



# Tax NewsFlash

KPMG Panama

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Newsletter – July 13, 2020

## New tax incentive for the logistics sector in Panama

Executive Decree No. 354 of July 9, 2020 modified Article 10 of the Executive Decree No. 170 of October 27, 1993, on Income Tax Regulations, which establishes those activities whose income is deemed as foreign source income.

Following this amendment, sales of goods or products made by companies not established within the Republic of Panama consigned to a logistic operator located in a free zone, special economic area, airports or national ports, will now be deemed as foreign source income and therefore, not subject to Income Tax in Panama, as long as these goods do not have as their final destination the Panamanian customs territory.

Prior to the enactment of this Decree, only the sale of goods or products by companies established in Panama was considered as foreign source income, provided that such goods were moved only abroad or were "in transit" through national ports or airports.

Under this new provision, companies not established in the Republic of Panama now have the possibility of consigning goods or products (without time restrictions) to a logistic operator located in a special zone in Panama or an area with import duty suspensive treatment, and sale said products or merchandise while they are physically located in the Republic of Panama. This sale will not be subject to the payment of Income Tax, and will not constitute a Permanent Establishment in Panama, provided that said merchandise is sent abroad or to other zones, areas or enclosures with import tax suspensive treatment.

It should be noted that the foregoing shall apply without prejudice to the fact that such goods or products have been subject to operations of introduction, storage, inventory management, classification, consolidation, deconsolidation, transfer, distribution, packaging, repackaging, labeling, re-labeling, fractioning, refrigeration, separation, transport, assembly, transformation, adaptation, repair, restoration, or adjustment.

Likewise, income received by logistics operators from operations related to goods or products arriving in a primary zone of a national airport or a port or terminal area granted in concession by means of a contract law, is added as income exempt from Income Tax, provided that such goods are sent abroad or to other zones or areas under customs regimes that suspend import duties.

For further information, or if you have any questions, please do not hesitate to contact us.

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