

Panama

Legal Provisions

Compiled by:

Swiss- Panamanian Chamber of Commerce

Panama City, Panama, updated October 2025

GENERAL REMARKS

The purpose of this document is to provide an overview of trade-related legal provisions and regulations, particularly those relevant to small and medium-sized Swiss companies operating from outside the target country. It outlines the current state of legislation and, to the extent possible, its practical application.

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1. OVERVIEW

Panama's strategic location, highlighted by the iconic Panama Canal and major ports on both the Atlantic and Pacific coasts, has earned it the title "Hub of the Americas." This prime positioning makes Panama a natural choice for international trade and logistics. The country's dollar-based economy offers economic stability and low inflation, eliminating foreign exchange concerns for businesses and residents. Additionally, Panama's stable and democratic government actively promotes foreign investment, making it an attractive destination for companies seeking a foothold in the Americas.

Panama's legal, accounting, and regulatory systems are transparent and consistent with international norms and are based on standards set by the International Financial Reporting Standards (IFRS) Foundation. This includes financial reporting standards for small and medium-sized enterprises (SMEs). The country is also a member of the United Nations Conference on Trade and Development (UNCTAD) international network of transparent investment procedures.

With exceptions in retail trade, media, and certain professions, foreign and domestic entities have the right to establish, own, and dispose of business interests across a wide range of profitable activities. The Panamanian government's welcoming stance towards inbound investment has resulted in some of the highest levels of Foreign Direct Investment (FDI) in Central America. (www.unctad.org)

Panama offers various investment incentives aimed at different sectors, such as manufacturing (EMMA law, 2020), tourism, multinational company headquarters (SEM program), film industry, call centers, certain industrial activities, and agriculture. Special economic zones like the Colon Free Trade Zone, Panama Pacifico Special Economic Area, and the City of Knowledge are ruled by specific regulations that allow foreign companies to establish warehouses and complete product assembly for export to other markets. (<https://mici.gob.pa>)

A member of the World Trade Organization (WTO) since 1997, Panama has reinforced its trade position through numerous regional free trade agreements (RTAs). Notable agreements include those with the Central America Common Market (CACM), EFTA (Switzerland, Liechtenstein, Iceland, and Norway), the European Union, South Korea, and the United Kingdom. These agreements enhance Panama's role as a central hub for trade within the region, benefiting activities such as the re-exportation of Swiss products to other countries. (www.wto.org)

Furthermore, Panama has solidified its position as a trade hub through bilateral agreements, such as the United States-Panama Free Trade Agreement, operational since 2012. Similar agreements with Canada, Chile, Chinese Taipei, the Dominican Republic, Mexico, Peru, and Singapore reduce trade barriers and establish preferential terms, significantly boosting Panama's commercial activity and economic growth. (<https://onci.mici.gob.pa/>)

The country has also addressed financial transparency concerns by cooperating with international tax investigations, resulting in its participation in agreements like the OECD's Convention on Mutual Administrative Assistance in Tax Matters. (www.oecd.org). Legal reforms in 2015 strengthened anti-money laundering (AML) and combating the financing of terrorism (CFT) laws, including restrictions on bearer shares through Law 18 (2015), criminalization of tax evasion through Law 70 (2019), and enhanced "know your customer" (KYC) requirements through Law 254 (2021). In October 2023, Panama was removed from the Financial Action Task Force (FATF) grey list due to the country's significant efforts in improving financial transparency. This achievement reflects Panama's commitment to implementing robust measures to combat money laundering and terrorist financing, thereby enhancing its international financial reputation.

Panama's legal framework includes measures to combat corruption, bribery, and money laundering. These laws deter public officials from wrongdoing and promote government transparency. The National Authority for Transparency and Access to Information oversees enforcement of said regulation and ensures public access to information. (<http://www.antai.gob.pa/>)

Finally, under Law 45 of October 31, 2007, later modified by Law 29 of June 2008, Panama's Consumer Protection and Anti-Trust Agency (ACODECO) ensures fair competition and safeguards consumer rights, further contributing to a robust and transparent business environment. (<https://www.acodeco.gob.pa/inicio/>)

2. CUSTOMS LAW AND DUTIES

Panama applies the Harmonized System (HS) established by the World Customs Organization (WCO) to categorize goods for import duties. The specific duty rates depend on the product and its specific HS code. For a detailed breakdown of import duties and customs clearance processes, visit the official website of the Panamanian National Authority of Customs (Autoridad Nacional de Aduanas, ANA). (https://ana.gob.pa/w_ana/)

Import duties in Panama are calculated based on the product's value, usually derived from the declared CIF price (cost, insurance, and freight). Additionally, all imports are subject to a 7% movable goods and services transfer tax (ITBMS for its initials in Spanish) which is a value-added tax calculated on the CIF value of goods or services. However, ITBMS does not apply to pharmaceuticals, food, and school supplies.

For more information, please refer to the ANA website (www.ana.gob.pa).

In Panama, using a customs broker is mandatory for most goods passing through customs, including imports (temporary and permanent) and duty suspension regimes. However, there are certain exceptions where a broker is not required:

- **International Agreements:** When a treaty between Panama and another country permits it.
- **Government Imports:** For goods imported by the Panamanian government.
- **Personal Imports:** For individuals importing goods for personal use, provided the total value (including cost, insurance, and freight) is under USD 4,000 and occurs no more than three times a year.
- **Diplomatic Imports:** For goods imported by diplomats.
- **Travelers' Luggage:** For personal belongings brought in by travellers.
- **Special Regimes:** For goods under transshipment, warehousing, or free zones.

Regarding e-commerce regulations, duties and taxes are applied to imports into Panama only when the total CIF (cost, insurance, and freight) value exceeds the minimum value threshold (*de minimis*) of USD

100. Imports with a value below this threshold are considered tax-free and duty-free. (<https://zonos.com/docs/guides/country-guides/panama>) The standard import VAT rate in Panama is 7%, applied to orders with a CIF value exceeding the USD 100 *de minimis* threshold. Additionally, imports with a CIF value over USD 100 may be subject to customs duties, with Panama's average duty rate for most countries being 12%.

Panama offers preferential trade benefits to countries with which it has entered into trade agreements. These agreements share similar rules as to determining which goods are included within said benefits, known as "rules of origin." Here's an overview:

- **Verification:** The National Authority for Customs (ANA) is responsible for verifying if imported goods qualify for preferential treatment based on the specific rules of origin in each trade agreement.
- **Benefits:** Products originating from countries or regions with a trade agreement with Panama (such as CACM, EFTA, Mexico, South Korea, and the UK) may be eligible for reduced import duties.
- **Qualifying as "Originating":** There are three criteria for a product to be considered as "originating" in a certain territory:
 - **Wholly Obtained:** Completely produced in a country that has entered into a trade agreement with Panama.
 - **Sufficient Processing:** Manufactured using non-originating materials that have undergone significant transformation within the agreement zone, such as a change in tariff classification.
 - **Minimum Regional Value Content (RVC):** Composed of a certain percentage of originating materials from the agreement zone, with the specific percentage that varies according to each agreement.
- **De Minimis Level:** A small percentage of non-originating materials (usually around 10% of the value) may be allowed without affecting the product's originating status.
- **Cumulation:** Some agreements permit the use of materials from different countries within the agreement zone to collectively meet the RVC requirement.
- **Direct Transport:** To maintain their originating status, goods must be shipped directly between agreement countries. (https://www.wto.org/english/tratop_e/tpr_e/s421_e.pdf)

In summary, if you are exporting to Panama from a country with a trade agreement, it is essential to check the specific rules of origin to determine if your product qualifies for preferential treatment.

3. IMPORT REGULATIONS / NON-TARIFF RESTRICTIONS

In general, Panamanian laws do not require import or export licenses. However, to conduct commercial or industrial activities within Panama, a commercial or industrial license is necessary. Companies with a valid commercial license can freely import and export goods.

Definitive imports into Panama require specific documents:

- Customs Declaration (prepared by a customs broker)
- Commercial Invoice
- Transport Document (Air Waybill, Bill of Lading, or Waybill depending on transport mode)
- Packing List
- Declaration of Value (www.ana.gob.pa)

Additional documents may be mandatory in specific cases:

There might be a need to register such products with the Ministry of Agricultural Development (MIDA) or the Ministry of Health (MINSA), depending on the product category. (MINSA, www.minsa.gob.pa). Special import permits are mandatory for all firearms, ammunition, and fertilizers.

All goods imported into, transiting through, or stored within Panamanian territory, including those entering a free zone, must be declared in accordance with Panamanian Customs Laws. Customs declarations must be accompanied by supporting documents such as a commercial invoice, cargo manifest, certificate of origin, or health certificate. The required documents may vary depending on the type of goods and the applicable customs regime. For more detailed information, refer to the World Trade Organization report on Panama [here](#).

As a WTO member, Panama adheres to the Agreement on Technical Barriers to Trade (TBT), which includes following the Code of Good Practice for the Preparation, Adoption, and Application of Standards. The Directorate General of Standards and Industrial Technology (DGNTI) establishes technical regulations and standards in Panama according to WTO guidelines. Products for which Panama has not set specific standards can enter the Panamanian market if they comply with standards and technical regulations from the U.S., Europe, or other industrialized countries. (<https://mici.gob.pa>)

For more detailed information, please visit the official websites of the Panamanian National Authority of Customs (ANA) and the Ministry of Commerce and Industries (MICI).

4. PRODUCT REGISTRATION AND TECHNICAL STANDARDS

Trademark and Tradename Registration

Panama regulates intellectual property under the Industrial Property Law No. 35 of May 10, 1996 (modified by Law No. 61 of October 5, 2012). Panama is a signatory to several international agreements, including the Washington Convention, the Paris Convention, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), covering trademarks, patents, and designs.

Panamanian Customs authorities, as well as the authorities of the Colon Free Zone (<https://www.zolicol.gob.pa/>) and other free or processing zones, are authorized to inspect and retain merchandise that may violate intellectual property laws, including provisions related to industrial property, copyright, and related rights.

To secure exclusive rights to use a trademark in Panama, it is mandatory to register the trademark with the Industrial Property Directorate (DIGERPI) of the Ministry of Industry and Commerce (MICI). (<https://mici.gob.pa/inicio-digerpi/> and <https://www.digerpi.gob.pa/>). Upon filing the application, an examination process ensues. If the application is deemed favourable, it will be published in an Official Bulletin for a two-month opposition period. If no opposition is filed, the authorities will grant the application and issue a Certificate of Registration.

A company's tradename, including industrial, commercial, or service establishment names, is protected in Panama without needing registration with DIGERPI. This protection covers the geographical area of the company's clientele and can extend nationwide if the tradename is widely and consistently used. However, for additional legal certainty, registration can be obtained by submitting an application through a Panamanian lawyer, who will require a power of attorney from the applicant.

Pharma Products and Medical Equipment Registration

In Panama, sanitary registrations for pharmaceutical products can be obtained through a regular or abbreviated application process (for medicines authorized by regulatory authorities in countries with high manufacturing standards) or through mutual recognition of health registrations for medicines from WTO member states registered under harmonized regulations. Applications must be submitted to the Pharmacy and Drug Directorate of the Ministry of Health (MINSa).

The registration process includes verifying the product's analysis certificate and method by an official Analysis Institute. A local pharmaceutical regent must sign the petition for technical evaluation. Once approved, the sanitary registration certificate is issued. The process typically takes around 6 to 10 months.

Medical devices in Panama are regulated as instruments or related items used for various medical purposes. They are classified as follows:

- **CLASS A:** Low risk
- **CLASS B:** Low to moderate risk
- **CLASS C:** Moderate to high risk
- **CLASS D:** High risk

Regulations follow guidelines from the Global Harmonization Task Force (GHTF) and the International Medical Device Regulators Forum (IMDRF).

Any commercial establishment, public institution, or individual with an approved operation license issued by the Medical Device National Directorate of the Ministry of Health can manufacture, prepare, import, export, distribute, commercialize, or store medical devices. Each product must obtain a sanitary registration to be commercialized in Panama.

Currently, the sanitary registration process is not enabled by the Authority, so medical devices intended for private transactions do not require sanitary registration if the importer or distributor has an operation license. However, if the devices are to be sold to the Panamanian Government through public tenders or direct contracts, they must obtain a Technical Criteria Certificate, which ensures the safety, efficiency, and quality of the device.

5. CURRENCY REGULATIONS AND OTHER TRANSFER RESTRICTIONS

Import and Export Restrictions of Local Currency

Panama lacks a central bank and, therefore, it does not issue its own currency. Its official currency, the Panamanian Balboa (PAB), is pegged to the US dollar at a one-to-one exchange rate (USD\$1.00 = PAB\$1.00). As a dollarized nation, Panama predominantly uses the US dollar for everyday transactions, which is also recognized as legal tender alongside the Balboa. Several banks in Panama offer the option to open accounts in foreign currencies.

There is no foreign exchange control in Panama and, thus, there are no restrictions on the import or export of Panamanian Balboa or US Dollars. However, international financial transactions involving countries under economic sanctions may face significant challenges. The ability to send or receive funds from such jurisdictions will depend on the policies of the specific money transfer companies or banks involved.

Investment Protection Treaty Between Panama and Switzerland

Panama and Switzerland have entered into certain agreements regarding investment protection:

1. The Free Trade Agreement between Costa Rica, Panama, and the EFTA (European Free Trade Association) countries, including Switzerland, which came into effect on August 29, 2014.

2. The Convention between the Government of the Republic of Panama and the Government of the Swiss Confederation for the Promotion and Protection of Investments. This treaty provides legal protections for investments made by investors from each country in the other's territory.

It is important to note that there is currently no existing treaty between Panama and Switzerland to avoid double taxation.

6. COMMERCIAL REGISTER AND OTHER SOURCES OF COMPANY INFORMATION

Registration Process for Establishing a Business in Panama

1. Public Registry Registration

- Register your business with the Public Registry: <http://registro-publico.gob.pa/consulta-registral.php>.
- The most common corporate structures in Panama are corporations and limited liability companies (LLCs). Corporations require at least one shareholder. LLCs require a minimum of two partners. Panama also permits the re-domiciliation of companies from other jurisdictions and the incorporation of branches of foreign companies.

Incorporation of Foreign Branches: Submit the articles of incorporation and accounting balance to the Public Registry.

Incorporation Process:

- Typically completed within 2 to 5 business days after all required information and documentation are received.
- A Panamanian lawyer must carry out the incorporation process and serve as the company's Resident Agent (Agente Residente).

Annual Tax Fee: Corporations and LLCs are required to pay an annual tax fee (Tasa Única) of USD 300.00.

2. Obtaining Relevant Licenses and Permits

- Commercial License:
 - Required for any company wishing to conduct commercial operations in Panama.
 - Issued by the Ministry of Commerce.
 - Depending on the company's activities, additional licenses from other government entities may be necessary.
- Municipality Registration:
 - Register your business with the local municipality for municipal tax purposes.
 - Taxes vary based on the business activity and follow a tariff schedule.
- Tax Authority Registration:

- Register with the Tax Authority to declare and pay taxes.
- Obtain a taxpayer registration number (R.U.C.).

3. Foreign Ownership

- Panama actively welcomes foreign investment and imposes no restrictions on ownership in most sectors, fostering a diverse and dynamic business environment. The country's open-door policy has attracted many international companies, including Swiss firms such as Nestlé, Roche, and UBS.

Advantages of Investing in Panama:

- **Logistics Hub:** Benefits from the Panama Canal and Tocumen International Airport.
- **Growing Economy:** One of the largest and fastest-growing economies in the region.
- **Stable Environment:** A sound economic and financial environment.
- **Equal Treatment for Investments:** Local and foreign investments are treated equally under applicable regulations (Ley 54), which protect property ownership rights for both locals and foreigners. Ley 54. <https://mici.gob.pa/wp-content/uploads/2021/09/01-ley-54-espanol.pdf>.

Recent Developments: On March 28, 2024, Fitch Ratings downgraded Panama's credit rating to BB+. <https://www.fitchratings.com/entity/panama-80442236#ratings>. As of October 2025, this rating remains unchanged

7. LEGAL FORMS OF COMPANIES

Types of Entities in Panama

Panama offers a versatile mix of business structures, each with distinct characteristics and benefits for investors. Popular options include:

Corporations (Sociedades Anónimas)

- **Overview:** Panamanian corporations are globally recognized for their security and benefits.
- **Legal Framework:** Governed by Law 32 of 1927, which provides stability due to minimal amendments.
- **Uses:** Commonly used for asset protection, holding companies, and owning diverse assets.

Limited Liability Companies (Sociedades de Responsabilidad Limitada)

- **Overview:** Versatile commercial entities allowed to engage in both civil and commercial activities.
- **Formation:** Can be established by individuals or corporate entities of any nationality.
- **Liability:** Partner liability is limited to their capital contributions.
- **Registration:** Unlike corporations, LLCs must register the identities of their partners in the Public Registry of Panama. A minimum of two partners is required, and any addition of new partners must be registered.

Private Interest Foundations (Fundaciones de Interés Privado)

- **Overview:** Hybrid legal structures combining elements of trusts and corporations.

- **Purpose:** Ideal for estate planning, holding assets to benefit designated individuals without transferring ownership.
- **Legal Documents:**
 - **Foundation Charter:** Public document that establishes the legal entity.
 - **Bylaws:** Private and confidential, detailing the distribution of benefits and assets among beneficiaries.
- **Management:** Governed by a foundation council adhering to the founder's instructions, acting in the best interest of the beneficiaries.

Headquarters of Multinational Corporations (SEM and EMMA)

SEM (Special Regime for Multinational Company Headquarters)

- **Overview:** Provides favourable fiscal, immigration, and labour conditions for multinational companies to operate regional headquarters in Panama.
- **Legal Framework:** Established by Law 41 of August 24, 2007.
- **Services Covered:** Management, administration, accounting, technical assistance, financial and administrative support, electronic processing, and more.
- **Benefits:**
 - **Fiscal, Immigration, and Labor Benefits:** Guaranteed for 10 years under Article 10 of Law 54 of 1998.
 - **Immigration:** Temporary and permanent visas for foreign personnel and dependents, with the option for permanent residency after five years.
 - **Hiring Flexibility:** *Companies are allowed to hire foreign employees without being subject to the usual labour quotas (10% or 15%) that limit the number of foreign workers under the Labor Code.*
 - Holders of a SEM Visa are exempt from income tax, social security and educational insurance contributions on salaries and other employment remuneration, including benefits in kind. This exemption applies to the extent that such compensation is paid, assumed, and recorded as personnel expenses in the accounting of the SEM-licensed company.

EMMA (Special Regime for Multinational Companies for the Provision of Manufacturing-Related Services)

- **Overview:** Designed for multinational companies providing manufacturing-related services from regional headquarters in Panama.
- **Legal Framework:** Established by Law 159 of August 31, 2020.
- **Services Covered:** Manufacturing, assembly, remanufacturing, conditioning, maintenance, repair, logistics, product development, research, and innovation.
- **Benefits:**
 - **Fiscal, Immigration, and Labor Benefits:** Similar to SEM.
 - **Immigration:** Temporary and permanent visas for foreign personnel and dependents, with work permissions for dependents.
 - **Hiring Flexibility:** No restrictions on hiring foreigners, unlike the general labour quotas of 10% and 15% set by the Labor Code.
 - Holders of a EMMA Visa are exempt from income tax, social security and educational insurance contributions on salaries and other employment remuneration, including benefits in kind. This exemption applies to the extent that such compensation is paid, assumed, and recorded as personnel expenses in the accounting of the SEM-licensed company.

These structures provide flexibility and numerous benefits, making Panama an attractive destination for both local and international investors.

8. REGULATIONS GOVERNING SALES AGENTS AND COMMERCIAL REPRESENTATIVES

In general, these agreements are governed by the principle of contractual freedom. Article 1106 of the Panamanian Civil Code states that "the contracting parties may establish the agreements, clauses, and conditions that they deem convenient, provided they are not contrary to the law, morals, or public order."

It is important to mention that Cabinet Decree No. 344 of October 31, 1969, once regulated the representation, agency, and distribution of products and services. However, in August 1989, the Supreme Court of Panama declared this Decree unconstitutional due to the establishment of privileges and immunities. Currently, there is no specific Distribution Law in Panama. Consequently, such relationships are governed by the general rules of contracting established in common law and the principle of contractual freedom as provided in the Panamanian Civil Code.

It should be noted that legislative initiatives are underway to revisit and reframe regulations on this matter. Proposed Law 195-2024 aims to introduce specific provisions for distribution contracts within Panama. However, we are not currently aware of any substantial advancements toward its ratification.

9. ENTRY CONDITIONS FOR STAFF PERFORMING MAINTENANCE OR REPAIR SERVICES

Visa and Work Permit for Temporary Workers

This permit allows Panama-based companies to hire foreign nationals or visitors for temporary technical work on specific projects, provided both the company and the visitor meet all requirements set by the National Immigration Service and the Panamanian Ministry of Labor.

In Panama, there is a maximum percentage of foreign employees allowed on the payroll, as established by the Labor Code. According to the Labor Code, a company can have ordinary personnel within the 10% and technical or trusted personnel within the 15% of the total workers. These percentages are exclusive of each other. Temporary workers are not included in the 15% foreign worker category.

However, foreign workers must pay taxes to the General Revenue Department (DGI). Panama's income tax system is based on the "territorial principle," meaning all income earned within Panamanian territory is subject to income tax. To obtain the work permit as a temporary worker, the occasional payroll tax payment of 17.75% on the total amount indicated in the worker's employment contract is mandatory.

Process Overview, Requirements, and Steps: The process can be initiated before the worker enters the country, provided the following documents are submitted to the Ministry of Labor:

- Power of Attorney
- Work and Liability Letter from the Panamanian employer, on company letterhead, signed by the legal representative (as recorded in the Public Registry), certifying the position and salary
- Employment contract for the term of the assignment or project (up to three months), duly legalized and endorsed
- Proof of entry date into the country (e.g., airplane ticket)

The remaining requirements must be submitted no later than three business days from the worker's entry into the country.

Validity of the Permit: The work permit is initially granted for up to three months and can be extended for the same period, up to a maximum of one year. For assignments longer than a year, other immigration and work permit categories, such as the Marrakesh Agreement, 10% of ordinary personnel, 15% of specialized personnel, and Friendly Countries, must be considered. Additionally, the quotas established in the labour code for hiring foreign personnel must be adhered to.

Business Activity Notifications

Foreigners entering Panama to carry out business activities, such as management-level tasks or work related to compliance with guarantees or similar cases, for a maximum of fifteen calendar days, must inform the Ministry of Labor through a note or memorial with supporting documents. This includes a letter of responsibility from the hosting company and a contract. As long as all requirements are fulfilled, a work permit is not needed for these activities.

10. PROTECTION OF INTELLECTUAL PROPERTY

In Panama, intellectual property (IP) is protected by comprehensive legal frameworks that cover various aspects of IP rights.

Industrial Property

- **Legal Framework:** Law No. 35 of May 10, 1996, governs industrial property in Panama, including trademarks, patents, industrial designs, and trade secrets.
- **Regulatory Authority:** The General Directorate of Industrial Property Registry (DIGERPI), part of the Ministry of Economy and Finance, is responsible for enforcing IP laws, international treaties, and regulations. DIGERPI also facilitates access to necessary information and services for registering and protecting industrial property rights.
- **Process Regulation:** Executive Decree No. 85 of July 4, 2017, regulates the procedures, ensuring timely processing and encouraging creativity and innovation.

Copyright

- **Legal Framework:** Law No. 64 of October 10, 2012, provides copyright protection in Panama. While formal registration is not required, it is advisable for authors to register their work with the National Copyright Directorate of the Ministry of Commerce and Industries. This registration serves as reliable proof of authorship in case of legal disputes.

Digital Platforms

Panama offers user-friendly and up-to-date digital platforms for IP registration and information access:

- DIGERPI: DIGERPI – Marca <https://www.digerpi.gob.pa/cms/marca-detalle>
- National Copyright Directorate, Ministry of Culture: <https://micultura.gob.pa/dnda/>

These frameworks and digital platforms ensure robust protection and efficient management of intellectual property rights in Panama.

11. PROCEDURES FOR COLLECTING PAYMENT

Currency and Payment Methods in Panama

At the constitutional level, the Panamanian State retains the exclusive authority to issue currency. Instead of a Central Bank, Panama operates through the government-owned National Bank of Panama, which fulfills typical central banking roles, except for currency issuance.

The Superintendency of Banks, which is the agency that regulates banking activities in Panama, mandates that all banks must accept valid banknotes and ensure the unimpeded flow of U.S. dollars within the country.

Common Payment Methods: A variety of payment methods are commonly used by consumers and businesses in Panama. The most prevalent include:

1. **Cash:** Despite the rise of electronic payments, cash remains a preferred form of payment, particularly for routine transactions and in rural areas.
2. **Credit and Debit Cards:** Credit and debit cards, especially Visa and MasterCard, are widely accepted in Panama. Hotels, restaurants, and large retail stores commonly accept card payments.
3. **Bank Transfers:** Transferring funds between accounts or paying bills via bank transfers is standard practice. Online banking and mobile banking apps have simplified this process.
4. **Checks:** Although less common for everyday purchases, checks are still used for commercial transactions and by individuals for larger sums.
5. **Online Payment Platforms:** With the growth of online shopping, platforms like PayPal are increasingly popular for web-based transactions and services.
6. **Mobile Payments, Payment Apps, and Digital Wallets:** Mobile payment options, digital wallets, and apps are becoming more common, enabling users to pay directly via mobile phones. These methods are popular for transactions between individuals and for small-scale business payments.
7. **Cryptocurrency:** Currently, Panama has no specific legal framework governing blockchain technology or cryptocurrencies.

12. ENFORCING COMMERCIAL CONTRACTS AND RESOLVING DISPUTES (RF)

Commercial Dispute Resolution in Panama

- **Commercial Courts:** These specialized courts handle business disputes with efficiency and fairness, leveraging their expertise in commercial legal matters to deliver informed judgments.
- **Arbitration:** Arbitration offers a faster and more private alternative to traditional litigation. It is particularly suitable for resolving complex commercial disputes, with neutral arbitrators providing binding decisions.
- **Mediation:** Mediation is strongly encouraged before resorting to court action. This process facilitates amicable settlements through assisted negotiation, helping to save both time and costs.

13. OVERVIEW OF PUBLIC PROCUREMENT SYSTEM

Panama relies on a transparent and equitable system that welcomes both local and foreign companies to engage in government projects. Here's a breakdown:

General Public Procurement:

- Governed by Law 22 of 2006, the system covers all government purchases except those by the Panama Canal Authority (ACP).
- Administered by the General Directorate of Public Procurement (DGCP) through the "PanamaCompra" online platform. (<https://www.panamacompra.gob.pa/>).
- The DGCP ensures adherence to regulations, oversees the process, and guarantees fair contractor selection.
- Transparency is prioritized through a public observatory and clear committee selection criteria.

Participating in Public Procurement:

- Bids are submitted electronically via "PanamaCompra."
- While foreign companies are welcomed, entering into partnerships with local contractors may offer strategic advantages.
- Evaluation criteria include qualifications, experience, price, and delivery terms.

Large Projects and Concessions:

- Extensive projects may require physical submissions of data and are typically awarded through a bidding process with specific requirements.
- Tax benefits such as VAT and import duty exemptions may apply.
- Disputes are settled by special courts, with appeals reaching the Supreme Court.

International Standards:

- Panama adheres to the World Trade Organization's Agreement on Government Procurement (GPA) to ensure open and fair competition.

Panama Canal Authority (ACP) Procurement:

- The ACP has its own procurement process, offering annual purchases of up to \$250 million across various sectors.
- Foreign companies must register with the ACP before participating.
- For inquiries, contact comercializacion@pancanal.com or acp-compras@pancanal.com

Resources:

<https://www.panamacompra.gob.pa/>

<https://pancanal.com/en/>

<https://www.dgcp.gob.pa>

<https://www.state.gov/reports/2023-investment-climate-statements/panama/>

<https://www.trade.gov/country-commercial-guides/panama-selling-public-sector>

<https://www.dgcp.gob.pa/images/legislacion/leyes/Ley%2022%20DGCP%20alta>

https://www.relofirm.com/panama_business_information

https://www.ibanet.org/LPD/Dispute_Resolution_Section/Arbitration/Arbcountryguides

https://swisschamberpanama.org/assets/pdf/2024_PANAMA%20LEGAL%20PROVISIONS.pdf

14. ADDITIONAL INFORMATION

14.1 BUSINESS OPERATIONS

Corporate Governance

Defined by the Panamanian Commercial Code, corporate governance outlines applicable regulations to company management, as well as the rights and obligations of the various parties in a corporate organization, such as the Board of Directors and the shareholders. It provides for a set of rules and procedures to be followed by the company in its decision-making process, providing a structure through which corporate objectives are established and achieved. These governance rules are stipulated in the articles of incorporation, known as “Pacto Social (Articles of Incorporation).” Additionally, the Board of Directors may establish corporate governance rules or requirements as by-laws.

Shareholder Rights, Voting Procedures, and Dividend Distribution

The corporation's capital may comprise stock with or without nominal value, or both. There are no limitations on the amount of capital that a company may have, and it can be denominated in Panama's legal tender (United States Dollar) or any other legal currency. The Board of Directors must approve the partial or total issuance of the corporation's authorized share capital, and such decision shall be recorded in Board of Director's Meetings minutes. The names of the owners of nominal shares are recorded in the Shares Register Book. However, the issuance of shares is considered a confidential decision within the company, and it is not required by law to be filed in the Public Registry.

Shareholders are the corporation's highest authority, however under Panamanian laws the rights of minority shareholders are protected against any violation of said rights or unlawful actions by those representing the majority of the capital share. Shareholders have the power to determine the decision-making process within the entity through the articles of incorporation.

Shareholder meetings can be held within Panama or elsewhere if the articles of incorporation allow it. Panamanian laws do not specify the number or percentage of shares required to form a valid quorum for a shareholder meeting. Therefore, the articles of incorporation commonly state that a simple majority is required, though higher quorum requirements may be set forth in the articles of incorporation or by-laws. Shareholder decisions are made by holders of a majority of the issued and outstanding shares entitled to vote. If not otherwise specified, all shareholders have the right to one vote per share, regardless of the class of share.

Any dividend or asset distribution declared or paid to shareholders shall not reduce the value of the corporate assets below the amount of its liabilities or corporate capital, as established in Law 32 of 1927.

Directors' Duties and Responsibilities

Under Panamanian Corporate Law, the company's business is managed by the Board of Directors, which must comprise at least three members. The Board of Directors holds all the powers in the company, except for those specifically granted to the shareholders by law, the by-laws, or the company's articles of incorporation. The Panamanian Commercial Code provides that while directors are not personally liable for the company's obligations, they may be held personally or jointly accountable to the company and/or third parties in case of improper management of accounting records, improper execution of their mandate, or violations of laws, articles of incorporation, by-laws, or resolutions of the general assembly. Any actions asserted to hold the Board of Directors accountable for the aforementioned matters, require the prior approval from the shareholders' meeting and a written resolution from the same.

Regarding dignitaries (namely, the President, Secretary, and Treasurer), Panamanian legislation does not assign specific functions or authority to the same. Such officers will only perform duties expressly entrusted to them in the articles of incorporation, or by decision of the Board of Directors or the shareholders' assembly. It is mandatory for the company to keep Board of Director's meeting minutes, stating the identity of those officers acting as President and Secretary. Such minutes shall be signed and certified by them.

Financial Reporting and Legal Compliance Requirements

Panama has passed new regulations to comply with the standards and recommendations of the Organization of Economic Cooperation and Development (OECD) and the Financial Action Task Force (FATF). These regulations enhance Panama's ability to respond effectively to information requests for tax or regulatory purposes. Key measures include the implementation of a custodial regime for bearer shares, requiring authorized custodians to keep identity information on the owners of bearer shares issued by Panamanian corporations; revised anti-money laundering regulations, requiring attorneys acting as registered agents to hold detailed records about their clients, including records about final beneficiaries; and new accounting requirements for safekeeping purposes, covering companies that do not conduct business operations within Panama, including legal entities that act solely as investment vehicles.

Accounting records may be provided to the resident agent in original or copy and must be kept confidential, unless required by a competent authority of the Republic of Panama according to applicable laws.

Contract Law

Well-established and grounded in the Civil Code and Commercial Code, Panamanian contract law guarantees clarity and protection in business agreements:

- Formation and validity of contracts.
- Contractual obligations and performance expectations.
- Dispute resolution mechanisms in case of breach.

The Panamanian Civil Code, in Article 1106, provides that: "The contracting parties may establish the agreements, clauses, and conditions that they deem convenient, provided they are not contrary to the law, morals, or public order provisions." This principle of contractual freedom allows parties to agree on terms and conditions that best suit their interests, including the choice of applicable laws.

This contractual autonomy also allows the parties to select jurisdiction and applicable laws for conflict resolution on any disputes arising from their agreement.

If the parties choose to resolve conflicts in Panamanian courts, any judicial process shall be governed by Panamanian laws. However, if arbitration is preferred, the parties may select either local or foreign laws, and the arbitration tribunal itself can also be local or foreign. Furthermore, to assert their rights and provide for remedies, either party may seek preliminary injunctive relief or other temporary relief from any court of competent jurisdiction or from the arbitration tribunal, pending a final decision or arbitral award from the arbitrators.

14.2 SPECIAL ECONOMIC ZONES AND SYSTEMS

Investment regimes in Panama include

- Colon Free Zone (<https://www.propanama.gob.pa/zona-libre-de-colon/>)

- Panama Pacifico (<https://www.propanama.gob.pa/panama-pacifico/>)
- City of Knowledge (<https://www.propanama.gob.pa/cuidad-del-saber/>)
- Free Trade Zone (<https://www.propanama.gob.pa/zonas-francas/>)
- Business Headquarters SEM (<https://www.propanama.gob.pa/sedes-de-empresas-multinacionales/>)
- EMMA (<https://www.propanama.gob.pa/emma/>)
- Resident as Investor (<https://www.propanama.gob.pa/residente-con-calidad-de-inversionista-calificado/>)
- APP (Public-Private Partnership) (<https://www.propanama.gob.pa/asociaciones-publico-privadas-app/>)
- Agroparks (<https://www.propanama.gob.pa/agroparques/>)
- Call Centers
- Tocumen Logistical Zone

For detailed information about the Investment regimes in Panama visit <https://www.propanama.gob.pa/regimenes-de-inversion/>

14.3 TAXATION

Panama's tax system is based on the principle of territoriality. This means that all income generated within Panamanian territory, regardless of its source, is subject to income tax. There are no inheritance or wealth taxes in Panama. Panama offers special tax incentives, such as retired individuals and investors, through the Pensionado program and the Investor program.

- **Corporate Taxes:** Corporations, partnerships, branches of foreign corporations, limited liability companies, and any other entities recognized as legal entities by law are subject to income tax on any profits or income generated in or derived from Panama. Income that does not originate in or is not derived from Panama is not subject to tax in Panama.

Corporate Income Tax: A flat 25% rate applies to net taxable income. Taxpayers with annual taxable income greater than USD\$1,500,000 are required by law to calculate their taxes applying two different methods: The Traditional Method, whereby the 25% tax rate is applied to net taxable income and the Alternative Method (for its acronym in Spanish "CAIR"), which is calculated by applying the corresponding tax rate (i.e., 25%) to 4.67% of total income. Such taxpayer shall then pay the higher amount of taxes resulting from calculation under both methods.

- **Withholding Taxes:** The effective withholding tax rate is 12.5% for interest and royalties paid to non-resident companies.
- **Dividend Taxes:** Legal entities that require an Operations Notice to perform commercial and industrial operations within the national territory, or that generate taxable income in the Republic of Panama under applicable rules, are considered as taxpayers of dividend taxes. The amount withheld must be remitted to the Panamanian Tax Authority.

The standard dividends tax rate is 10% on the Panamanian-sourced income distributed to the shareholders. A tax rate of 5% is applicable to foreign source income that is distributed, as well as on profits distributed by companies from the Colon Free Zone, Panama Pacifico Zone or in any other special area or zone, regardless of the source of income.

A complementary tax applies each fiscal year that the entity distributes less than 40% of the net profits after income tax.

- **Branch Taxes:** Foreign entity branches registered in Panama are subject to a branch tax at a rate of 10%, which is calculated on their Panamanian taxable income minus the taxes paid on the same income in Panama.
- **Excise taxes:** The selective consumption tax is applied to food (sugar tax), goods (e.g., jewelry, guns, tobacco, alcoholic beverages), and services (e.g., mobile, cable TV, satellite TV) that are considered as non-essential services. Different tax rates apply depending on the type of service or good.
- **Operations Notice tax:** The Operations Notice tax is an annual tax on equity at a rate of 2%, with a minimum tax amount of USD\$100 and a maximum tax amount of USD\$60,000.
- **Value-Added Tax** (for its acronym in Spanish "ITBMS"): A standard 7% VAT applies to most goods and services, with some exceptions for essential items.
- **Annual Franchise Duty:** All registered companies shall pay a fixed USD\$300 annual fee to maintain their good standing.
- **Local Municipal Tax:** Local municipal tax is levied on the gross income generated by the business through the corresponding accounting period. In addition, the municipality charges a minimum tax (sign tax) according to the regulations of each entity. The registration process and requirements can vary depending on the municipality.
- **Transfer Pricing:** Cross-border intercompany transactions and transactions carried with related parties in a free zone or under a special regime conducted by Panamanian taxpayers are subject to transfer pricing obligations if the transactions result in income, costs or expenses that are taken into account in the determination of taxable income.
- **Fiscal Year:** The ordinary fiscal year is the calendar year. However, under certain circumstances, a special fiscal year may be requested from the Panamanian tax authorities.
- **Taxes for Individuals:** Citizens and residents are taxed on income earned from Panamanian sources. Non-residents are taxed only on income from Panamanian sources, and the tax on any type of income paid to a non-resident must be withheld by the payer. Citizens, residents, and non-residents are not taxed on exempt income (i.e., interest on Panamanian government securities, interest on savings accounts, and time deposits maintained with banks established in Panama). Income that does not arise in Panama or is not derived from Panama is exempted from tax in Panama.
- **Rates:** Employment income and self-employment income are taxable at the following rates.

If the income is taxable:	Tax rate:
Up to USD\$11,000.00	0%
More than USD\$11,000.00	15% on the exceeding counted from USD\$11,000.00 to USD\$50,000.00
More than USD\$50,000.00	A USD\$5,850.00 payment for the first US\$50,000.00 and then a 25% tax rate on the amount exceeding USD\$50,000.00

- **Self-employment and business income.** Profits derived from business, commercial and agricultural activities in Panama are subject to tax. Farming income is exempt from tax if gross

sales are less than USD\$300,000. If self-employment and business income is received in addition to employment income, the total income is taxed at the rates listed above.

- **Estate or gift taxes.** Panama does not tax estates, gifts or inheritance.
- **Social security:** Employees are still subject to pay social security at a 9.75% tax rate. However, the employers' contribution rate to the Social Security Fund (CSS) will increase gradually as follows:
 - From April 2025 to February 2027: 13.25% of the employee's salary.
 - From March 2027 to February 2029: 14.25%.
 - From March 2029 onward: 15.25%.

These amendments were introduced by Law 462, enacted on March 18, 2025, introducing significant reforms to the social security system administered by the Social Security Fund (CSS). Independent workers are now required by law to affiliate with the Social Security Fund and must contribute 9.36% of their declared income to the CSS for the Disability, Old age and Death Program (IVM), and optionally, they can contribute an additional 8.5% to the Sickness and Maternity program.

- **Education tax:** Employees are subject to pay at a 1.25% rate, while employers will pay a 1.50% rate for educational tax. Independent employees pay educational tax at a rate of 2.75% of their declared annual income, which are subject to income tax.
- **Tax residency:** Any individuals that remain in the country for more than one hundred eighty-three (183) days in a calendar year or the prior year, either continuously or non-continuously, or who have a permanent residence and recognize the same as the core of their economic or family interests, are considered as residents for tax purposes, regardless of their immigration status.
- **Retired, Pensioned and Elderly Citizens Discounts:** Panama grants discounts on travel expenses, medical assistance and medication, entertainment and food, among other, benefiting women of 55 years and older, as well as men of 60 years and older.
- **Immovable Property Tax:** In Panama, all owners of real estate should pay Immovable Property Tax annually at a rate between 0% and 1.0%, depending on the value and use of the property.
- **Fiscal Year:** The ordinary tax year is the calendar year. Tax returns are due on 15 March of the year following the tax year. The regulations provide for an extension of up to one month to file an income tax return.

14.4 WORKING CONDITIONS & VISAS

- Tourist visa
- Resident and work visa
- Temporary special visitor visa (for expat executives) Decree 363
- Visa for Pensioners (Law 9 of 1987)
- Investors visa
- Non-Resident Multiple visa
- Seafarers Visa
- Domestic Workers visa

- Short Stay Visa for Medical Treatment
- Short Stay Visa for Researchers and Scientific Workers
- Short Stay Visa for the Banking Sector
- Short Stay Visa for Remote Workers

15. ADDITIONAL CONSIDERATIONS

Labor Laws. Labor laws in Panama are primarily governed by the Labor Code, which outlines the requirements and conditions for employment contracts, including duration, compensation, working hours, holidays, and employment benefits. It also regulates the procedures for terminating employment, ensures compliance with occupational safety and health standards, and protects labour rights of employees.

Companies operating under the SEM (Multinational Company Headquarters) regime are regulated by Law 41 of 2007. This law provides for a special regime to promote foreign investment and job creation in Panama. While SEM companies enjoy certain tax and administrative advantages, they must still adhere to Panama's labour laws in their employment relationships.

Environmental Regulations. Panama's environmental regulations are defined by various laws and regulations aimed at protecting and preserving the environment. Recently, the Taxonomy of Sustainable Finance of Panama was published. This framework identifies economic activities and investments that contribute to the country's environmental and social goals. It encourages the mobilization of capital towards strategic investments to foster a sustainable, resilient, and inclusive national economy.

16. SOURCES OF INFORMATION AND REFERENCES

- [DIGERPI](#)
- [DIGERPI Alternative Link](#)
- [National Copyright Directorate](#)
- [Pharmacy and Drug Directorate](#)
- [Official Gazette](#)
- [Ministry of Health](#)
- [Ministry of Commerce and Industries](#)
- [National Customs Authority](#)
- [Colon Free Zone](#)

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Date	October 14, 2025
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