

Panama Pacifico Special Economic Area Incentives

LAW 41 of July 20th, 2004

The Panama Pacifico Special Economic Area was created by Law 41 of July 20th of 2004, which creates a special regime for the establishment and operation of the Panama Pacifico Area and a new government entity, the Agency of the Panama Pacifico Special Economic Area.

Detailed in Article 60 of Law 41, Panama Pacifico incentives are directed to attract the following specific business activities:

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- Back office operations
 - Call centers
 - Multimodal and logistics services
 - High-tech product and process manufacturing
 - Offshore services
 - Data transmission, radio, TV, audio and video
 - Stock transfer between on-site companies
 - Maintenance, repair and overhauling of aircraft
 - Sale of goods and services to the aviation industry
 - Sale of goods and services to ships and their passengers
 - Film industry (governed by Law 36 of 2007)
 - Corporate headquarters (governed by SEM Law 41 of 2007)
 - Distribution centers of Multinational companies (Law 8 of 2010)

MAIN BENEFITS FOR COMPANIES ESTABLISHED IN THE AREA

TAX INCENTIVES

All companies registered in the area will be exempt from **indirect taxes**.

**Some restrictions or exceptions apply.*

For example:

1. Exemption from any tax, levy, rate, encumbrance or import duties on any merchandise, products, equipment, services and other goods in general that are entered into Panama Pacifico.
2. Exemption from sales taxes.
3. Exemption from any tax, duty, rate, levy or fee with regard to the movement or storage of fuel or other hydrocarbons and their derivatives.
4. Exemption on any commercial or industrial licenses or registration tax.
5. Exemption from Stamp Tax.
6. Exemption on real estate taxes on land and commercial/industrial improvements as well as from the Tax on the Transfer of Immovable Goods.
7. Exemption from export/re-export tax of any type of merchandise, products, equipment, goods or services.
8. Exemption from any tax, rate, duty, encumbrance, withholding or other fees of a similar nature applied to payments to foreign creditors, for the interest, commissions, royalties and other financial fees generated by the financing or refinancing granted to the companies in Panama Pacifico and for the financial lease of equipment required for the development of the activities, business or operations carried out within Panama Pacifico.

Direct taxes are paid by all companies except those established by Law 41 of 2004 as

***Business Activities specified under article 60** which will be completely exempted of all taxes. Payment of direct taxes refers to:

- Income Tax
- Dividend/Complimentary Tax
- Transfer/Withholding Tax

Special regimen of municipal taxes

- Determined in advance by the Municipality of Arraijan for a period of ten years.

ONE-STOP SHOP

- All necessary procedures and business permits for companies registered in the area are issued onsite.
- 12 government offices are represented in this Agency – saving your company time and money!
 - Civil Aviation Authority
 - Comptroller's Office
 - Customs National Authority
 - Environmental National Authority
 - Fire Department
 - Housing Ministry
 - Immigration Office
 - Labor Ministry
 - Municipality of Arraijan
 - Social Security Office
 - Transport and Transit Authority
 - Water Supply and Sewage System Authority

Additional Memorandum of Understanding signed with other government offices.

SPECIAL LABOR INCENTIVES

While the Panama Labor Code is adhered to in principle, employers enjoy expanded benefits which positively impact onsite operations including:

- Fixed rates for overtime (25%) and work on employees' day off (50%).
- Flexibility to assign employees' day off.
- Companies may remain open on Sundays and holidays.
- Foreign worker: possibility of exceeding Labor Code's percentage rule. Companies may apply for additional expat employees beyond 15% if workforce does not exist locally.
- Higher Education Training Center.
- Justified cause for termination for market losses and/or fluctuations.
- Ministry of Labor onsite in the One-Stop Shop.

SIMPLIFIED IMMIGRATION BENEFITS

- Onsite one-stop shop handles all visa and work permit procedures for your employees.
- Special investor and worker visas available (3 to 5 years is the standard time frame).
- Visa benefits extend to worker's immediate relatives: spouse, dependent children up to 25 years old, dependent parents over 62 years old.
- Tax-free, one-time importation of any personal and domestic belongings (up to US \$100,000).

LEGAL STABILITY FOR ONSITE COMPANIES

Law 41 is supplemented by Panama's Investment Stability Law.

- Onsite companies are automatically covered (elsewhere this benefit must be applied for).
- Guarantees no business impact from government changes for ten years after registering company here, including:
 - Company national tax structure.
 - Company benefits.

* The 10-year period begins the date the company is registered at Panama Pacifico.

TRAINING CENTER

• Higher Education Center for training workers

- AAEEPP's technical training for onsite companies that request special curriculums for programs to train future workforce.
- Agreements with Technological University and other educational institutions for training programs and special training for skilled labor with the One-Stop Shop.
- Main objectives are:
 - Meeting the educational needs of area businesses.
 - Providing educational assistance to develop Panamanians for onsite technical and professional positions.
 - Specialized training for new types of industries not previously existing in Panama.