the special economic zone.
- Education centers and private institutions such as banks, pharmacies, restaurants, gyms.





www.ciudaddelsaber.org



City of Knowledge (CDS)

A special economic zone that hosts an international community of academic organizations, technology companies, innovative startups and non governmental organizations, focused on serving as a knowledge platform boosting innovative and competitive capacities of its members.

Relevant Laws and documents:

- Decree-Law No. 6 of 1998

Appropriate for:

- Biological Sciences and Technology
- Product R&D and Innovation
- Education and Human Development
- Creative Industries

Incentives:

Tax:

- Exemption from all taxes, levies, fees, import duties and Value Added Tax (ITBMS) on goods and materials required for operation.
- Exemption from taxes, fees duties or levies on overseas money remittances.
- The production, processes of high-tech goods, assemble or similar services provided by companies located in the City of Knowledge receive additional benefits:
 - All the operations, transactions, and procedures are free of national taxes, contributions and fees.
 - The is exempt from direct national tax, including patent, trademark or any kind of license taxes.

Migratory

- Special visas are given to foreign staff

Labor

- Companies affiliated to the City of Knowledge are authorized to hire any international staff necessary for their operation.

Infrastructure

- Telecommunications, IT and educational technology services, including an intelligent high-tech center.
- Sustainable and high quality of life community
- Access to the major higher learning and scientific research centers in the country.





www.mici.gob.pa



REPÚBLICA DE PANAMÁ
— GOBIERNO NACIONAL —

MINISTERIO DE
COMERCIO E INDUSTRIAS
Dirección General de Zonas Francas

Free Zones

Special regime which contributes to the economic development of the country and promotes foreign investment. They can be established anywhere in the country. There are currently 12 active free zones, and 6 in development.

Relevant Laws and documents:

- Law 32 of 2011 and regulated under Executive Decree No. 62 of 2017

Appropriate for:

- Manufacturing, assembly, processing of finished or semi-finished products
- High tech enterprises
- Higher education and research centers
- Environments, logistics, health and other services

Incentives:

Tax:

- Exemption from taxes and import duties on materials, goods and services required for operation.
- Developers are exempt from income tax in the lease and sublease

Migratory

- Permanent Resident Permit for investors.
- Temporary Resident Permit as executives, experts and / or technical, valid for the term of the contract
- Short stay visa for trader and investor, by special laws, valid for nine months, to perform business in the export processing zones.
- Temporary permits for special activities: teacher, student or researcher of a higher education center in a Free Zone; investigator of a scientific research center.
- The permits extended to spouse and children and elderly dependents of the principal applicant.

Labor

- Rotation of workers
- The holiday period may be agreed between the parties
- The overtime will be paid with a surcharge of only 25% on wages
- Work on holiday or national mourning will be paid with a surcharge of 50% on the wages of ordinary working time.





www.dicine.gob.pa



DICINE

Special set of laws and programs meant to incentivize foreign film productions in Panama.

Relevant Laws and documents:

- Cinema Law No. 36 of July 2007, updated by Law 16 of April 2012.

Appropriate for:

- Film and creative industries, and associated activities

Incentives:

Tax:

- Tax exoneration on all equipment imported for use in film productions
- Economic return of 15% of the total of goods and services purchased from local suppliers in Panama

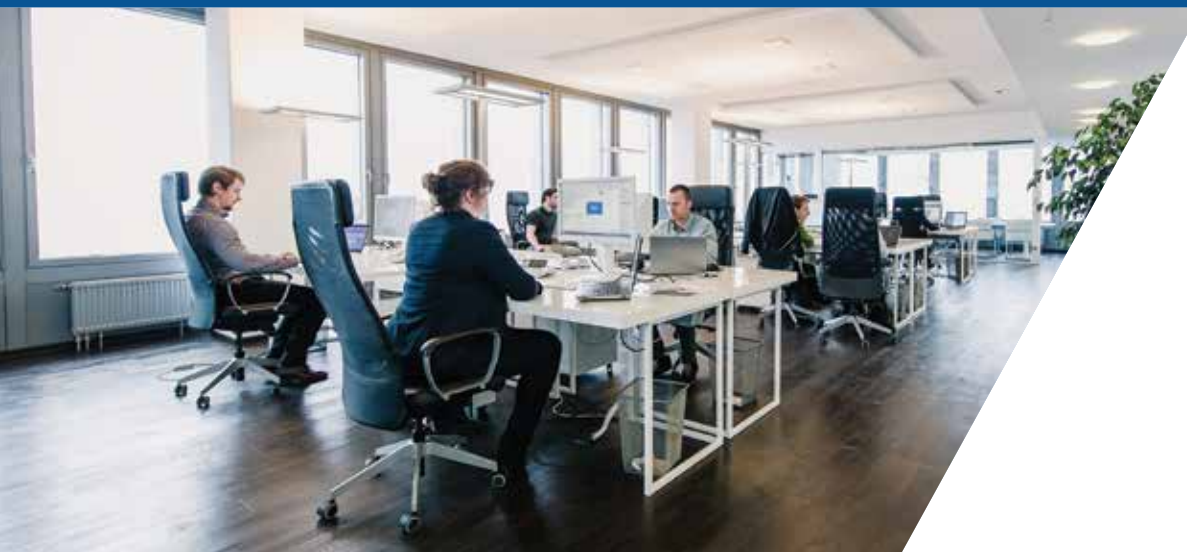
Migratory

- Temporary resident permits for personnel working on the project, for a term of 1 year
- Permanent resident permits for foreigners who make an investment of more than US \$150,000 in the industry

Infrastructure

- A “Single Window” for administrative procedures (municipal and environmental permits, customs, migratory and labor processes)
- Provisions for special economic zones for the film industry





www.sem.gob.pa



SEM / MHQ

Special regime created for the establishment of MHQs, companies that operate as a foreign company registered in Panama or as a Panamanian company owned by a transnational company. Its objective is to provide services to their Main Office or subsidiary in other countries from Panama.

Relevant Laws and documents:

- Law No. 41 of 2007 (amended Law No. 45, Law No. 57 and Resolution 15)

Appropriate for:

- Logistics
- R&D
- Electronic Processing
- Construction and Design - Blueprints
- Financial Direction for Enterprises / BPO
- Administrative Direction of Regional Operations

Incentives:

Tax:

- The companies that obtain the SEM license will enjoy legal stability to the investments referred to Law 54 of July 22, 1998 and Executive Decree No. 9 of February 22, 1999.
- Income Tax: Reduced rate 5% of income tax for services rendered.
- Dividend Tax, Complementary Tax and tax applicable to branches: Companies that hold a Multinational Company Headquarters License will be exempt from the payment of dividend and complementary taxes and taxes on branches.
- Operation License Tax: The MCQ companies are not subject to the payment of Operation License Tax since they do not have the obligation to have a Notice of Operation.
- Capital Gains Tax: The gain or loss in the transfer of shares issued by the company are subject to the capital gains regime, but at a fixed rate of 2%.
- Transfer Pricing: They will not cause Transfer Tax (ITBMS), provided if they are lent to entities of the business group abroad, that does not generate taxable income within Panama.
- Tax Printers: Companies that hold an MHQ License will not be subject to the use of fiscal equipment.
- Income tax exemption if the salary is from a foreign source (for foreign workers).
- Import tax exemption for household goods and vehicle for personal use of permanent employees. However, they must pay the sales tax (for foreign workers).

Migratory

- Permanent visa (5 years) for foreign executives in permanent positions in the MHQ Company and their dependents.
- Permanent residence for permanent MHQ Company personnel.
- Three-month visa for foreign technical personnel hired for short periods for MHQ company projects.

Labor

- Companies with an MHQ license can hire foreign executives whom they deem necessary for administrative positions.
- There is no limit to the number of foreign executives who can be hired for these positions.





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EMMA

EMMA/MSM

Special regime created for the establishment of light manufacturing and repackaging fulfillment centers in Panama. Much like the SEM/MHQ regime, they would enjoy legal security and immigration, labor and tax benefits that encourage the production of products and services for export and for internal business use. Under this new comprehensive law, companies that are currently operating under the SEM/MHQ license will be able to apply for a manufacturing services license via an expedited process.

Relevant Laws and documents:

- Law 159 of August 31, 2020, with regulations pending. The information that follows are preliminary

Appropriate for:

- Manufacturing, assembly, maintenance, remanufacturing, and conditioning of products and equipment.
- Product development, research or innovation of existing products or processes, analysis, laboratory work or testing related to manufacturing services.
- Logistics activities such as storage, deployment and distribution of components required for the provision of manufacturing-related services.

Social Responsibility:

The companies that request the license under EMMA must submit to the legal provisions on environmental matters, also assume a commitment to engage in technology and knowledge transfer with the local workforce, for example through the establishment of a technical training center.

Incentives:

Tax:

- During the first 5 years, full exemption on the income tax. As of the 5th year, a 5% income tax rate applies.
- Exemption on dividend tax or complementary tax.
- Exemption of importation duties on materials and equipment
- Exemption of ITBMS (Valued Added tax) on services rendered to recipients outside Panama.
- Exemption of the Notice of Operation Tax.
- Price Transfer Rules apply.
- No fiscal equipment required.
- Transfer of shares or securities will be taxed at a 2% capital gains tax.

Immigration and Labor

- Foreign executives holding an MSM visa will not count toward local maximum allowances for foreign staff.
- 5-year visa for the MSM executives.
- 3-year visa for MSM technicians.
- One-stop shop for expedited issuance of MSM visas for workers and their dependents.






Additional Incentives

- Automatic recognition of legal stability.
- MSM License will have an indefinite term.
- MSM will be allowed to physically establish their operations in other special economic zones (such as Panama Pacifico, Free Trade Zones) and take advantage of the infrastructure and control benefits they offer.





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