



DOING BUSINESS IN PANAMA

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Introduction



CAPITAL: PANAMA CITY



POPULATION

Total Population: 4,176,873

Natural Increase: 1.7%

Density: 56 Inhabitants/km²

Urban Population: 67.7%

Population of main cities: Panama City (430,299); San Miguelito (315,019); Las Cumbres (127,440); La Chorrera (118,521); Tocumen (113,174); Pacora (103,960)

Ethnic Origins: About 70% of mestizo descent (mixed European and indigenous origins), 10% African/mulatto, 6% of European origin, 12% of indigenous descent and 2% Asian.

Official Language: Spanish

Other Languages Spoken: A lot of Panamanians speak English fluently. Several indigenous dialects are also spoken.

Business Language(s): Spanish and English, because of the many business and other relationships with the United States.

Religion: Catholics 80%, Protestants 10%, Muslims 5%, Others 5%.

Literacy Rate: 91.9%

National Currency: Panamean Balboa (PAB)



COUNTRY OVERVIEW

Area: 75,420 km²

Type of State: Republic based on a parliamentary democracy.

Type of Economy: Upper-middle-income economy.

The economy is based on port activities; tourism; agricultural exports and Canal fees.

HDI*: 0.780/1

HDI (World Rank): 60/188

Note: () [The HDI](#), Human Development Index, is an Indicator Which Synthesizes Several Data Such as Life Expectancy, Level of Education, Professional Careers, Access to Culture etc.*



TELECOMMUNICATION

Telephone Code:

To call from Panama, dial 00

To call Panama, dial +507

Internet Suffix: .pa

Telephone Lines: 17.7 per 100 Inhabitants

Internet Users: 45.2 per 100 Inhabitants

Access to Electricity: 90.88% of the Population

Foreign Trade in Figures

Foreign Trade Indicators	2014	2015	2016	2017	2018
Imports of Goods <i>(million USD)</i>	21,200	18,770	18,710	20,300	23,006
Exports of Goods <i>(million USD)</i>	13,184	11,300	10,060	11,450	11,480
Imports of Services <i>(million USD)</i>	4,546	4,357	4,446	4,603	4,392
Exports of Services <i>(million USD)</i>	10,721	11,176	12,329	13,176	13,671

Source: WTO - World Trade Organisation, 2017

[See the latest updates in the Country Profile for Panama.](#)

Latest Update: December 2019

Business Environment

ACCOUNTING RULES

Tax Year	The fiscal year begins on January 1st and ends December 31st of the same year. Although, a special 12-month fiscal year may be requested in certain cases, from the General Director of Internal Revenue.
Accounting Standards	Panama converted to IFRS as from 2009 and has historically utilized accounting principles that complied with the IAS Committee . The National Accounting Management created an integrated system of financial administration (in Spanish only).
Accounting Regulation Bodies	National Accounting Management
Accounting Reports	The accounting structure should include: <ul style="list-style-type: none"> - The balance sheet: Assets (current assets, liquid assets, bad debt allowance, salaries, other, income tax, inventories, expenses incurred, Total current assets), equipment (machinery property, Depreciation), and other assets ; - The income statement: Revenues, Gross profit, Operating costs, Operating earnings, Total operating costs, Earnings before income taxes, Net income ; - The management balance; and - The appendices.
Publication Requirements	The Panamanian commercial law does not itemize the contents that have to be included in the accounting or the certification of the accounts. It is generally established practice that companies maintain a journal, a big ledger, the inventory and also annually prepare the necessary documents for financial analysis.
Professional Accountancy Bodies	Panama College of Public Certified Accountants , (Spanish only).
Certification and Auditing	In Panama, all companies as well as subsidiaries of foreign companies are required to seek the services of an external auditor to carry out an annual financial audit of their organization. The auditors have to be certified public accountants and have to satisfy the government of the accuracy of the published accounting information.
Accounting News	Panama Association of Certified Public Accountants

TAX RATES

Consumption Taxes

Nature of the Tax	Value Added Tax (VAT) - Impuesto a la transferencia de bienes corporales muebles y la prestación de servicios (ITBMS)
Tax Rate	The VAT standard rate is 7% except on alcoholic beverages and hotel accommodations (10%) and tobacco products (15%).
Reduced Tax Rate	Certain goods and services are exempt from VAT: oil-based products; basic foodstuffs; agricultural produce; medical and pharmaceuticals; education; bank and related commission on foreign currency; property leasing. Exports are zero-rated.
Other Consumption Taxes	Excise duties are levied on several products, including jewellery, expensive automobiles, guns, tobacco, alcoholic beverages, and services such as cable television and mobile services. Different tax rates apply depending on the type of service or good (between 5% on soft drinks and 100% on tobacco products).

Learn more about [Service Providers in Panama](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Corporate Taxes

Company Tax	25% (the rate may vary if the company is subject to an alternative minimum tax (CAIR))
Tax Rate For Foreign Companies	<p>The Republic of Panama adheres to the territorial tax system: as much as all the income generated in Panama is taxed indiscriminately, be it of a Panamanian or foreign physical or corporate body, income generated from "offshore" activities of people or companies is not taxed (which is a significant exception to the general principles of international taxation).</p> <p>A company is considered as a tax resident when it has been incorporated in the country and if Panama is regarded as the place where the central management is located.</p>
Capital Gains Taxation	Capital gains arising from the sale of securities and negotiable instruments are taxed at 10%. The buyer must retain 5% of the sales price as a tax advance and pay the amount to tax authorities. Real estate gains are taxed at a rate of 25% if the transaction giving rise to capital gains is part of the taxpayer's main business activity, otherwise a reduced rate of 10% applies. However, in the latter case, the buyer must retain 3% of the sale price or the taxable value of the property (whichever is higher) and pay this amount as a tax advance.
Main Allowable Deductions and Tax Credits	<p>Costs and expenses that are related to non-taxable income are deductible. Companies are therefore encouraged to separate their costs and expenses generating taxable income from others. Deductions are available for depreciation (including goodwill when the transferring party declares it as income). Start-up expenses are also deductible, through an amortization over five years.</p> <p>Bad debts as well as national and municipal taxes on any taxable activity are deductible. Fines are not deductible while the deduction for donations to charities is limited to 1% of taxable income. Since the tax is territorial in Panama, there are no unilateral tax credits for taxes paid abroad.</p> <p>Many tax exemptions are available to companies investing in the Panama-Pacifico Special Economic Zone and manufacturing companies (in the form of VAT exemption for imports). Multinational companies establishing their headquarters in Panama are exempt from corporate tax. The calculation of the tax base is different for companies with taxable income above USD 1.5 million. These companies may be subject to the ordinary corporate tax rate or pay 4.67% of gross taxable income as an alternative minimum tax.</p> <p>Tax losses of up to 20% per annum can be carried forward over five years. Losses cannot exceed 50% of taxable income in a tax year. The carryback of losses is not permitted.</p>
Other Domestic Resources	<p>Tax Collection Directorate</p> <p>Consult Doing Business Website, to obtain a summary of the taxes and mandatory contributions.</p>

Country Comparison For Corporate Taxation

	Panama
Number of Payments of Taxes per Year	36.0
Time Taken For Administrative Formalities (Hours)	408.0
Total Share of Taxes (% of Profit)	37.2

Source: Doing Business - Latest available data.

Individual Taxes

Tax Rate

Individual income tax	Progressive rate from 0% up to 25%
PAB 0 - 11,000	0%
PAB 11,001 - 50,000	15%
Over PAB 50,000	25%

Allowable Deductions and Tax Credits Interest paid on mortgage loans for homes (except for preferential interest for new homes) or for home improvements on residences located in Panama is deductible, capped at USD 15,000 annually. All medical expenses incurred in Panama are deductible, while educational expenses are deductible up to USD 3,600 per student. The contributions to retirement funds are considered deductible up to USD 15,000. Donations to local educational and charitable institutions are deductible up to a maximum of USD 50,000 per year. Married individuals can enjoy a personal exemption of USD 800.

Special Expatriate Tax Regime Citizens and residents are taxed on income earned from Panamanian sources. Non-residents are taxed only on income from Panamanian sources. An individual is resident in Panama if he/she is in the country for more than 183 days in a calendar year or has established permanent residence in Panama.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed [List of Double Taxation Agreements](#)

Withholding Taxes Dividends: 5% (distributed out of foreign-source profits or export profits)/10% (distributed out of domestic profits)/20% (in the case of bearer shares); Interest: 12.5% (effective tax rate); Royalties: 12.5% (effective tax rate).

Sources of Fiscal Information

Tax Authorities [Tax Collection Directorate](#)
[National Customs Authority](#)

Other Domestic Resources [Taxation in Panama](#)

Learn more about [Taxes and Accounting in Panama](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

INTELLECTUAL PROPERTY

National Organisations The [Directorate General of the Industrial Property Registry](#) . Panama signed the General Inter-American Convention for Trade Mark and Commercial Protection of 1929. The new intellectual Property Law, approved in April 1996 fulfils the WTO requirements. The law strongly punishes brand name and patent piracy and provides for speedy proceedings in the case of conflict.

International Membership [Member of the WIPO](#) (World Intellectual Property Organization)
[Signatory to the Paris Convention](#) For the Protection of Intellectual Property
[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

National Regulation and International Agreements

Type of property and law	Validity	International Agreements Signed
Patent Law 35 of May 10th 1996	Validity period of 20 years (Spanish only)	Patent Cooperation Treaty (PCT)
Trademark Law 35 of May 10th 1996	10 years, renewable for 10 years (Spanish only)	
Design Law 35 of May 10th 1996	10 years, period can be extended up to 5 more years (Spanish only)	
Copyright Law 15 on copyright 1994	Lifetime right for the author and his heirs as provided by the text .	Berne convention For the Protection of Literary and Artistic Works Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms Rome Convention For the Protection of Performers, Producers of Phonograms and Broadcasting Organizations WIPO Copyright Treaty WIPO Performances and Phonograms Treaty
Industrial Models Law 35 of May 10th 1996	10 years, see text	

LEGAL FRAMEWORK

Independence of Justice Despite the fact that the constitution provides for an independent judiciary, it remains inefficient, politicized and prone to corruption.

Equal Treatment of Nationals and Foreigners From the judiciary's point of view, foreign nationals can expect the same treatment as Panamanians.

The Language of Justice	Spanish.
Recourse to an Interpreter	It is always possible to have an interpreter (contact your Embassy).
Sources of the Law and Legal Similarities	The main source of the law is the Constitution of 1972 (amended several times, last amendment in 2004). The legal system is based on a civil law system. Panama accepts compulsory ICJ jurisdiction but with reservations.
Checking National Laws Online	Panama Judiciary (Spanish Only)

Learn more about [Lawyers and Legal in Panama](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

STANDARDS

National Standards Organisations	COPANIT , Panama Committee of Industrial and Technical Standards.
Integration in the International Standards Network	Panama is a member country of the International Organization of Legal Metrology (OIML) , of the International Organization of Standardization (ISO) , of the International Eletrotechnical Commission (IEC) and of the Pan American Standards Commission (COPANT) .
Classification of Standards	Panama's standards are the COPANIT. The body responsible for standardization is the Panama Commission of Industrial and Technical Standards (COPANIT, in Spanish), which is under the Ministry of Commerce and Industry and whose executive body is the DGNTI (Management of Standards and Industrial Technology).
Online Consultation of Standards	Standards can be consulted on the DGNTI (in Spanish) (Directorate of Standards and Industrial Technology, link in Spanish) website, the executive body of the COPANIT (Panama Commission of Industrial and Technical Standards).
Certification Organisations	DGNTI (in Spanish) Directorate of Standards and Industrial Technology.

BUSINESS PRACTICES

General Information	Doing Business in Panama Communicaid
Opening Hours and Days	<p>Banks open Monday to Friday from 9 AM to 4 PM . They close at 12 PM on every last day of work of each month. Government offices are open Monday to Friday from 8 AM to 12 PM and 2 PM to 6 PM.</p> <p>Offices are open Monday to Friday and sometimes Saturday from 8 AM to 12 PM and 1 PM to 5 PM.</p> <p>Businesses are open from Monday to Saturday 9 AM to 7 PM.</p> <p>Shopping centers are open every day from 10 AM to 7 PM. Some Supermarkets are open around the clock every day.</p>

Public Holidays

New Year	January 1st
Martyrs' Day	January

Carnival	February-March
Ash Wednesday	February (Wednesday First week)
Maundy Thursday and Good Friday	End of March
Labor Day	May 1st
Panama City, District of Panama and Province of Panama Foundation	14th August
Independence Day (From Columbia)	November 3rd
Flag Day	November 4th
Independence Day (From Spain)	November 28th
Christmas	25th November

Periods When Companies Usually Close

Holy Week	End of March, week before Easter
Christmas Holidays	From December 15th to January 12th

Latest Update: December 2019

Economic and Political Overview

FOREIGN TRADE IN FIGURES

Panama is a country that is mainly export oriented and highly dependent on trade. The country also has more than a fifth of the world's merchant fleet. The free zone of Colón, which is the second largest free zone in the world after Hong Kong, demonstrating the country's openness to foreign trade. According to the WTO, Panama imported \$ 20,300 million worth of goods and \$ 4.603 million of services in 2017. Over the same period, the country exported \$ 11,450 million in goods and \$ 13,176 million in services. Panama exports mainly fish and seafood products, bananas, gold, petroleum products, sugar and coffee. The country imports principally electrical and electronic equipment, crude oil, foodstuffs, chemicals, vehicles and pharmaceuticals.

The country's main customers are the United States (20.6% of exports) followed by Colombia (9.5% of exports), according to the WTO. Its main suppliers are China (31.3% of imports), followed by Singapore (18.9%) and the United States (9.5%). The expansion of the canal has more than doubled its capacity, allowing it to accommodate vessels that were originally too wide with the United States and China being the first users of this vessel type.

The development of the tertiary sector has enabled the country to regain a positive trade balance, rising to a surplus of 2.191 million USD in 2017. Meanwhile the trade balance excluding services is on a deficit trend to -6.408 million USD in 2017 (World Bank). At the same time, the country has reduced the share of foreign trade in its GDP, which according to the latest available figures, was 87.57% of GDP in 2017.

Foreign Trade Indicators	2014	2015	2016	2017	2018
Imports of Goods <i>(million USD)</i>	21,200	18,770	18,710	20,300	23,006
Exports of Goods <i>(million USD)</i>	13,184	11,300	10,060	11,450	11,480
Imports of Services <i>(million USD)</i>	4,546	4,357	4,446	4,603	4,392
Exports of Services <i>(million USD)</i>	10,721	11,176	12,329	13,176	13,671
Imports of Goods and Services <i>(Annual % Change)</i>	-3.9	-0.1	-5.5	5.3	n/a
Exports of Goods and Services <i>(Annual % Change)</i>	-7.1	0.9	-3.9	5.4	n/a
Imports of Goods and Services <i>(in % of GDP)</i>	63.7	52.3	45.1	45.3	n/a
Exports of Goods and Services <i>(in % of GDP)</i>	55.4	47.7	42.2	42.3	n/a
Trade Balance <i>(million USD)</i>	-8,942	-8,333	-7,761	-8,469	-9,206
Trade Balance (Including Service) <i>(million USD)</i>	-2,445	-1,292	-394	127	-1,800
Foreign Trade <i>(in % of GDP)</i>	119.1	99.9	87.3	87.6	n/a

Source: WTO – World Trade Organisation ; World Bank , Latest Available Data

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2016	Main Suppliers <i>(% of Imports)</i>	2016
United States	20.6%	China	31.3%
Colombia	9.5%	Singapore	18.9%
Costa Rica	6.7%	United States	9.5%
Venezuela	5.4%	Mexico	5.2%

Main Customers <i>(% of Exports)</i>	2016
Dominican Republic	4.8%
Guatemala	4.3%
Honduras	3.5%
Nicaragua	3.2%
El Salvador	3.1%
Ecuador	2.9%

Main Suppliers <i>(% of Imports)</i>	2016
Vietnam	3.4%
Hong Kong	3.1%
Belgium	2.4%
France	2.3%
Germany	1.6%
United Kingdom	1.6%

Source: Comtrade, Latest Available Data

Main Products

11.2 bn USD of products exported in 2016	
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses incl. those in the form of transdermal administration or in forms or packings for retail sale (excl. goods of heading 3002, 3005 or 3006)	13.8%
Sulphonamides	7.6%
Oxygen-function amino-compounds	7.3%
Footwear with outer soles and uppers of rubber or plastics (excl. waterproof footwear of heading 6401, orthopaedic footwear, skating boots with ice or roller skates attached, and toy footwear)	3.6%
Perfumes and toilet waters (excl. aftershave lotions, personal deodorants and hair lotions)	3.4%
Undenatured ethyl alcohol of an alcoholic strength by volume of < 80%; spirits, liqueurs and other spirituous beverages (excl. compound alcoholic preparations of a kind used for the manufacture of beverages)	3.0%
Electrical apparatus for line telephony or line telegraphy, incl. line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones; parts thereof	2.8%
Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excl. orthopaedic footwear, skating boots with ice or roller skates attached, and toy footwear)	2.6%
Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excl. knitted or crocheted, wind-jackets and similar articles, slips, petticoats and panties, track suits, ski suits and swimwear)	1.9%

9.2 bn USD of products imported in 2016	
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses incl. those in the form of transdermal administration or in forms or packings for retail sale (excl. goods of heading 3002, 3005 or 3006)	14.0%
Sulphonamides	9.4%
Oxygen-function amino-compounds	8.2%
Footwear with outer soles and uppers of rubber or plastics (excl. waterproof footwear of heading 6401, orthopaedic footwear, skating boots with ice or roller skates attached, and toy footwear)	3.6%
Perfumes and toilet waters (excl. aftershave lotions, personal deodorants and hair lotions)	3.2%
Undenatured ethyl alcohol of an alcoholic strength by volume of < 80%; spirits, liqueurs and other spirituous beverages (excl. compound alcoholic preparations of a kind used for the manufacture of beverages)	2.8%
Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excl. orthopaedic footwear, skating boots with ice or roller skates attached, and toy footwear)	2.7%
Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excl. knitted or crocheted, wind-jackets and similar articles, slips, petticoats and panties, track suits, ski suits and swimwear)	2.4%
Electrical apparatus for line telephony or line telegraphy, incl. line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones; parts thereof	2.3%

11.2 bn USD of products exported in 2016		9.2 bn USD of products imported in 2016	
Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excl. knitted or crocheted, wind-jackets and similar articles, separate waistcoats, track suits, ski suits and swimwear)	1.9%	Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders; digital cameras	2.2%

Source: Comtrade, Latest Available Data

See More Products [More imports \(Intracen Data\)](#)
[More exports \(Intracen Data\)](#)

MAIN SERVICES

14.5 bn USD of services exported in 2015		4.6 bn USD of services imported in 2015	
Transportation	36.85%	Transportation	42.74%
Travel	28.49%	Travel	17.60%
Other business services	25.51%	Other business services	16.15%
Financial services	3.74%	Financial services	13.59%
Communications services	2.32%	Insurance services	5.22%
Insurance services	1.55%	Government services	1.85%
Government services	0.78%	Royalties and license fees	1.24%
Computer and information services	0.40%	Computer and information services	1.21%
Cultural and recreational services	0.31%	Cultural and recreational services	0.40%
Royalties and license fees	0.04%		

Source: United Nations Statistics Division, Latest Available Data

POLITICAL OUTLINE

Executive Power The President is both the chief of state and head of the government. The President is elected by popular vote to serve a five-year term, and has (with one vice-president) executive powers which include implementation of the law within the country and running the day-to-day affairs. He also appoints the Cabinet.

Legislative Power The legislature in Panama is unicameral. The parliament, called the National Assembly, has 71 seats and its members are elected by popular vote for five-year terms. The legislature is a branch of the power which is equal to and independent of the executive. Legislative power is vested in both the government and the National Assembly.

Main Political Parties Panama's political system is based on a multi-party system where parties work together to form coalition governments. The country's major political parties are:

- Democratic Revolutionary Party (PRD): centre-left
- [Democratic Change](#) (CD): centre-right, opposition, works toward continued economic

- growth and better infrastructure
- Nationalist Republican Liberal Movement (MOLIRENA): centre-right, pro-business, allied with CD
- Panamenista Party (PP): populist
- People's Party (PP) / Formerly known as Christian Democratic Party or PDC: centre-right

Current Political Leaders President: Laurentino "Nito" CORTIZO Cohen (since 1 July 2019)
Vice President: Jose Gabriel CARRIZO Jaen (since 1 July 2019)

Next Election Dates Presidential: 2024
National Assembly: 2024

Indicator of Freedom of the Press

World Rank: 79/180
Evolution: 5 places down compared to 2016

Source: [2019 World Press Freedom Index, Reporters Without Borders](#)

Indicator of Political Freedom

Ranking: Free
Political Freedom: 1/7

[Political freedom in the world \(interactive map\)](#)
Source: [Freedom in the World 2019, Freedom House](#)

Latest Update: December 2019

Buying and Selling

MARKET ACCESS PROCEDURES

International Conventions	Party to the Montreal Protocol on Substances That Deplete the Ozone Layer
Main International Economic Cooperation	Panama joined the WTO in 1997. It made a free-exchange agreement with Taiwan (2004), Salvador (2003) and Canada (2009) on the elimination of tariffs in sectors of industry, agriculture, forestry and fishing. The country is currently negotiating with the United States. Panama has also shown interest in negotiating with MERCOSUR and has been invited to join the G3 (which unites Venezuela, Colombia and Mexico). Finally, Panama signed a Free Trade Agreement with Canada .
Non Tariff Barriers	<p>There are few restrictions regarding import. The most important restrictions are set for products considered as dangerous for Health or which are against law and order. Certain goods require a license from the Ministry of Agriculture, or from the Department of Trade and Industry (weapons, plants, seeds and live animals). The non-tariff barriers considerably restrict the freedom of import (very strict quotas, reference prices and excessive sanitary standards).</p> <p>Colon Free Trade Zone (FTZ) or Zona Libre de Colon (ZLC) on the Atlantic coast, created in 1948, ranks second in the world after Hong Kong. In the FTZ, some particular products can be imported, stored, modified and re-exported, without any need to go through customs whether on entrance or on exit, nor to pay for any special taxes. The strategic location, in the centre of America and near the Panama Canal, offers an important potential for the development of international trade. The most important products of the FTZ are: clothes, broadcasting devices, synthetic clothes, shoes, watches, perfume and fragrance, spirits, cigarettes and pharmaceutical products. The main suppliers of the FTZ are Hong-Kong, South Korea, Singapore, some European countries and the USA. The main customers are the Caribbean islands and the countries of Central America.</p>
Customs Duties and Taxes on Imports	Duties are calculated "ad valorem" according to the CIF value (Cost, Insurance and Freight), between 3% and 40%.
Customs Classification	<p>About 50% of imports are exempt from duty. There are 48 types of products which are subject to customs tariff equal or higher than 90%, such as agricultural and agro-industrial products (strawberries, potatoes, tomatoes and tropical fruits, amongst others).</p> <p>Imports on products that do not exist in the country are subject to duty of less than 27%. Imports are also subject to the equivalent of VAT, transfer of movable property tax and also a tax that is paid on the documents which varies between 2 to 5% of the FOB (merchandise subject to custom duty) and from 5 to 8% (free merchandise).</p>
Import Procedures	It is not necessary to obtain a license in order to import in Panama. All companies with a trading license can freely import into Panama any product whatsoever that is unregulated. A trading or industrial license is required for individuals or companies wishing to undertake commercial or industrial activities. A phytosanitary permit is required to import certain non-food agricultural products. Special import permits are required for all types of firearms, ammunition and fertilisers. In general, food products and beverages should be registered with the Panamanian Food Safety Authority and should respect the requirements regarding hygiene and quality control. Food products that are not freely on sale in their country of origin cannot be imported into Panama. It

is the duty of the Executive, on the request of the Ministry of Health to establish the sanitary rules relating to the fabrication, storage, importation and sale of medicines and subsidiary products. It is forbidden to manufacture or to import into Panama these products without them being analysed or registered beforehand.

Main documents required by the Panamanian Customs authorities for import purposes:

- Import declaration (prepared by the Customs agent)
- Commercial invoice (in English or Spanish, quadruplicate)
- Airline transport letter
- Bill of lading (triplicate)
- Business permit number
- Health or phytosanitary permit (in the case of animal or vegetable agricultural products)
- Certificate showing that product are sold freely (in the case of products meant for human consumption including for example body lotion).

For more information, please visit the website of PwC.

Importing Samples Samples are not subject to customs duty as long as they are perforated or are marked not for sale. Temporary importation is authorized for a 3 month period renewable 3 times for the same length. A guarantee for the amount of the duty which would have been payable had it been a normal import has to be deposited in form of a certified cheque made out to the Public Treasury. It is also possible to provide as deposit in the form of insurance. Exemption can be partial or total.

For Further Information [Panama Customs General Management](#)

Learn more about [Traders, Agents in Panama](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

REACHING THE CONSUMERS

Marketing opportunities

Consumer Profile Panama has the highest per capita GDP in the region, nevertheless poverty and inequality remain widespread: in fact, Panama has the second worst income distribution in Latin America. About one-fourth of the population lives in poverty; however, from 2006 to 2012 alone poverty was reduced by 10%. The indigenous population accounts for a growing share of Panama's poor and extreme poor, while the non-indigenous rural poor population improved their situation by moving to urban areas. The purchasing power of Panamanian has been on the rise in recent years, resulting in an increased interest in quality products and organic food. The population is concentrated towards the center of the country, particularly around the Canal, but a considerable number of people also lives in the far west around David; the eastern third of the country is sparsely inhabited.

Consumer Behaviour Panama claims the highest GDP in the region and is one of the main markets due to its strategic position and to the commercial and financial opportunities that the country has to offer. Panamanian consumers can be divided into two socio-economical segments: the higher income group, which prefers international products and gives more importance to quality rather than price, is influenced by American and European trends and likes to go shopping in malls; and the lower-middle income for which price is the key factor

when making a purchase decision, often looking for discounts and buying in department stores and outlets.

Panamanian consumers are open to new products and are now buying more on the internet. Nevertheless, they do not only use the internet to seek for discounts, but also to get information and reviews about the products they intend to buy.

The influence of the U.S. is still really strong, thus American brands are generally considered of better quality when compared to similar products of other origins.

When it comes to food, the grocery market in Panama is mostly driven by supermarkets, hypermarkets and independent food stores. In recent years, consuming more convenience and healthy foods has been the trend.

Consumers Associations [Panamanian Institute for Consumer Rights \(IPADECU\)](#)
[Consumer Protection and Competition Defense Authority](#)

Main Advertising Agencies [PUMER advertizing agency \(Spanish only\)](#)
[WebXpertos](#)
[Tomorrow Digital](#)

DISTRIBUTING A PRODUCT

Evolution of the Sector Based on the World Economic Forum’s Global Competitiveness Report 2016-2018, Panama ranked No. 42 out of the 138 countries surveyed and is among the 10 most competitive economies in Latin American and the Caribbean. The Gross Domestic Product (GDP) growth rate is 5.4% for 2017, the highest in Latin America.

Food retail sales were \$376.7 million in 2017. High growth categories include savory snacks, processed meats and seafood, sauces and condiments, ready meals, processed fruits and vegetables, dairy products, and snack foods. Supermarkets, traditional (mom & pops) hypermarkets and independent food stores dominate Panama’s grocery sector. Other popular retail formats in Panama include membership club stores, and wet markets located nationwide, which concentrate on domestic produce. The largest and most popular market is the “Mercado de Abastos”, located in Panama City.

Modern food retailers have been improving quality and convenience. Supermarkets, hypermarkets and independent food stores, which are most popular among consumers, mostly drive the grocery market in Panama. Supermarket chains are increasing their presence by opening new stores in populated areas across the country and offering online grocery shopping and delivery. Store brands are becoming prevalent in these chains and appearing on the shelves of top supermarket, private labels give the chain a way to set themselves apart from the competitions and enable them to offer customers more choice. Independent grocery and convenience stores are also transforming their store-planning format, locating stores in convenient, generally neighborhoods; they number around 11,000. There are mini convenience stores, conventional size stores with expanded foodservice, and even hyper-convenience stores with the extensive variety of product offerings and in-store seating for foodservice

Market share Panama City accounts on average for 65% of total domestic sales of consumer goods. The remaining 35% is divided between other major cities including David, Colón, Santiago and Chitré.

In Panama, mass retail distribution structure is not too sophisticated: Direct importers either sell their merchandise in bulk or retail. With regard to mass consumption products (food and medicines), bulk and retail sales are done separately. Regarding

industrial products, sales are usually conducted by exclusive local agents or distributors and sometimes the local firms buy directly through brokers or producers.

Regarding industrial products, sales are normally made by local exclusive agents or distributors. In other cases, local companies order directly from foreign brokers or the manufacturer.

Some of Panama's main importers are also regional distributors for Central and/or South America, with storage facilities located in the Colón Free Zone (CFZ). In general, importers/distributors of CFZ have affiliate stores in Panama City for retail sale in the local market.

Most of Panamanian trade goes through the ports of Manzanillo, Cristobal and Evergreen on the Atlantic Coast, as well as the port of Balboa on the Pacific Coast. Tocumen International Airport handles most of Panama's air cargo.

Retail Sector
Organisations

[Retail organization of Panama](#)
[Ministry of Economy and Finance of Panama](#)
[Panama Chamber of Commerce](#)

E-COMMERCE

Internet access

Panama has experienced steady economic growth during the past few years, which has had a positive effect on the country's telecom market, attracting considerable investment from significant international operators including Telefónica, America Móvil and Liberty Global. With that, mobile and broadband services have been the fastest growing sectors in the country. In 2017, there were almost 3 million internet users in Panama, making the penetration rate 69.7%. Internet penetration has grown in recent years and is expected to continue to do so, fuelled by greater consumer demand for services, as well as the government's incentive for a highly connected Panama. In 2017, 46.7% of households had a computer, 60.7% of them had internet access at home. Additionally, the number of fixed-broadband subscriptions per 100 inhabitants was 7.9, while there were 60.7 mobile-broadband subscriptions per 100 inhabitants. There has been a great development of the mobile sector in recent years, and mobile penetration rates are over 180%, considerably higher than the regional average.

E-commerce market

The retail market in Panama is strong, but e-commerce is still in its early stages. In 2018, e-commerce in Panama is estimated to reach US\$ 700 million. A number of Panamanian firms, especially supermarkets, fast food delivery, and consumer electronic stores, now have websites and a growing number of companies is working on providing their own. Smartphones and other mobile devices are highly used in the country, and more people are now purchasing goods and services on the internet regardless of the location, which drives e-commerce growth. Panama is gaining the attention of foreign investors, especially due to its tax benefits and US dollar based economy. Within the e-commerce sector, this combination of factors seems to be particularly encouraging for companies planning to invest abroad. Some of the most popular e-commerce websites in the country are encuentra24.com, olx.com.pa, as well as global giants Amazon, Ebay and AliExpress.

ORGANIZING GOODS TRANSPORT

Main Useful Means of
Transport

With its canal, Panama is considered as one of the major transport logistics centers. The country also has modern harbors on two oceans which are linked by a railway network, highways and international airports which have equipment capable of catering for all sorts of cargo transport.

The railroad network is made up of one 47 mile-track and joins Balboa to Colon. Transport capacity is on average 500,000 containers per year. The road network comprises of 11,643 km of road, of which 4,028 are tarmac.

Ports	Colon container terminal List of Panamanian harbors
Airports	TOCUMEN Interneational Airport Panama
Sea Transport Organisations	Panama Maritime Authority
Air Transport Organisations	Panama Civil Aviation Authority (Spanish only)
Road Transport Organisations	Transport and Traffic authority (Spanish only)

IDENTIFYING A SUPPLIER

Type of Production Industry accounts for 13% of the GDP, the service industry is much more significant and accounts for some 81.1% of the GDP in Panama and provides approximately 70% of employment. The main industries are construction, breweries, cement and other building materials as well as sugar grinding.

Business Directories

Multi-sector Directories	Paginas Amarillas - Panama's Yellow Pages. Yellow Pages - Find a business in Panama.
Trade Agencies and Their Representations Abroad	Panama Chamber of Commerce, Industry and Agriculture. (Spanish only)
Enterprises Federation	User Companies Association of the Colon free zone Panamanian association of Entrepreneurs. (Spanish only)

Learn more about [Service Providers in Panama](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Learn more about [Sales in Panama](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

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Operating a Business

SETTING UP A COMPANY

Sociedad de responsabilidad limitada or S de RL (Limited Liability Company)	Number of partners: At least 3 executives and 1 shareholder Capital (max/min): No minimum Shareholders and liability: Limited to the amount of capital contributions
Sociedad anonima or SA (Corporation)	Number of partners: At least 3 executives and 1 shareholder No limit in the number of partners Capital (max/min): No minimum Shareholders and liability: Only limited to unpaid subscribed capital

The Competent Organisation [The Public Registry for incorporations of Companies and Foundations in Panama](#) .

Setting Up a Company	Panama
Procedures (number)	5.0
Time (days)	6.0

Source: *Doing Business*.

Business Setup Procedures [Consult Doing Business Website](#), to know about procedures to start a Business in Panama.
[Trade Register](#)

THE ACTIVE POPULATION IN FIGURES

	2011	2013	2015
Labour Force	1,486,000	1,540,000	1,587,000

Source: *CIA - The World Factbook*

	2015	2016	2017
Total activity rate	65.44%	65.40%	65.37%
Men activity rate	68.22%	68.03%	67.82%
Women activity rate	50.53%	50.53%	50.54%

Source: *ILO, Laborstat - Yearly Statistics*

WORKING CONDITIONS

Legal Weekly Duration Panamanian labor law allows 4 work shifts per day.

1) Day work of 8 hours maximum per day and 48 hours per week which should take place between 6 AM and 6 PM. 2) Night work of 7 hours maximum per day and 42 hours per week which should take place between 6 PM and 6 AM. 3) Mixed work (night and day) of 7.30 hours maximum per day and 45 hours per week which should take place during the two cycles of work. More than 3 nights per week the other periods are automatically considered as night. 4) Rotating cycle when the company needs staff during the different shifts.

Retirement Age	57 years for women and 62 years for men.
Working Contracts	The employment contracts are regulated by legal clauses and to a lesser degree by collective agreements and individual negotiations. The terms of employment contracts, the conditions of hiring and dismissal are strict.
Labour Laws	Consult Doing Business Website , to obtain a summary of the labor regulations that apply to local enterprises.

COST OF LABOUR

Minimum Wage	The minimum wage can vary significantly depending on the sector. In 2013, the average minimum wage was about PAB 824 per month according to the ILO (latest available data). In 2017, the government, by decree, raised the level of the minimum wage: it now stands between BAP 318.24 and BAP 925.59 per month depending on the sector of activity.
Average Wage	According to the ILO, the average salary was PAB 646 per month in 2012 (latest available data). In 2017, it reached PAB 1,146 per month according to data from the National Institute of Statistics and Surveys of Panama.
Social Contributions	Social Security Contributions Paid By Employers: 4.25%. of the monthly gross wage (and 10,75 % of the 13th month) Social Security Contributions Paid By Employees: 9.25%.of the monthly gross wage (and 7.25% of the 13th month)

SOCIAL PARTNERS

Social Dialogue and Involvement of Social Partners	Private sector workers have a right to form and to join unions of their choice. Public sector employees do not have a right to form unions. Government workers can form "associations" and negotiate collectively but only if they have a minimum of 50 members.
Unions	Panama Industrial Union (SIP) (Spanish only) Unique National Union of the Building and related Industries (SUNTRACS) (Spanish only)
Unionisation Rate	14.2%.
Labour Regulation Bodies	Federation of Private Enterprises

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Investing

FDI IN FIGURES

Panama is the country receiving the most FDI in Central America. According to the Ministry of Finance and UNCTAD, inward FDI flows amounted to 5.5 billion USD in 2018, (showing an increase compared to 2017, for which the flows were estimated at USD 4.5 billion). Despite a slowdown observed in 2009, due to a deterioration of the global economic outlook, FDI flows started to increase in 2010 and have maintained this momentum since then, thus constituting an important source of growth for the country's economy. This good overall performance is, in part, the benefit of the FDI-friendly legislation and incentives that the country adopted in 2011. The total stock of FDI remained at USD 54 billion (83.8% of GDP) at the end of 2018 ([UNCTAD Global Investment Report 2019](#)).

Panama enjoys important financial and investment freedoms: commercial operations are, in general, subject to the rules of transparency. In addition, the tax rate for households and businesses is moderate, and there are many tax and duty advantages in the Colón Free Zone (CFZ). The strategic geographical position of the country, its dollar driven economy and the specialization of its economy in strategic sectors (banking and maritime traffic) are all factors that attract FDI. Panama ranks 79th out of 190 economies in the [World Bank's Doing Business rankings 2019](#) (down 9 places from the previous year). Panama's main FDI partners are the United States, Colombia, the United Kingdom, South Africa and Switzerland. There are many sectors in Panama in which to invest, especially construction, finance and business services, distribution agencies, real estate, software development and sales companies, wholesale and retail businesses, and import and export services in the free zones. To date, the two sectors with the highest levels of FDI are wholesale and retail trade, financial activities and insurance. Panama is known to be a hub for Latin American consumers looking for competitive prices on goods, services and commodities. The financial and insurance sector has also always been a very attractive sector in terms of investment. This is due to the quality and reputation of the financial and banking sector. In addition, Panama has a very attractive tax system, which gives it a clear advantage in attracting foreign investment.

Country Comparison For the Protection of Investors

Foreign Direct Investment	2016	2017	2018
FDI Inward Flow <i>(million USD)</i>	4,866	4,569	5,549
FDI Stock <i>(million USD)</i>	44,557	49,126	54,675
Number of Greenfield Investments***	24	21	22
FDI Inwards <i>(in % of GFCF****)</i>	21.6	n/a	n/a
FDI Stock <i>(in % of GDP)</i>	81.3	n/a	n/a

Source: UNCTAD - Latest available data.

Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

WHAT TO CONSIDER IF YOU INVEST IN PANAMA

Strong Points

The economy of Panama attracts FDI and its main strengths are:

Its strong political stability
 Privileged diplomatic relations with the United States
 Its economic dynamism: growth of 5.3% in 2017, a controlled inflation level of 2% and a stable currency (in parity with the USD)
 Reduced taxes, including VAT (IVA) of 0% in the real estate sector
 Credit facilities: mortgage credit up to 30 years; credit up to 80% of the property value
 Real estate and tourism sectors in great development
 The ease of creating tourism projects, including tax exemptions
 The ease of creation of manufacturing industries
 A regional hub of international trade including free zones (including the free zone of Colón, 2nd world import-export platform) and modern infrastructure with the Panama Canal
 Quality finance and banking sectors, stable and attracting FDI.

Weak Points

Panama's economy presents some obstacles to FDI attraction, including:

Sensitivity to the North and South American economic and political situations
 Irregularities concerning property rights
 Application of the law below the regional average
 High level of corruption and patronage, particularly in the public service
 Very slow judicial system
 Weaknesses in terms of education and vocational training
 Strong income inequalities across regions that can generate social and political tensions

Government Measures to Motivate or Restrict FDI

The Panamanian government and the business milieu actively encourage direct foreign investment. In general, the laws do not make any difference between national and foreign companies. In 1998, the government enacted a law of investment stability, which guarantees foreign investors who invest at least two million dollars in Panama equal treatment by virtue of the law and not by their domestic competitors. By virtue of [law No. 41 of 2007](#), Panama has encouraged multinational companies to open their regional headquarters on its territory through a variety of different tax incentives.

40% of incoming products enjoy an ad valorem customs duty of 4%, only 23% of products are subject to a tax higher than 15% and the country grants exemptions to certain high-technology capital goods and certain information technology products. Panama has also adopted laws related to general or specialised free trade zones (representing 2% of exports). For example companies located in the free trade zone of Colón benefit from exemptions from taxes on imports, re-exports and manufacture of products.

PROCEDURES RELATIVE TO FOREIGN INVESTMENT

Freedom of Establishment	Guaranteed
Acquisition of Holdings	Majority holding interest in the capital of a company in Panama is legal. However, all foreign investors must obtain a work permit from the Ministry of Employment.
Obligation to Declare	The foreign investment promotion agency in the country enables one to be informed of the authorizations required to set up.
Competent Organisation For the Declaration	Panama Chamber of Commerce (Spanish only)

Requests For Specific Authorisations

Some importation conditions (e.g. imports exempt of custom duty) or certain merchandise requires prior authorization from relevant Ministries. Amongst the merchandise, preliminary formalities specifically relate to equipment for the oil industry, household appliances, cars and naturally, products for human consumption for which one needs to obtain different registrations, in addition to a sanitary registration.

Find out more about [Investment Service Providers in Panama](#) on GlobalTrade.net, the Directory for International Trade Service Providers.

INVESTMENT OPPORTUNITIES

Investment Aid Agency

[Business Panama](#)
[Doing Business 2019 Report on Panama \(World Bank\)](#)

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Panama
[Inter-American Development Bank](#), Tenders in South America
[Globaltenders](#), Tenders & Projects from Panama
[DgMarket](#), Tenders Worldwide

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