



## Panama

<b>General</b>	<p>Types of indirect taxes (VAT/GST and other indirect taxes).</p>	<p>VAT <i>impuesto a las transferencias de bienes corporales muebles y la prestación de servicios</i> (ITBMS). This tax applies to imported goods, products sold or services rendered in Panama.</p>
	<p>Are there other indirect taxes?</p>	<p>A stamp tax is levied on the issuance of certain documents.</p> <p>Selective consumption tax, <i>impuesto selectivo al consumo</i> (ISC) is an excise tax on the import of specific goods such as luxury vehicles, jewelry, firearms, alcoholic beverages and tobacco products.</p> <p>Insurance tax is levied on insurance premiums.</p>
	<p>What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?</p>	<p>Standard rate: 7%.</p> <p>Higher rates: 10% (alcoholic beverages and hotel services) and 15% (tobacco products).</p> <p>There are no zero-rated rules for supplies. However, exporters of goods (i.e. services not included) may recover a tax credit certificate related to the input VAT incurred. The same regime applies to local sales of food products and medical/pharmaceutical products. There are several partial exemptions (i.e. without the right to deduct input VAT) including services related to healthcare, education, electricity, insurance and financial services.</p> <p>Some transfers of goods are also VAT exempt. These include:</p> <ul style="list-style-type: none"> <li>— agricultural products in their natural condition (goods that are already altered by chemical processes or by any treatments not covered)</li> <li>— export and re-export of goods</li> <li>— supplies of goods that are inside free zones and those inside customs precincts, as well as warehouses and similar places</li> <li>— newspapers, magazines, educative magnetic media, notebooks, pencils and other items for school purposes (e.g. books and general publications)</li> <li>— fuel and similar products — except oil and lubricants</li> <li>— cement, additives and sub-products used by the subcontractors in connection with the construction of the third set of locks for the Panama Canal expansion</li> <li>— medicines and pharmaceutical products.</li> </ul>

**General  
(continued)**

What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes (continued)?

- VAT paid in connection with both exempt supplies and supplies not subject to the tax cannot be recovered. In any event, transactions that cannot be deducted from input VAT may be entitled to be deducted from income tax.
- Selective consumption tax: various tax rates.
- Insurance tax: 5% of the premium.
- Stamp tax: rate varies depending on the value and type of document.

Who is required to register for VAT/GST and other indirect taxes?

For VAT purposes, all individuals or legal entities that provide professional services and sell and/or import goods, including state-owned industrial and commercial enterprises, are required to register when their monthly gross income exceeds USD36,000 per year.

However, only individuals and legal entities registered as taxpayers (or taxable persons for VAT purposes) operating domestically within Panamanian boundaries may be registered in the Panamanian's taxpayer registry (*Registro Único de Contribuyentes*). Registration involves the identification of the relevant taxable person with an identification number valid for all tax purposes (including invoicing, filing of tax returns and other reports to the tax administration).

The aforementioned registry includes not only VAT-taxable persons, but all other types of taxpayers and/or taxable persons subject to Panamanian tax laws (including income tax, excise taxes, VAT and others).

In the case of foreign companies importing goods in to Panama, the import must be made by another company located in Panama and with a taxpayer identification number. The local company has to settle the import VAT and recover it in the sale afterwards.

Services performed by a non-resident within the Panamanian territory are subject to VAT withholding, which is considered as included in the amount invoiced to the client in Panama. The VAT withholding is determined multiplying the total amount of the invoice by the coefficient of 0.06541 in order to obtain the VAT included.

The withholding agent (usually a Panamanian entity or a non-resident entity registered as taxpayer in Panama) must file and pay the withheld VAT to the tax authority within the following 15 days of the transaction.

Services performed by a non-resident supplier for a customer based in Panama that are rendered outside of Panama are not subject to VAT.

For excise taxes on consumption, the taxpayer is the individual or legal entity who acts:

- as a provider of taxable services
- as a manufacturer, importer or provider of taxable goods.

Excise taxes on consumption refers to the selective consumption tax, but a distinction is made between selective tax and petroleum tax (both of which are excise taxes on consumption).

<b>VAT/GST registration</b>	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?	It would be possible for a foreign company to register with Panama's taxpayers registry. However, such a registration will only serve the purposes of allowing the foreign entity to file VAT returns before the tax administration. The company may then deduct any input VAT paid in the acquisition of goods and services required to provide taxable supplies within Panamanian territory. Domestic VAT law does not provide for the recovery of any excess input VAT in cash. These amounts could only be carried forward to the following tax periods.
	Does an overseas company need to appoint a fiscal representative?	Under Panamanian VAT law, there are no provisions governing the appointment of a fiscal representative.
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?	Not applicable.
	Is grouping* for VAT/GST and other indirect taxes possible?	VAT grouping is not allowed except in the case of joint ventures that are an association of two or more individuals or companies engaged in a solitary business for profit — without actual partnership or incorporation — in order to share strengths, minimize risks and increase competitive advantages in the marketplace.
<b>VAT/GST compliance</b>	How frequently are VAT/GST and other indirect tax returns submitted?	The VAT return must be submitted within 15 days after the month or quarter period.  Independent professionals are required to file on a quarterly basis.  Selective consumption tax can be paid in the customs clearance at the final product placement (in the case of imported products) or on a monthly basis.
	What are the exchange rate rules in your country?	If a business receives a purchase invoice in foreign currency, it should use the exchange rate of the invoicing date. However, there is no obligation to use a central bank's exchange rate.
<b>VAT/GST recovery</b>	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	No, individuals and legal entities registered as taxpayers (or taxable persons for VAT purposes) operating domestically within Panama are granted the right to carry forward the VAT.
	Are there any exemptions with the right to recover or deduct input VAT?	Yes, exclusively the exportation of goods and the importation and local supplies of food products and medical/pharmaceutical products.
	Are there any restrictions to the deduction of input VAT?	As a general rule, exemptions do not grant the right to recover VAT.

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiction for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>Invoices</b>	Is a business required to issue tax invoices?	Yes.
	Is it possible/mandatory to issue invoices electronically?	Yes, although an authorization from the tax authorities is required.
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	No.
<b>Audits</b>	Do tax audits take place on a regular basis?	No, audits are carried out on a discretionary basis by the tax authority.
	Are audits done electronically in your country (e-audit)? If so, what system is in use?	No.
	What penalties can arise from non-compliance?	<p>Penalties, as well as interest, are assessed for late payments:</p> <ul style="list-style-type: none"> <li>— late filing: 10% of the VAT amount due</li> <li>— interest: 12% annual rate</li> <li>— USD500 charge for filing amendment return 3 months after the original form was filed</li> <li>— late return (over 60 days) with no liability: USD10 fine.</li> </ul> <p>If an entity fails to register as a taxpayer in front of the Directorate of General of Revenue (obtaining a Tax ID number), although using invoices as well as irregular documentation or non-fulfillment of formal obligations, are considered misdemeanors sanctioned with a fine between USD100 and USD500 for first offense and between USD500 to USD5,000 for more than one offense.</p> <p>In cases of fiscal fraud, imprisonment from 2 to 5 years or a fine from 5 to 10 times the amount applies. Such cases are selected for partial or total omission of tax payment, for not documenting either taxable transactions or deductions of the tax, for failure to register accounting operations or for not submitting the return or tax payment within 2 months of the date due.</p>

<b>Special indirect tax rules</b>	Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?	No.
	Are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	<ul style="list-style-type: none"> <li>— No refunds can be requested for ITBMS paid in excess.</li> <li>— No ITBMS can be charged on services provided to the Panamanian state.</li> <li>— There is a special ITBMS regime applicable to concessions granted by the government related to infrastructure projects. The concessionaire is also granted an exemption for VAT.</li> <li>— On a general basis, contracts entered into with the government will be subject to VAT. The government will withhold 50% of the VAT charged by the contractor upon payment. This regime may generate excess credit positions to contractors.</li> </ul> <p>Since 1 January 2016 there are new ITBMS procedures in relation to ITBMS with withholding agents duly designated by the Directorate General of Revenue (<i>Dirección General de Ingresos</i>).</p> <p>A brief summary of the new procedures is as follows:</p> <ul style="list-style-type: none"> <li>— The state and other entities of the government sector: withholding on the purchase of goods and services over 50% and 100% of total tax invoiced by the vendors or providers, respectively.</li> <li>— Services provided by parent companies abroad: withholding over the total amount of the tax determined on the services provided.</li> <li>— Joint ventures, consortiums, among other similar associations: withholding on the purchase of goods and services over 50% of the total tax invoiced by the vendors or providers.</li> <li>— Withholding agents duly designated by the authority (on an annual purchase threshold basis): withholding over 50% of the ITBMS.</li> <li>— Credit or debit card issuers or management entities:             <ul style="list-style-type: none"> <li>— 2016: 2% over the total transaction amount and 1% only for pharmacies or supermarkets</li> <li>— starting from 2017: withholding over 50% of the ITBMS included in the invoices.</li> </ul> </li> </ul>

<b>Special indirect tax rules (continued)</b>	Does a reverse charge mechanism apply for goods or services?	No.
	Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?	Yes, there are special regimes that grant companies ITBMS exemptions.
<b>Rulings</b>	Are rulings and decisions issued by the tax authorities publicly available?	No, rulings and decisions are not publicly available. Tax opinions issued by the <i>Dirección General de Ingresos</i> are available at <a href="http://www.dgi.mef.gob.pa">www.dgi.mef.gob.pa</a> .