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Introduction

The Republic of Panama is located in the Central America Isthmus that unites North and South America; it has a terrestrial surface of 77,082 square kilometers, politically divided in nine provinces, and five regions. Limits to the East with the Republic of Colombia and to the West with the Republic of Costa Rica; to the North is located the Caribbean Sea and to the South Pacific Ocean. The Panama Canal cuts across the Republic from North to South in the thinner part of the Isthmus.

With an estimated population of 3.3 million of inhabitants, the country is a clear sample of concurrence of races. The official language is Spanish, even though an important sector speaks English, mainly the service sector of the economy.

Constitutional, Legal and Political System

In conformity with the Political Constitution of Panama, the Nation is organized in a sovereign and independent State, with a republican, unitary, democratic and representative system. The government is structured, basically, in three organs; Legislative, Executive and Judicial, headed by the Supreme Court, which work separately, but in harmonious collaboration.

The legal Panamanian regime structured in a system of formal sources headed by Political Constitution, as the main normative source, that organizes the State. On lower level, the Laws of the Republic are located, of organic and ordinary character, decree laws and cabinet decrees.

Then, the executive decrees, regulations, and resolutions (administrative and judicial). International treaties and agreements are seen as law.

In the Panamanian system governs the principle of legality, which implies that the acts of state authority should be founded on legal norms previously defined. That is to say, the public officials cannot carry out acts that are not expressly authorized by law. Individuals, meanwhile, govern themselves on the principle of will autonomy, contractual freedom; they can do what law does not prohibit.

The exercise of economic activities corresponds, mainly, to individuals. The most flourishing economic sector is services, above all because of the international trade that is done in and from Panama. In this matter, highlights the importance of international banking center, as well as Colon Free Zone, second in importance in the world after Hong Kong, offers an added value to opportunities of trade finance from Panama.

Economic System

Panama constitutes one of the first shipping records at world level according to Lloyd's Register and now it is developing a project of importance for commerce on world level as it is the enlargement of the Panama Canal, which will allow a major transit of ships by the Canal.

The official monetary unit is Balboas, which has the same par value as the United States Dollar (\$US), currency of free circulation and convertibility in the country since 1903. The absence of official note issue by constitution covers the dollar circulation of significance for transactions, to national and international level.

The creation of instruments and establishments of institutions for ruling commercial activities in the country have been consistent with the opening orientation toward services the Panamanian economy has. Both the letter and the spirit of legislation try to offer facilities and incentives to make attractive investments in and from Panama.

There are really few existing limitations in the Panamanian legal system for foreign investment. Both nationals and foreigners receive equal legal treatment, characteristics that also operates for foreign investors between them. Except the exercise of retail commerce, which is reserved for nationals, and restrictions to acquire movables to 10kms of the borders with Costa Rica and Colombia, there is no general restriction in Panama for the foreigners to participate, as owners, in local businesses and/or joint ventures. In the matter of public services provision the foreign participation is allowed, excepting unless express legal exception those of foreign governments they may be direct or by intermediary person.

Foreign Commerce

Panama has a larger commercial tradition on international level that goes from colonial times. Its opening spirit has led to a gradual elaboration of policies of international commerce. The Colon Free Zone, the Panama Canal, the flexible legal system and the geographical position of the Republic are factors that contribute to maintain the country in a significant position in commerce at world level.

Commercial Licenses (Notice of Operation)

With Law No. 5 of 2007, Panama simplifies and speed up the procedure for the exercise of commercial or industrial activities inside the country, for which the interested parties only require to give the State a notice of beginning of its operations through a Notice of Operation. Are exceptions to this notice: a) activities of agricultural exploitation, livestock, beekeeping, poultry, aquaculture, agroforestry or similar, b) the elaboration and selling of crafts and other handicraft industries or homemade, as long as they use no more

than five wage labor, c) nonprofit activities, d) the exercise of activities that are not acts of commerce nor industrial activities, performed by natural or nonprofit associations, e) the exercise of liberal professions, on individual title or through civil associations, as they are not considered act of commerce.

Direct Sales

In Panama exists complete liberty to import and/or export products from and/or to any country, not taking into consideration its political regime. The Panamanian commerce policy, flexible and at the same time selective, includes ports or free zones for export and re-export, processing zones to export, a protecting system for agriculture and national industry and incentives for the industry and exportation.

Agency, Representation and Distribution Contracts

In the Republic of Panama, the agency, representation and distribution agreements constitute atypical contracts; as to say, without special regulation that may expressly consecrate them. The previous is product of the sentence of August 2 of 1989, through which the Supreme Court in full declared unconstitutional the cabinet decree No. 344 of 1969 that ruled the subject.

All the contracts are then ruled, by common rules to contracts, specially the principle of freedom of choice, by which the parties may agree to such clauses, agreements, conditions and terms they esteem convenient, as long as they are not contrary to the law, moral and public order.

Under the present juridical regime, there are no judicial pronouncements around to the agents situations, distributors and/or representatives, even though there are pending processes of civil tort responsibility filed by Panamanian companies against foreign manufacturers, for having ended respective contracts.

Franchises

The agreement for establishment of franchises does not have express special regulations, for which common rules of contract are also applied to them, contained also in the civil codification as in the Code of Commerce.

This situation has not constituted an obstacle for important commercial chains to be established in Panama, which operate under this type of contracts.

Industrial Ownership

Under protection of article 49 of the National Constitution, the Republic of Panama adopted Law No. 35 of 1996, in which dispositions over industrial ownership are dictated. This normative body has as object to protect the invention, the utility models, the models and industrial drawings, the industrial and commercial secrets, the product and services trademarks, collective trademarks and of guaranty, the source indications, the origin denominations, commercial names and expressions and advertisement signs.

Patents

As seen, the patents of invention are protected by Law No. 35 of 1996. In conformity with this Law, any natural person who does and invention has the exclusive right to exploit its profit. For that he should require to the General Direction of Registration of Industrial Ownership (DIGERPI) of the Ministry of Commerce and Industries a patent, which protects new inventions that may result on an inventive activity and may be susceptible to industrial application.

The patent has a validity of twenty years unextendible, counted since the date of presentation of the application, subject to the payment of rights established by law.

Utility Models

The Law also contemplates the registration of utility models, as long as they are new and susceptible to industrial application. The registry of utility models has a validity of ten years unextendible, counted since the date of presentation of the respective application, previous payment of corresponding right.

Industrial Models and Drawings

The Law No. 35 contemplates the protection of industrial models or drawings, as long as they are new, through one first disclosure in Panama or the respective record, which should be processed before DIGERPI. The record of an industrial model or drawing expires on the ten years, counted since the date of the presentation of the application of registration in Panama. Such record, however, it may be extended, previous application to the DIGERPI, for an additional period of five years.

Commercial and Industrial Secrets

The law protects commercial and industrial secrets. All those who because of their job, work, charge, profession performance or business relation may have access to industrial and commercial secrets, whose confidentiality has been presented, should abstain of using it with lucrative purposes on their own benefit or reveal it without any justified

cause and without contentment of the person who keeps such secret of the authorized user. The violation of the secret leads to apply for the immediate suspension of the disclosure and to claim for damages.

Brand Products and Services

Panamanian law protects brand products and services, famous brands or renowned, notorious, collective and of guarantee, under the international system of classification. There is no distinction between national or foreign brands. The right to register a brand is acquired by its use and right to its exclusive use by the respective registration.

The registration has duration of ten years, counted since the date of presentation of the application, indefinitely renewable for equal periods, so long as it is requested in opportune time and the respective fiscal rights are canceled.

Commercial Names

The commercial names and of associations are protected by the Panamanian law. The right to register a commercial name is acquired by its first adoption or use in the commerce; its exclusive use, for its registration in the DIGERPI. The registration has duration of ten years since the date of presentation of the application, renewable indefinitely for equal periods.

Expressions or Advertisement Signs

The signs or advertisement expressions can be registered in Panama. Such registration has duration of ten years, counted since the date of presentation of the respective application, renewable indefinitely for equal periods.

Copyright

In October of 2012 was approved the Law No 64 that rules the copyright and related rights. The mentioned EXCERTA protects the rights of authors over their literary works, didactics, scientific or artistic, regardless of their gender, way of expression, merit or destiny.

For the adequate protection of copyright, the law contemplates procedural ways, both in the civil jurisdiction as the penal.

Regime of Corporations

Among the main legal entities regulated in Panama you have: a) Limited Liabilities Companies (Law No. 4 of 2009), b) Limited Partnership (Simple or by Shares), c) Partnership, d) Civil Societies and e) Limited Companies. These last ones constitute the main vehicle to do business in Panama and in offshore operations, for we state its regime as follows:

Limited Companies

The regime of incorporation and regulation of the limited companies are mainly in Law 32 of February 26 of 1927, although are applicable certain dispositions of the Code of Commerce (Law No.9 of 1946, Cabinet Decree No. 247 of 1970 and Decree Law No.5 of 1997). The procedure for constituting and register is easy and expedite.

The limited companies may do as much as they can for the development of the enumerated objects in the articles of incorporation or in its reforms, or what may be convenient for the protection and benefit of the company and , in general, any legal business in absence of any limitation contained in the articles of incorporation. The management or administration of the company will be in charge of a Board of Directors composed by natural persons and/or juridical, without distinction or address and without being necessary that they are shareholders. This will have the absolute control and address in full of the corporation, being able to exercise all the faculties granted by the corporation, minus the restrictions established by law, the articles of incorporation and statutes or those reserved to shareholders.

The Panamanian limited corporation that does not perform business in the Republic is not bound to present income tax or financial statements to any local authorities and the ledgers, the same as any other information over its activities, may be maintained and take in any part of the world. The information relating the shareholders is not subject to any registration in Panama.

On the contrary, the corporations that perform operations that are taxable in the Panamanian territory are bound to present a income tax return as well as to fulfill any other formality required by law in relation to any activity exercised.

All corporations, regardless, where they do their operations, should hold a Record of Acts and other of Shares. The accounting and other records may be taken using books, electronic media or other mechanisms authorized by law, as long as they may be printed.

The corporations registered in the Public Registry Office of the Republic of Panama, should pay one first unique annual rate and subsequent annual rates of US\$300.00.

the absence of payment of such rate in the period in which is caused has as effect the not registration of any act, document or agreement and the no granting of certificates in relation to the respective corporation unless the ones ordered by the competent authorities or the ones requested by third parties with the specific object of asserting their rights. The delay in the payment generates a surcharge of US\$50.00 plus the imposition of a fine of US\$300.00 and the annotation of a marginal in the Public Registry Office indicating that it is in a state of procrastination.

Re domiciliation

The corporations organized under the laws of other countries or jurisdictions can continue their existence at the protection of the laws of the Republic of Panama. The continuation of the corporation under Panamanian laws will take effect between the parties and in front of third parties since the date of initial constitution of the corporation in the country or jurisdiction of origin.

The Panamanian corporations may, as established in the articles of incorporation or its reforms, to continue under the protection of the laws of other country or jurisdiction, as long as the laws of that country or jurisdiction authorize it and that the company is current in its tax obligations in the Republic of Panama.

Joint Ventures

The Panamanian commercial legislation does not properly regulate the joint venture.

In the matter of public recruitment, the Law No. 22 of 2006 authorizes in its article four the presentation of proposals by accidental associations and the Law No 43. Of 1995 and 31 of 1996 over Telecommunications and Law No. 6 of 1997 over electricity, allow to participate in the process of public tender through consortium. In this last case, the respective contract should be previously approved by the Regulator of Public Services and the members of the consortium should register in the Public Registry Office. The little existing regulation over the subject has not been obstacle to the viability of projects and investments among others, in mines, real states, and public tenders for diverse public services.

Trust Basis

The trust is regulated by Law No. 1 of 1984 that replaced the old legislation of 1941. The present Law is designed to improve the position of Panama as international financial center.

Tax Incentives:

Are exempted of all tax the acts of constitution , modification or extinction of the trust, the same as the acts of transfer, transmission or assessment of the properties in trust and the revenue coming of such assets or any other act over the same, if the trust relate over:

- a. Assets located abroad.
- b. Money deposited by persons whose revenue is not of Panamanian source or taxable in Panama.
- c. Shares or securities of any type, issued by companies whose incomes are not of Panamanian source, even if those securities are deposited in Panama.

The Business of Trust

In conformity with the Executive DecreeNo.16 of 1984, the business of trust is supervised by the Superintendence of Banks (governing body of banking activity Decree Law No. 2 of 2008). For the exercise of trust business, the interested party requires to obtain the previous authorization of the Superintendence.

Confidentiality

The trust and their representatives and employees, as well as the state authorities and any person related with the transactions of the trust for reason of office or position or change have the duty to keep reserve of the same.

Applicable Legislation

The trusts established according to laws of Panama will be ruled by Panamanian law. However, in the instrument of trust it may authorize the subjection of the trust to foreign law. A contrario sensu, the trust constituted abroad may be subject to Panamanian law if in the respective document was marked like that and the requirements and formalities of Panamanian law for its constitution.

Dispute Resolution

All controversy that is not marked in the law special procedure will be resolved according to summary process. It may be established in the instrument of trust a court of arbitration or arbitration for the solution of the controversies that may arise.

Regime of Private Foundations

Through Law No. 25 of 1995 were created in Panama private interest foundations as a legal vehicle to facilitate charitable activities or charitable within a family environment, and to meet economic goals. They are an ideal tool for estate management and tax planning.

While the Law prohibits private foundations make lucrative activities they can participate in any type of investment assets, part of partnerships, and control companies as holding companies or holdings. It may also be used for administration of cash schemes or benefits systems for workers in any company.

The private foundation is an ideal place for a successful entrepreneur to ensure his business continuity in the event no suitable successor is found.

The purpose is to provide a vehicle for the continued existence of personal business after the death of the owner.

Moreover, the private foundation (family) is formed in order to organize the succession of assets; for the preservation of family property and for the support of members of one or more families. It is also attractive as instruments of tax planning, since they can transfer assets that generate exempt income taxes; as vehicles to reduce taxes on inheritance and donations.

Foundation Board

The private foundation must have a Board composed of not less than three (3) members, except in the case of a legal person. The Council may be formed by natural and legal persons at the same time and does not require its members to be residents. The founder may belong to such Council.

The Council is responsible for fulfilling the goals of the foundation, for which manages the assets of the foundation and celebrates any legal business. If the foundation act so provides, the Foundation Council shall work under the authorization of a supervisory organism appointed by the founder.

Organs of Supervision

Law 25 allows the constitution of Organism of Supervision, whether natural or legal persons (auditors, protectors, counseling boards, organisms representing the interests of the beneficiaries and other similar).

Tax Regime

Private foundations must pay registration fees and an initial annual flat rate of US \$ 300.00 and subsequent annual rates of only US \$ 400.00. As provided in this Law, they are exempt of payment of any type of charges the acts of constitution, modification and extinction of the foundation, as well as the transfer of the assets of the foundation, provided that such assets are located abroad constitute deposited money whose income is not of Panamanian source or other securities of any kind issued by corporations which income is not of Panamanian source. They are also exempt from charges of acts of transfer of real estate, titles, certificates of deposit, securities, money or actions made on account of the fulfillment of the purpose or the extinction of the foundation in favor of relatives within the first degree of consanguinity and the spouse of the founder.

Re domiciliation and Continuation

The Law provides the change of address or transfer forum constitution of Panamanian private foundations. It also provides that foreign foundations may be eligible for Panamanian law by a certificate of continuation that should be protocolized before a public notary and registered in the Public Registry Office.

Legal Dispositions on Heritage

To Panamanian private foundations they are not enforceable laws that exist in inheritance matters at the home of the founder or beneficiaries.

Confidentiality

Members of the Foundation Board of the Organisms of Supervision, public officers and employees of private entities that are aware of the activities, operations or transactions of foundations are obliged to maintain strict confidence and confidentiality of what they know about except where expressly indicated in the Law. In case of violation of this restriction, a prison sentence of six months and a fine of US \$ 50,000.00 are contemplated.

Banking Regime

In order to meet the standards, principles and sound international practices, increase confidence and stability of the banking system and protect small savers, Decree Law 9 of 1998 was amended by Decree Law 2 of 22 in 2008, commonly known as the "Banking Law".

Regarding the changes introduced by the legislation there is a rapid process to guaranty address situations of troubled banks, specifically, establishing a rapid process and guaranty the recovery of savings that are paid within the following 15 days to the date it is executed the resolution ordering the liquidation, deposits of US \$ 10.000.00 balboas or less. The possibility of designating beneficiaries on deposit accounts in case of death of the owner, without judicial procedure is incorporated.

The International Banking Center of Panama has more than 94 banks, both international and local, as of September 2012. According to the Superintendence of Banks, the assets of the Centre amounted to \$ 69.877 million, representing an increase of 9.0 % compared to the same period last year. System liquidity is at 65.05%, well above the 30% required by the Banking Law.

Financial Companies Regime

Through Law No. 42 of 2001 financial companies and its operations are been regulated in Panama. Excluded from the scope of this law credit operations carried out by banks (would include credit cards) and other institutions regulated by the Superintendence of Banks (trust companies), insurance companies, cooperatives, mutual companies, savings and loan associations, pawn shops, furniture stores and financing transactions made by traders about their own sales.

For the operation of a financial company it is required prior authorization granted by order of the Directorate of Financial Enterprises of the Ministry of Commerce and Industries, an organization that takes a special registration for this purpose. Under the Law, individuals and legal representatives of legal persons authorized to engage in financial activities must be domiciled in Panama. In addition to this, the persons authorized to conduct business financing must obtain a notice of operation.

Leasing Regime

Through Law No. 7 of 1990 it is regulated in Panama the regime of financial lease of personal property. Under the Law, if the property will be used within Panamanian territory the contract is deemed premises; on the contrary, it is considered international. The contract may fall on ships, aircraft, machinery, equipment, vehicles or any other personal property susceptible to individualization and should have a minimum of three years.

For leasing operations, the applicant must obtain a Notice of Operation and then be registered with the Directorate of Financial Enterprises of the Ministry of Commerce and Industries. After being authorized to start operations, the applicant must register with the Registrar of Financial Lessors of Ministry of Economy and Finance. The minimum capital required to engage in the business is \$ 100,000.00.

Rents that are paid on account of a local contract of this nature will be taxable income to the landlord if the contract goods are used in Panama and deductible expenses for the tenant if the goods contribute in the production or preservation of Panamanian income source. They are also deductible for the lessor or lessee, as applicable, expenses incurred as concept of charges of the good, insurance premiums and other normal expenses incurred in the use and preservation of the good for the production or preservation of income. The rents paid under leasing merchant ships or engaged in international maritime trade do not cause income tax in Panama and the royalties paid in virtue of the contract of leasing do not cause the Transfer Tax Property.

In international leasing contracts, the rents paid to the lessor are considered foreign source income, so they are not taxable in Panama. The awarding of these contracts does not create the stamp duty unless the document is to be used before Panamanian authorities. Finally, it is noteworthy that under Law No. 4 of 1997, Panama adopted the UNIDROIT Convention on International Financial Leasing held in Ottawa (1988).

Regime of Insurance Company

By Law No. 59 of 1996 are regulated in Panama, companies engaged in insurance business and granting of guarantees, the managing companies of insurance companies, the managers of insurance brokers, adjusters and natural or legal persons engaged in insurance brokerage. It is also subject to this Law those companies that promote funds or pension or retirement plans, and mutual funds or savings that may require issuing policies. To exercise the insurance business it is required previous authorization from the Superintendence of Insurance and Reinsurance of the Ministry of Commerce and Industry. They are given separate authorizations to operate the fields of life, general and of bond.

To operate the companies must have a minimum capital of US \$ 2,000,000.00, unencumbered. Also, insurers must have the following reservations free of duties:

- a. For life insurance (individual, industrial, annuities and pension plans), 100% of the mathematical reserve on all policies in force will be calculated.
- b. For groups (life, credit, mortgage credit life, personal accident, health and freight), a rate no less than 10% of net cancellation premiums retained in the twelve months prior to the valuation date.
- c. For casualty insurance, fire and allied lines, shipping lines (hull), automobile, liability, theft, glass, mortuary, aviation, diverse coverage and bonds in general, 35% of retained premiums in the twelve months prior to the valuation date.
- d. 100% of the reserve corresponding to the amount of net claims liabilities for reinsurance pending settlement or pay at the end of the fiscal year in question, plus the corresponding estimated costs;
- e. A contingency reserve for statistical deviations not less than 1% and up to 21/2% for all branches, calculated on the basis of corresponding retained net premiums;
- f. A reserve for catastrophic risks and / or contingency not less than 1% and up to 21/2% for all branches, calculated on the basis of corresponding retained net premiums;
- g. The reserve specified by the Superintendence of Insurance and Reinsurance.

In addition, insurers are required to maintain in the country a fund equivalent to 20% of net income before applying the income tax, up until constituting a fund of US \$ 2,000,000.00 reserve, and thereafter 10%. Until this reserve is not made, it won't be able to declare or distribute any dividend or transfer profits. 75% of the reserves established by this

law must be invested in the country, whether in securities, real estate, time deposits or local saving accounts.

Through Law No. 63 of 1996 the regulatory framework for reinsurance companies, the managers of reinsurance companies and natural or legal persons engaged in reinsurance brokerage is established. To engage in reinsurance business in or from Panama, it is required the approval of the National Reinsurance Commission, by issuing the respective license. This can only be issued to those legal persons engaged in activities from an office established in Panama, which should have responsible personnel before the Superintendence of Insurance and Reinsurance.

Four types of licenses are set as follows:

- a. General Reinsurance license: it is granted to legal persons who, from an office established in Panama, are engaged solely to local or foreign risks reinsurance;
- b. International Reinsurance license: it is granted to legal persons who, from an office established in Panama, are engaged solely to foreign risks reinsurance;
- c. Reinsurance License Manager: it is granted to legal persons who, from an office established in Panama, represent third parties reinsurers and in their behalf and representation, hire local or foreign risks reinsurance;
- d. Reinsurance Broker License: it is granted to legal persons who, from an office established in Panama, are engaged to serve as intermediary between the reinsurance company and their reinsured.

In accordance with the law, taxes do not cause premiums from reinsurance activities whose risks are foreign, or cause income tax profits from foreign risks reinsurance. On the other hand, are deductible, for the determination of taxable income, the following reservations:

- a. Legally accepted technical reserves;
- b. Provisions for occurred sinisters incurred pending of claim or pending payment;
- c. The provisions for catastrophic risks or of contingency authorized by the National Commission of Reinsurance and,
- d. Provisions authorized by the Commission.

On the other hand, to act as administrator of reinsurance companies it is necessary to have a license, granted by the National Reinsurance Commission and a minimum paid-up capital of US \$ 500,000.00.

Complementary manager Retirement and Pension Funds

By Law No. 10 of 1993, was created the National Commission of Retirement and Pension Fund under the Ministry of Economy and Finance, in order to establish incentives for the formation of these savings and investment systems. Under this Law, the retirement and pension plans are voluntary and complementary benefits from state social security, with the sums received by the beneficiaries thereof, exempt from income tax.

Allocations for the formation of funds to pay retirement, pensions and other similar benefits to workers, may be deducted as expenses by the employer, provided they are made under a unique trust for this purpose and administered outside regular activities of the company. The deductible portion of annual contributions can not exceed 10% of the annual gross income of the employee. The deductible portion of the annual contributions of workers may not exceed 10% of its annual gross income.

They can be administered by banks (general license), insurance companies (licensed to operate in Panama), licensed trust companies (by constituted trusts under Panamanian law), cooperatives and managers of investment companies or mutual funds, after approval of the Superintendence of Banks, in the case of banks and trusts, the National Securities Commission, in the case of mutual funds, and the Superintendence of Insurance and Reinsurance, in the case of insurance companies.

Plans can be individual or collective, contributory or not and defined contribution. Require a minimum of 10 years of contribution to allow the beneficiary to make voluntary withdrawals from the plan funds, except in the case of beneficiaries with over 55 years of age, in which case the period may be reduced to a minimum of five years.

Dues or contributions made in plans or funds are deductible for purposes of determining taxable income. In case of individual contributions from individual plans, the deductible portion of annual contributions cannot exceed 10% of the gross annual income of the taxpayer, whether contributions are made to one or more plans. Employers can deduct contributions made to the funds for the benefit of its employees, to an equivalent to the amount the beneficiary workers can deduct from their personal contributions. Beneficiaries pay the income tax on the equivalent of the contributions that have been made to the fund, at the time it is liquidated or begin to enforce the periodic payments to the fund.

Stock Exchange

National Securities Commission

The Panamanian stock market is regulated by the Decree Law No. 1 of 1999, which creates the National Securities Commission ("CNV") and State agency responsible for the approval and supervision of stock public offers, securities trading and the establishment and management of mutual funds as well as the licensing of the various stock exchange agents.

Stock Market Agents

The law regulates the licensing of participants in the stock market, namely securities houses, investment advisers, investment manager, stock exchanges, central securities sales agents, brokers, brokerage houses and investment companies, as:

Brokerage houses and investment advisers

The first ones are those engaged in securities trading, self-employed workers. Investment advisers, meanwhile, in exchange for remuneration, advising others as to the pricing of securities, the advisability of investing, buying and selling securities or prepare reports over the market. Brokerage houses and investment advisers should have a compulsory license granted by CVN. The license for brokerage houses allows the exercise of activities as an investment advisor and both are obliged to submit periodic audited reports and internal financial statements to the CNV.

1.1. Securities houses

Brokerage houses may engage in incidental business as custody account management, investment advisory, asset management of investment companies, granting of security loans and money for security acquisition and are subject to net capital and liquidity requirements as determined by the CNV.

1.2. Investment Advisors

Investment advisers, meanwhile, can manage custody accounts, securities and discretionary money or not, but they are not authorized to offer investment accounts.

Securities Brokers and Analysts

The functions of a chief executive, broker and analyst at a brokerage or investment advisory company can only be made by people who have the appropriate license issued by the CNV. To obtain the license, applicants must pass exams on the content of the law and

its regulations, on the uses and customs of the securities industry, the rules of the stock exchanges and centrals and general principles of accounting and finances.

Stock Exchanges and Stock Centrals

To engage in the business of stock exchange or stock central, the person concerned must obtain a license from the CNV, which will be given as long as the person can demonstrate having the technical, administrative and financial capacity to provide the service.

As “self-governed” entities there are bound to protect the interests of investors, promote cooperation of market participants, report any violations of securities law, to not limit unreasonably or discriminate in terms of membership nor affect free competition, to avoid deceptive and manipulative acts which affect market transparency.

Therefore, stock exchanges must monitor that their members comply with the internal rules and securities law. Like securities firms, both are bound to submit periodic reports, as well as audited financial and internal statements, to the CNV.

Maritime Sector

The Registration of Ships

There is no minimum tonnage requirement or age of a ship to precede registration in the Republic of Panama; however, ships with over 20 years of construction must meet inspection after the provisional flagging of the ship.

Except for yachts, all ships can be flagged through a Panamanian Consulate authorized by the Mercantile Marine to issue documents of ships or directly in the Consular and Ship Offices in Panama.

Fiscal incentives to Panamanian Ships

The revenue from the operation of ships registered in other jurisdictions are exempted from income tax payment, if there is reciprocity in the respective countries on the taxation of income earned in those countries by vessels of Panamanian merchant marine. It is also exempt from that same tax, the income generated from the operation of ships of any nationality, by foreign residents or not residents in Panama, provided that the country of nationality of the person granted an exemption equivalent to persons domiciled in Panama under the principle of reciprocity.

Aircraft Regime

Registration and operation of aircraft in Panama are mainly regulated by Law 21 and 22 of 2003 and Resolutions 014-JD of 1986 and No. 11-JD of 1996 of the Board Directors of the Civil Aviation Authority (AAC). Law 23 of 2003 gives the regulatory framework for the administration of airports and aerodromes in Panama.

The Panamanian legislation does not provide an open and dual system for registration of aircrafts, such as ships. Under Panamanian law, aircraft that can be registered are the following:

- a. The Panamanian state-owned.
- b. Public transport aircraft owned or operated by Panamanian nationals, with base of operations in or outside Panama.
- c. Private aircraft operations owned by Panamanians or foreigners, based in Panama.
- d. Private aircraft operations based in Panama owned by individuals residing in Panama or domiciled in this country.
- e. Foreign Aircraft abandoned for more than 90 days, without being reclaimed by their owners to the authorities.

In Panama, after been submitted and accepted the information required for the registration of aircraft, the acronym for identification is assigned, which will then constitute their enrollment. Certificates of Aircraft Appraisal can also be obtained.

The AAC also provides, prior examining and checking the particular needs of the person concerned, permissions (temporary or final) for leasing foreign aircraft for services of national or international public transport, which are subject to compliance with legal requirements for conferment.

The revenues derived from the operation of aircraft registered abroad are exempt from income tax payment, if there is reciprocity in the respective countries on the taxation of income earned in those countries for Panamanian-registered aircraft. They are also exempt from that tax, the revenue generated by the operation of aircraft of any nationality, resident in Panama or foreign, provided that the country of nationality of the person granted an exemption equivalent to persons domiciled in Panama under the principle of reciprocity.

Telecommunications

Telecommunications regime in Panama is framed in Law No. 31 of 1996, corresponding to the National Authority of Public Services (ASEP), restructured by Decree Law 10 of 2006, the task of regulating, organizing, supervising and regulating the operation and administration of telecommunications services. The Law establishes two types of telecommunications services, namely:

- a. Type A: those for technical or economic reasons are granted on a temporary exclusivity, or a limited number of dealers operating in a competitive system;
- b. Type B: those who freely give a competitive basis.

The granting of concessions service type A corresponds to the Cabinet Council and type B service concessions to the Regulator Entity.

Antitrust sector regulations

In accordance with Article 23 of Law 26 of 1996 (ASEP), public services in which private sector participation is granted by a system of free competition. It is restricted for companies providing services, to the operating partner, or any of its shareholders, direct or indirect partners and affiliates or subsidiaries companies, hold shares or participation, in person or by proxy in capital, operation or management companies or consortia who already have a concession or contract for the provision of a similar public service. The ban applies to public bidding processes.

Foreign Participation

According to article 21 of Law 31 of 1996, it is possible the participation of foreign private majority in telecommunications services providing companies capital. The same rule, in accordance with the provisions of Article 280 of the Constitution, prohibits the involvement of foreign governments, either directly or via the company or consortium which has dominance, control or majority ownership in companies that operate these services.

Tourism

In order to boost the tourism industry in the country, the Panamanian government adopted Law No. 80 of 2012. The excerpts mentioned enshrine a range of benefits and tax incentives for the purpose of attracting investment for this industry, officially declared as "public utility and national interest."

To receive the benefits granted by law, the applicant engaged in tourism activities must register with the National Tourism Registry led by the National Tourism Authority (ATP) and become a creditor by a certificate issued by this institution, by which the rights and obligations are enshrined to the benefited.

Those who wish to qualify for the special scheme for tourism in Panama, whose activities are undertaken within areas declared zone of touristic development of national interest, must register to enjoy the benefits and tax incentives from the tourism legislation.

Panama also has a special system of concessions for tourism investment and the sale of island territory for tourist use, approved by Law No. 2 of 2006. Among the advantages of the legislation are:

Concession contracts up to 60 years and renewable for 30 years for projects whose investment amount, economic impact and job creation potential, require a contractual relationship of that duration.

Unique and special office whit centralized system for processing and approval for requests and applications.

Improvements and buildings constructed in accordance with the concession contracts to be granted, will be registered in the Public Registry Office on behalf of the Dealer.

The activities of casino and gambling are allowed in Panama through government contracts to operate and manage any game of luck or chance, or activity that generates bet in Panama and are regulated by the Gaming Control Board in Panama, as established in Decree Law 2 of 1998.

Colon Free Zone

By Decree Law No. 48 of 1948 the Colon Free Zone was established as an official institution in charge of the establishment, operation and development of a free trade area. The Colon Free Zone can perform the following activities, transactions or negotiations:

- a. Introduce, store, display, pack and unpack, manufacture, package, assemble, bottle, refine, purify, mix, transform and, in general, operate and handle all kinds of goods, products, raw materials, packaging and other trade.
- b. Allow individuals, national or foreign, resident or not, perform on their own behalf or on behalf of others, for their own benefit or not, the operations detailed in paragraph a) above, or allow foreign companies to be represented for the purpose to re-export goods; build office buildings, factories, warehouses or workshops for own use of the Colon Free Zone or for lease; lease land for others to build buildings for the purposes stated in section c) above; build ports, piers, docks, loading and unloading places, railway stations or grant concessions or franchises for the operation of such activities.

To authorize all banking incidental operations, insurances, customs brokerage and cargo verification and inspection; authorize by investment recognition agreement, any infrastructure is developed to perform the activities described above; allow individuals national food sales through mobile stations within the segregated area; authorize the operation of collective transport activities, selective and cargo within the Zone.

To operate in the Free Zone, the interested company, whether domestic or foreign, must obtain a permit from the Administration of the Free Zone ("Operation Key" or "Operating Permit" in the case of leasing private buildings).

Goods and other trade entering the zone are exempt, at all times, of payment of taxes, duties and other fiscal, national and municipal taxes. Export and re-export operations are exempt from income tax, while imports into Panamanian territory are taxable. The companies authorized to operate in the Colon Free Zone pay dividend tax at a rate of 5% and 1% of Notice of Operation.

Export Processing Zones

By Law No. 25 of 1992, a special system for the establishment of export processing zones was created. The National Commission of Export Processing Zones as an agency under the Ministry of Commerce and Industry, responsible for advice on regulation, promotion and development of these areas, which can be as follows:

- a. Private: whose investors are private, national or foreign. Their establishment, operation and management is private power, under the free enterprise;
- b. State companies: those whose investor only is the State. Their establishment, operation and management is handled by a state entity or a private operating company acting under a management contract;
- c. Mixed: those whose ownership is shared between the national and state or foreign investors. Their establishment, operation and management is the responsibility of the state or a private entity.

In the processing zones may be established the following categories of companies:

- Manufacturing
- Assemblers
- Finished or Semi-Finished Products
- Exporting Services
- General Services Providers

The export processing zones are tax free, direct or indirect, contributions, fees, duties or national taxes, provincial and even consular duties. That is, all those goods and services that enter the areas under the regime of the zone, which is intended for the operations of companies based there are free at all times of the payment of any taxes, direct or indirect, whether for entry or to remain in these areas.

Panama Pacific Special Economic Area

It was created by Law 41 of 2004, it is located in the former Howard Air Base. It consists of 1,400 hectares, they have been adjudicated to a Master Developer (London and Regional), a private company that seeks to create a new way of doing business and move goods from Panama.

In addition to maintaining special labor and immigration regimes, companies operating in the area automatically obtain the stability of the legal system of their investments, for a term of ten (10) years.

As for tax regime, it welcomes the basic principles promulgated by the World Trade Organization, which is granting of exemptions from income tax to certain types of activities, in addition to the "offshore" as they are services related to aviation and airports, high-tech manufacturing, call centers, multimodal and logistics services, data transmission and broadcasting of digital information and others.

Users must obtain permission from operations regulatory authority, in accordance with the master developer.

Call Centers

The "Call Centers" or international call centers wishing to conduct operations in Panama, enjoy the benefits of ZPE established by Law No. 25 of 1992, above mentioned and can apply to be enrolled in the Official Registration of call center services for commercial use of the Ministry of Commerce and Industry, provided that it engages in international calling services in the category of telecommunications.

City of Knowledge

By Law 6 of 1998. It is an international complex for education, the promotion of research and innovation, which seeks to create synergies between international universities, research centers and international organizations.

It has an International Technology Park, which seeks innovative companies that produce or process high-tech goods. Also it includes companies providing data storage services (Internet Data Center), making Panama the gateway to the Internet and telecommunications in Latin America. Providing a secure infrastructure dedicated to e-commerce, with the most advanced network server market.

To operate in the area, the authorization of the Board of Trustees is required. The registration grants tax and tariff incentives.

Oil Free Zones

By Cabinet Decree No. 29 of 1992, oil free zones are created, with the revised regime and regulated by the provisions of Law 8 of 1987 and Law 39 of 2007.

In oil free zones you can perform the following operations:

- a. Introduce, store, manufacture, packaging, refine, purify, mix, marketing, transporting, decanting, pumping, process, transform, sell, export, re-export, provide and, in general, operate and manage crude oil, semi processed or any of its derivatives.
- b. Establish water services, electricity, gas, power, heat, refrigeration or any other kinds of services; build ports, piers, docks, places of loading and unloading of ships and aircraft, railway stations or grant concessions for the exploitation of such works; own or any other incidental activities required for the introduction, storage, pumping, transfer, distribution, marketing and refining of crude oil and its derivatives.

Users, meanwhile, must obtain an operating permit issued by the General Directorate of Hydrocarbons of the Ministry of Commerce and Industry. Companies operating in oil free zones have a special tax regime, which highlights: A special regime of depreciation, exemption on the import of assets and inputs for the development of the activity performed, and exemption from income tax, for exports (imports to Panamanian territory are taxed).

Regional Headquarters

Law No. 41 of 2007 created a special regime for the establishment and operation of Multinational Corporations.

A company is defined as SEM multinational company when it carries out operations from Panama to provide the services defined in this Law to its headquarters or their subsidiaries or their branches or associated companies, or set its headquarters in Panama. The headquarters will always be an important part of multinational companies with international or regional or important in their home country operations.

Corporate incentives

Income tax exemptions for services provided outside the national territory to its Corporate Group, which does not generate taxable income within the Republic of Panama. If the SEM serves its local branches, you must retain the corresponding income tax.

Transfer Tax to Movable Property and Provision of Services. For it being export services, it will not cause Transfer Tax, provided to entities outside the business group, which does not generate taxable income within Panama.

Incentives for Executives

Exemption from income tax when their salaries come from the headquarter company abroad.

Import Tariff exemption for household goods when the worker moves to Panama for the first time.

Migration Incentives

Law No. 41 creates new visas specifically for foreign workers hired through SEM. These visas will be processed at the Ministry of Commerce and Industry.

- **Permanent Visa for SEM Staff:** Will be granted to workers in administrative and executive level. They have the same effect for which the employment contract has been made, renewable every five years. Holders of this visa will not need work permits.
- **Dependent Visa for Permanent SEM Personnel:** For spouses, minor children or under twenty-five year, who are students, and parents of staff who remain in Panama under the responsibility of the personnel of SEM. These will have the same SEM terms.

- **Temporary Personnel Visa SEM:** these visas will be granted for a period not exceeding three months is for workers who have to come to Panama for any activity related to the SEM. As the Permanent SEM Staff, this visa does not need a work permit.

Work Incentives

The SEM will have the necessary amount of trusted staff and senior management executives for their operations in Panama.

Dependents, who wish to work, can make their change of immigration status through the Single Window at the Ministry of Commerce and Industry.

Cinema and Audiovisual Activities

Through Law 36 of 2007, it is to encourage the development of the film and audiovisual industry in national territory, promoting the protection and preservation of the audiovisual Panamanian heritage and encourage audiovisual culture to the population.

It is considered Film and Audiovisual production protected by law to all moving image material edited with synchronized sound or silent track, in short, medium or feature film, in any genre and format; while film industry means the set of natural or legal persons whose operations and / or activities are the creation, realization, production, distribution, exhibition, marketing, promotion, rescue and, preservation of the cinematographic works.

The special areas designated for the development of the film and audiovisual industry are of free trade and free enterprise; therefore the services fees and prices of products will be set by the company that provides or produces, according to the rules of supply and demand, bearing in mind the competitiveness required to participate successfully in the world market.

The law establishes special requirements for obtaining visas and work permits, and tax exemptions in individual cases.

Antitrust Regulations

In order to adapt the Panamanian legal system to the rules of the international market, the Government adopted Law No. 45 of 2007. The Law is designed to ensure and protect the process of free economic competition, eliminating monopolistic practices and economic concentrations.

To accomplish these objectives, the Authority for Consumer Protection and Defense of Competition, in addition to the above, receives complaints and consumer complaints and oversees the veracity of advertising.

Legal Stability Regime

By Law No. 54 of 1,998, measures for legal stability of investments are taken. This law expressly enshrines equality between foreign and domestic investors.

The Act applies to investors who engage in tourism, industrial, agricultural exports, agro-forestry, mining, export processing zones, free trade and oil zones, telecommunications, construction, port and railroad development, generation, transmission and distribution of electricity, irrigation projects and efficient use of water resources and all the activities approved by the Cabinet Council.

The law 54 establishes as guarantees for investors:

- Legal stability so that legislative changes do not affect their acquired rights (unless there are reasons of public utility or social interest);
- Tax stability, both at national and municipal levels;
- Stability in customs procedure.
- Stability in terms of working arrangements.

To receive the benefits of this law it is necessary to register in the National Directorate of Business Development, Ministry of Commerce and Industries (DINADE).

Fiscal Regime

Among the fundamental rights enshrined in the Constitution of the Republic of Panama there is the principle of tax legality; it is the obligation to contain in a law the taxes, payment exemptions and procedures for collection.

Among the major national taxes imposed by the Panamanian tax coding this are the principal:

- Import Tax
- Income Tax
- Properties Tax
- Vessels Tax
- Duty Tax
- Business Operation Notice Tax
- The Banking, Financial and Exchange Tax
- Insurance Tax
- Consumer Tax
- Fuel and oil consumption Tax
- Transfer of Movable Property and Provision of Services Tax
- Selective consumption of certain goods and services Tax
- Real State Property Transfer Tax

Income Tax (ISR)

Panama is characterized by following the principle of tax territoriality. In this regard, Article 694 of the Tax Code provides, on income tax, that it is considered as subject of this tax “the income that occurs from any source within the territory of the Republic of Panama taxable careless of the place where it is perceived”.

If a natural or juridical person receives income from Panamanian sources and also non Panamanian sources, you will only pay income tax on the portion of his income obtained from a Panamanian source.

Legal entities pay their net income tax of the fiscal year in accordance with a rate of 25%. Companies engaged in the generation and distribution of electricity, telecommunications, insurance, and reinsurance, financial, cement production, gambling, mining and banking, are payable as follows:

Tax Rate Periods	Tarifs
As of January 1, 2010	30%
As of January 1, 2012	27.5%
As of January 1, 2014	25%

CAIR (Alternate Calculus for Revenue Tax)

Companies whose taxable earnings exceeding \$ 1,500,000.00 per year will pay the appropriate rate according to the legal person in question, the highest amount resulting from the net taxable income calculated by the traditional method or the net taxable income that results from applying to total taxable income, 4.67%.

Natural persons, on the other hand, pay for their net taxable income of the fiscal year in accordance with a progressive rate as follows:

Column 1 More than	Column 2 More than	Tax Over Column 1	Over Excess (2-1)
0	11,000	PAY NO TAX	
11,000	50,000	0	15%
50,000	más	5850	25%

Companies considered as micro, small and medium enterprises pay income tax according to the rate and rules applicable to natural persons on that part of your taxable net income attributable to their annual gross income not exceeding US \$ 100,000.00; and in accordance with the rates and the rules applicable to legal persons on that part of your taxable net income attributable to its annual gross revenues in excess of US \$ 100,000.00, not exceeding US \$ 200,000.00. In addition, these companies will be exempt from Supplemental Tax Supplemental.

The people who operate in the Colon Free Zone or oil free zones (or any free zone to be established in the future), pay full income tax in accordance with the rates for natural or legal persons described, on taxable income derived from domestic transactions (sales to buyers located in the customs territory of Panama). On income derived from foreign operations do not pay any income tax.

On dividends or participation quotas, shareholders or partners pay an income tax of 10% in the case of registered shares, and 20% if they are bearer shares, which must be retained by the respective legal entity (do not include revenues from foreign operations).

Those companies that require Notice of Operation must withhold the dividend tax or participation fee of 10% of the amounts distributed to their shareholders when they are from a Panamanian source and five percent (5%) in the case of income from foreign source or export operations.

Musical groups, artists, singers, performers, sports professionals and professionals in general who come to the country on their own or under contract with persons established in Panama and perceive taxable income in Panama, pay an income tax at a rate of 15 %, applicable to the entire amount paid for the respective services.

Import Duty

The establishment of import tariffs has been regulated in the Republic of Panama traditionally through cabinet decrees, issued by the Executive Organ. The current tariff regime was established by the government in the Cabinet Decree No. 61 of October 10, 1997.

Panama has signed Free Trade Agreements with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, Dominican Republic and China. The FTA with the United States of America has been negotiated and is awaiting final approval by that country.

Property Tax

Property tax is a tax levied on the property, regardless of who owns or has it. This tax applies to all lands and improvements built into them that are located within Panamanian territory, except for some legally prescribed cases such as:

- The State or government institutions.
- The churches intended to cults or permitted by the state.
- Those for public benefit or social assistance.
- Those who Homestead.
- Those exempt pursuant to treaties or contracts with the Nation.
- Those used by private educational institutions, provided that the institution is obliged to provide not less than 5 or more than 25 scholarships to poor students.
- Those, whose tax base (including improvements) do not exceed US \$ 30,000.00.

Value added tax (ITBMS)

In Panama, the value added tax is called ITBMS (Tax on the Transfer of Movable Property and the Rendering of Services) and the general rate is 7%, except for some activities such as import, wholesale and retail of alcoholic beverages and tobacco derived products whose rate is 10% and 15% respectively.

Tax on property transfer

This tax dates from the mid-70s (Law 106 of 1974), the rate is 2% and its applied to transfers of real estate property, whether by purchase contracts, barter, payment in kind, donation, payment or any act of transferring ownership of real estate. Exempted from this tax are:

- Transfers to the State, including municipalities.
- Transfers between relatives within the first degree relatives and spouses.

Tax over Notice of Operation

Under Article 1004 of the Tax Code, the annual tax which causes Notices of Operation is 2% of the capital of the respective enterprise, with a minimum of \$ 100.00 to a maximum of US \$60,000.00. Excluded are those persons or companies with invested capital of less than \$ 10,000.00.

Companies located within areas of international trade, the Colon Free Zone or any other free zone, which are not required to have the Notice of Operation, must pay a 1% per annum on the capital of the company, with a minimum of US \$ 100.00 and a maximum of US \$ 50,000.00.

Bank, financial and exchange houses Tax

Banking institutions regulated by the Superintendence of Banks and exchange houses must pay an annual fee according to the following rate:

A. Banks with General License	Annual Tax
Up to US\$100 million in total assets	US\$75,000.00
More than US\$100 million up to US\$200 million in total assets.	US\$125,000.00
More than US\$200 million up to US\$300 million in total assets.	US\$175,000.00
More than US\$300 million up to US\$400 million in total assets.	US\$250,000.00
More than US\$400 million up to US\$500 million in total	US\$375,000.00

assets.	
More than US\$500 million up to US\$750 million in total assets.	US\$450,000.00
More than US\$750 million up to US\$1000 million in total assets.	US\$500,000.00
More than US\$1000 million up to US\$2000 million in total assets.	US\$700,000.00
More than US\$2000 million in total assets.	US\$1,000,000.00
During the first year, new banks with general license will only pay 50% of the annual tax.	
B. The banks with international license.	US\$75,000.00
C. Development banks and microfinance.	US\$30,000.00
D. Exchange houses	US\$10,000.00

The payment of this tax must be made within the period of 90 calendar days following the close of the fiscal year of the bank.

Insurance Tax

Gross premiums paid to persons engaged in the insurance business are taxed 2%. The tax basis is to the amount of gross premiums as result of the balance and the annual report submitted by insurance companies to the Ministry of Economy and Finance and must be covered in the first 10 days of March each year, over gross premiums of the previous year.

Gross insurance policies against fire and renovations to be paid to those who are in the business of such insurance because of risks assumed in Panama, will cause a 7% tax on the value of those premiums.

Will be payable also an additional tax of 5% on gross premiums paid to insurance companies including premiums for the granting of bonds issued by any authorized person.

Are subject to this tax those persons that contract with companies for insurance policies, with the exception of fire and life and rescue values also agricultural insurance.

Municipal Taxes

The Municipalities of the Republic of Panama are also allowed by law to perform the collection of taxes and fees that are established at a district level. In accordance with Law No. 106 of 1973, a wide range of income-generating activities are taxable by municipalities, among which are: the wholesale and retail businesses of insurance, banking, financial and mutual fund companies, hotels, motels, bars, wineries, plates for vehicles, public shows of profit, games permitted by law, etc.

Rates range from US \$ 20.00 to US \$ 20,000.00 per month, depending on the activity. On April 1, 2011, changes the system of taxation for the tax rate percentage, being the minimum taxable amount of US \$ 5.00 per month to a maximum monthly percentage quota of 2.00%, depending on the type of activity performed.

Immigration Regime

Most foreigners enter the Republic of Panama, first, with a special tourist visa or tourist cards, which are valid for 180 days. Tourist cards can be obtained from the airlines that travel to Panama and Tourist Visa from the Panamanian Consuls Abroad.

Are different kinds of visas that can be obtained in Panama to achieve the residence. The most common for investors are:

- Temporary Permit of five years for retired rentier: recommended to foreigners with a monthly income of B / .850.00, interest from fixed deposit in the National Bank of Panama or the Savings Bank, and whose interests are free of charge or guarantees of any nature, for a minimum period of 5 years.
- Short Stay Visa as traders and investors from special laws: designed for foreigners interested in analyzing potential investments or carry out transactions in ZPE, Call Center or Special Areas designated for the development of Film and Audiovisual Industry.
- Student Visa: Applies to anyone who aspires to study in the Republic of Panama.
- There are also special visas for executives or foreigners to be installed in special areas such as the Multinational Corporations, Special Economic Area Panama-Pacific; City of Knowledge Foundation, and foreigners hired by the Panama Canal Authority.
- Work Permit for Marrakech Agreement: it allows employing a worker's regular staff in a company (natural or legal) to keep at least one national worker out of ten, does not grant permanent residence.
- Work Permit within 10% of the national ordinary workers: allows to hire a foreign national for each ten regular staff workers this permission grants permanent residence.
- Work Permit within 15% of the specialized or technical personnel staff or staff of confidence: Allows to hire a foreign worker for every 15 national workers, this permission grants permanent residence.
- Technical Transient work permit: Allows to hire as many foreigners as needed within a company which keeps at least a Panamanian national and must be of professions that require training or special knowledge, for which a foreign company can certify the Work Ministry this specialty, it has a migratory duration of one year and must be renewed, every three months, a work permit on the same record.
- Work Permit as a professional: get permanent residence providing a college degree in professions that are not protected by the Constitution of the Republic of Panama.

- Work Permit whose effects occur abroad: It allows to apply during the term of the employment contract a special permit to work in Panamanian companies and that its effects are abroad.
- Work permits in Special Areas: Can be processing zones, call centers, manufacturing, repair, assembly, scientific studies, academic studies, etc.
- Work Permit for married with Panamanian National: mandatory requirement for anyone who is married to Panamanian national.
- Work Permit as Domestic Worker: allows a foreigner to apply for domestic work in the Republic of Panama.
- Work Permit for more than ten years of residence: indefinite work permit granted.
- Work Permit due to agreements between countries with special agreement: grants permanent residence and indefinite work permit, countries that qualify are:
 - Germany
 - Argentina
 - Australia
 - Republic of Korea
 - Austria
 - Brazil
 - Belgium
 - Canada
 - Spain
 - USA
 - Slovak
 - French
 - Finland
 - Netherlands
 - Ireland
 - Italy
 - Japan
 - Norway
 - Czech Republic
 - Switzerland
 - Singapore
 - Uruguay
 - Chile
 - Sweden
 - Poland
 - Hungary
 - Greece

- Portugal
- Croatia
- Estonia
- Lithuania
- Latvia
- Cyprus
- Malta
- Republic of Serbia
- Republic of Montenegro
- Israel
- Denmark
- South Africa
- New Zealand
- Hong Kong
- Luxembourg
- Liechtenstein
- Monaco
- Andorra
- Serene Republic of Marino
- Taiwan
- Costa Rica
- Mexico
- Paraguay

All work permits and visas share common requirements, such as the obligation to submit the Police record from the country of origin or residence with a certificate accordingly, payment of expenses to the Panamanian state, passport valid for at least six months and the request for an Multiple Entry and Exit Visa for all foreigners to leave the Republic during that period.

Likewise they all accept Visa application of dependents, except minors applying for Student Visa.

Labor and Social Security.

Labor Regime

Labor-management relations in Panama are primarily regulated by the Labor Code (Cabinet Decree No. 252 of December 30, 1971, and its amendments). As essential elements for determining the existence of an employment relationship, in accordance with the Code, there are legal subordination and economic dependence. The existence of the relationship then determines the obligation to pay the wage.

The rights of workers are considered a minimum, are not waived or may be diminished. Any act, contract or statement waiving or impairment of workers' rights is void. Even splitting the employer or business in different legal entities will not affect rights of workers.

Foreign Workers

Under Panamanian law, it is allowed to hire foreign workers in a proportion not exceeding 10% of total regular employees of the company, except in the case of technicians whose percentage should not exceed 15%, except as provided in international treaties and special laws (for the development of certain development poles).

For a foreigner to acquire work, a Work Permit must be issued by the Ministry of Labor and Workforce Development, which is valid for one year, renewable for the same period up to five years.

Social Security

Both employers and workers or employees must contribute funds to the Social Security Funds (CSS), so that disability cases are covered with benefits (temporary or permanent), death, old age, maternity, medical and dental care, pension and retirements.

Generally every employee (including abroad) in the service of a natural or legal person operating in Panama must be insured against occupational hazards with Social Security. The payment of premiums for such insurance, established by that entity, through a tariff system developed by kinds and degrees of risk, belongs exclusively to the employer. Classification and location of companies or employers corresponds exclusively to Social Security Fund.

Our firm in its trade group has comprehensive social security service and keeps up all reports to the governing entity of the subject, the Social Security Fund. Through

innovative online systems that can cope with the complicated management of social benefits to which all Panamanian workers are entitled.

Education Insurance

In addition, there is also the so-called "Education Insurance", which constitutes a tax established to subsidize educational activities in the country. The same is integrated of contributions of workers (employees or independent) and employers. The employer must adduce 1.50% and to the worker or salaried worker 1.25% of the monthly salary. Contributions to Education Insurance Fund are deductible from income tax for taxpayers.

Law against money laundering and the fight against terrorism and the proliferation of Weapons of Mass Destruction

Law 23 of April 27, 2015 establishes subjects obliged to impose the "Due Diligence", "Know Your Client" and report suspicious transactions of money and property, known as Suspicious Transaction Report (ROS for its acronym in Spanish), creating companies in compliance enabling transparent national and international business and attached to the levels of responsibility of different economic systems that are intertwined in the Republic of Panama.

This law has as one of its objectives to paralyze anonymity of Bearer Shares and creates a regime of custody we also provide.

Alongside we also provide the full Resident Agent service certifying the "Due Diligence" of our clients and our system of keeping minute books and books of shares in companies we are at the forefront in terms of the risk approach, supported by our service of audit in compliance and operational planning of banking structures, financial and related entities.

In summary, our firm has high levels of requirements and results with qualified personnel to make business in Panama.

Legal advice

Our firm has in its group of Business the service of Permanent Legal Advisory which provides a wide range of services essential for the proper conduct of businesses in the Republic of Panama ranging from Building Societies, Confection of work contracts specially for your business and operations, analysis of civil Contracts, Consumer protection, Labor law, Civil Law, commercial Law, Fiscal Law, Constitutional Law, Private and public Rights law, Registry Law, Administrative Law, Legal Assistance to bid with the State through a team of lawyers prepared and ready to attend your needs regardless of hour and day.

Thank you very much for your time and trust in us.

FORECAST - KEY ECONOMIC INDICATORS OF PANAMA

INDICATOR	2011	2012	2013	2014
Economic Growth (%)	10.6	9.3	7.6	4.5
Inflation Rate(%)	5.9	7.3	6.3	6.5
Unemployment rate (%)	4.5	3.6	3.5	2.9
Interest rates (%)	8.3	8.6	8.9	9.5
Deficit or Fiscal Surplus (% del PIB)	-2.3	-2.0	-1.5	-1.0
Public Debt (% del PIB)	41.0	38.8	36.9	35.5