

# Doing Business in Panama



# The most business friendly location in Latin America

## The Easiest Location To Start A Business



Panama has put great effort into reforming the practice of doing business in the country since 2011. Major reforms include increasing the efficiency of public registries and offices, extending opening hours and cutting down on the amount of bureaucratic procedures that are required

As a result of these reforms and the Government's business friendly approach, Panama is rated as the number one location in Latin America for the ease of starting a business

Spanish is the native language of Panama while English is widely spoken. The familiarity of languages, combined with the country's use of the United States Dollar makes Panama the ideal location to start a business

## Government Ministries Simplifying Business Procedures

The MICI acts as a facilitator of national economic development and is the administrator of Panama Emprende — an online system, created by the Law No. 5 2007, that automates the process of obtaining an Operation Notice, eliminating long queues, office visits and waiting periods



An Operation Notice is a permit required by the MICI before an enterprise can begin most commercial activities. The process consists of the declaration to the State the beginning of any commercial or industrial activity. The Operation Notice must be kept visible at all times in the company's office or workplace

## Modern, Business-Friendly Laws To Support Your Company



The Panamanian Corporation Law is one of the most modern corporate laws in all of Latin America. When establishing a company it offers advantages such as no currency exchange control and complete freedom to transfer funds

The Multinational Headquarters Law (MHQ) offers a unique set of benefits to companies establishing their headquarters in Panama, including generous tax exemptions, and special labor and immigration incentives

The Investment Stability Law grants foreign investors the same rights and obligations as local investors. This law promotes and protects investments in strategic growth sectors in Panama with the benefits granted to an investor for a period of ten years

## One Of The Most Stable Countries In Latin America



Panama is consistently rated by the World Bank as one of the most politically stable countries in Latin America

Panama has the best country credit rating in all of Central America — higher than Costa Rica, Honduras and El Salvador

Panama is home to a dynamic cluster of over 90 local and international banks, with the country rated 11th globally for the soundness of its banks

## Favourable Taxation Policies



Panama has one of the lowest corporate tax rates in Latin America (25%), as well as the lowest sales tax in the region (7%)

The existence of a legal framework establishing

the principle of territoriality in tax payments, facilitates the operation of companies whose revenues or operations take effect abroad — only the revenues generated in Panama are subject to taxes

Panama's taxation system offers generous incentives to a variety of investors located in different areas or special economic zones: tax exemption on imports and exports as well as personal tax incentives for employers

## Trading Across Borders



A maximum time of 24 hours for border compliance including obtaining, preparing and submitting documents during port or border handling, customs clearance and inspection procedures

Panama ranks 1st in Central America in terms of trading across borders — time and cost associated with the logistical process of exporting and importing goods — according to the World Bank Doing Business Guide.

Panama has the most trade agreements of any Central American country — 1.3 billion consumers can be accessed across 60 countries via 20 trade agreements

## Special Economic Zones That Can Enhance The Operation Of Your Business



Panama's Special Economic Zones offer generous benefits and incentives to support a company in maximizing its potential.

Panama Pacifico, Colón Free Zone and the City of Knowledge each offer multiple, unique benefits including attractive tax breaks, exemption on import duties, along with world-class infrastructure

## Strategically Positioned At The Heart Of The Americas



Panama connects East and West, North and South with its strategic geographic location and world class infrastructure

80 international destinations, including 16 Canadian and United States locations, are directly served in 2017; with access to European and Middle Eastern markets via direct flights to Amsterdam, Frankfurt, Madrid, Paris and Istanbul

Panama has the most active ports in Latin America, in both the Pacific and Atlantic, creating an interoceanic region that is just 80 km wide and concentrates close to 6% of all international trade

Panama shares the same time zone as the east coast of the United States, ensuring the synchronization of operations in the country

## High Quality Labor At An Affordable Cost



Panama has attracted a significant talent pool from around the world, all working within in a very small radius focused on the capital city, thanks to the flexible labor laws and regulations available under the Multinational Headquarters (MHQ) regime and unique incentives in the Special Economic

Labor costs for skilled labor in Panama are substantially lower than major economies in the region, being between 47%–85% cheaper than Brazil, Mexico and the United States, while social security contributions (12.25%) are significantly lower than Costa Rica (26.33%), Argentina (27%), Colombia and Brazil (both of which can range up to over 40% depending upon profession)

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## Panama is the most efficient location in Latin America to start a business

Panama is the leading country in Latin America for starting a business — with superior time efficiency and low costs consistently cited as two main factors. It takes only one-third of the time in Panama to start a business compared to Costa Rica; whilst Panama also has the lowest costs for establishing a business in Central America

Below are five simple steps to create a business in Panama. Each new company created in Panama must have a minimum registered capital of US\$10,000



It is necessary to hire a lawyer or law firm to serve as Resident Agent of the corporation and prepare its Articles of Association

**Time to complete:**  
1 Day

These articles must include information such as the name of the company, the company's objectives and the sum of authorized capital

**Time to complete:**  
1 Day

The entry fees are the following (since July 2013):

- US\$50 for the first US\$10,000 in capital stock
- 75¢ for each additional US\$1000 or fraction

The Annual Registration Tax of US\$250 must also be paid

**Time to complete:**  
2 Days

Panama Emprende replaces the obtainment of commercial licenses for the acquirement of an operation notice, eliminating long queues, office visits and waiting periods

**Time to complete:**  
1 Day

The Social Security Administration manages insurance programs for pension, health, unemployment, and occupational accident and injury

**Time to complete:**  
1 Day



### Ministry of Commerce and Industries (MICI)

The MICI acts as a facilitator of national economic development: planning, organizing, coordinating, directing and controlling activities aimed at enabling the creation, development and expansion of Panamanian businesses

Proinvex, an agency specializing in investment attraction and export promotion, is ascribed to the Ministry of Commerce and Industries (MICI). Proinvex manages a One Stop Shop Integrated Information System that allows investors to easily identify all the instruments that the National Government has available for direct foreign investment. The agency offers investors a concierge service in processes of due diligence for investing in the Republic of Panama

Further information can be found at [www.mici.gob.pa](http://www.mici.gob.pa) [www.proinvex.mici.gob.pa](http://www.proinvex.mici.gob.pa)



Panama Emprende is an online system administered by the MICI, which automates the process of notifying the State about the beginning of any commercial or industrial activity and will be the only authorized system for obtaining of an Operation Notice

### Panama Emprende has four main objectives:

**STARTING A BUSINESS**

To encourage the opening of new businesses in Panama

**REDUCE TIME AND COSTS**

To reduce time and costs in opening a new business

**MEET THE REQUIREMENTS**

To facilitate to the competent entities of the State to follow up on the fulfillment of requirements to carry out a commercial activity

**GAIN AN OPERATION NOTICE**

It is the only requirement, set by the MICI, which companies need to begin most commercial activities

## 1st

Across Central America for business freedom, and ranks 3rd in Latin America

## 1st

In Central America for economic freedom, and scores higher than major South American countries such as Argentina and Brazil

## 1st

in Latin America and 10th globally for rules that are conducive to foreign direct investment

# Wide range of investor visas are available

There are many permanent visas available to foreign investors in Panama, with many variations in criteria and benefits. Below are a list of various investor visas offered to a range of investors:

Investor Visa	Description	Minimum Investment (USD) <sup>1</sup>	Dependents (USD) <sup>2</sup>
 Macro business investor visa	Available to foreigners who invest in a macro-enterprise. The company must hire at least 5 Panamanian employees	\$160,000	\$2000
 Panama Pacifico investor visa	Available to foreigners who register their company in Panama Pacifico	\$250,000 (with foreign capital)	—
 Permit for foreign personnel hired by Colon Free Trade Zone	Applies to high-level executives or specialized technicians within companies based in the Colon Free Trade Zone	—	\$2000 per month <sup>3</sup>
 Permit for agriculture investor	Available to foreigners who invest in a Panama agribusiness or Panama aquaculture industry. The investment must be approved by the Ministry of Agricultural Development	\$60,000 <sup>4</sup>	\$500
 Self-economic solvency visa	Specially designed for individuals that have the means to support themselves without having to work in Panama	\$300,000 <sup>5</sup>	\$2000
 Forest investor visa	A unique, eco-friendly visa offered to foreigners who invest in government certified reforestation projects	\$80,000	\$2000
 Free Trade Zone investor Visa, Law 32, 2011	Available to foreigners investing in companies within free zone areas	\$250,000	—
 Call center investor visa	Applies to foreign companies who operate in call center services for commercial use for export	\$250,000 (with foreign capital)	—
 Film and audiovisual industry investor visa	Applies to those investing in the cinematographic industry	\$150,000 (with foreign capital)	—

<sup>1</sup>Minimum capital investment required to be applicable to the visa

<sup>2</sup>For each dependant the investment will increase by:

<sup>3</sup>Minimum salary requirement

<sup>4</sup>Temporary residence permit will be granted

<sup>5</sup>Grants permanent residence for foreign investors who invest more than US\$300,000 in real estate, fixed-term deposit accounts or a combination of both

# Special Economic Zones with unique incentives

Panama's Special Economic Zones offer a wide range of incentives to new and existing businesses. Examples of incentives and benefits include:



- Tax exemption on imports and re-exports
  - Low cost on the rent of land, building or any required spaces
  - Intellectual property right protection
  - Automated trade operations
  - Migratory facilities for foreign executives
  - Digitalized security system
  - A large financial network of national and international banks
  - ISO 9001:2008 Certified — a document that outlines the requirements an organization must maintain in their quality management system<sup>1</sup> for ISO 9001:2008 certification
- Exemptions from the following:
- Import taxes
  - Sales taxes on all equipment and goods necessary for company operations
  - Taxes to remittances or transfers abroad
  - Taxes to Transfer of Movable Property and the Rendering of Services (ITBMS)
  - Direct or license taxes, if the company is a technology services provider and is located inside the Tech Park (TIP)
  - All types of income and capital taxes, if the company produces, assembles or processes high-technology products
- Dividend tax rate of 5% and a complementary tax of 2% in cases where there is no distribution of income
  - Exemptions of temporary transformation of products outside the zone
  - 0% tax and custom duties exemption for goods and services required for operation
  - The developers of free trade zones are exempt from income tax in the lease and sublease
  - Temporary permits for special activities: teacher, student or researcher of a higher education center in a Free Zone; investigator of a scientific research center
- Complementary and dividend tax exemption
  - Exemption from sales tax for services rendered to the Corporate Group abroad
  - Exemption of license tax
  - Exemption from income tax and VAT for services provided to the business group outside the country
  - For services provided to entities located in Panama, income tax rates are reduced by 50%
- One Stop Shop for registration, customs procedures, migration needs, environmental permits and all other procedures that may be necessary for operations
  - Special labor incentives such as fixed rate for employee overtime (maximum 25%) and work on employee day off (maximum 75%)
  - Special immigration benefits such as 3 to 5 year visas for investors and laborers
  - Tax incentives — all companies registered in the area will be exempt from indirect taxes
  - Legal stability for onsite companies
  - Single registration
  - training center - higher education center for training workers

<sup>1</sup>A quality management system (QMS) is a set of policies, processes and procedures required for planning and execution (production/development/service) in the core business area of an organization



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PANAMA**



MINISTERIO  
DE COMERCIO  
E INDUSTRIAS



GOBIERNO DE LA REPÚBLICA DE  
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