



## **Panama Tax News**

Special Regime applicable to Micro, Small and Medium Enterprises and Business People

December, 2020

# Law 189 of December 2, 2020 which reforms the Tax Code to create a special income tax regime applicable to micro, small and medium enterprises, entrepreneurs and business people

## 1. Modification of the tax rates established in Article 699-A of the Tax Code, applicable to legal entities for income tax purposes:

- It will begin to be in force from the fiscal period of 2020.
- They apply to legal entities considered as micro, small and medium enterprises depending on the volume of income generated, based on the following rates:

If total income is:	The tax to be paid on concept of Income tax will be:
Up to B/. 11,000.00	7.5%
From B/. 11,000.01 to B/. 36,000.00	10%
From B/. 36,000.01 to B/. 90,000.00	12.5%
From B/. 90,000.01 to B/. 150,000.00	15%
From B/. 150,000.01 to B/. 350,000.00	20%
From B/. 350,000.01 to B/. 500,000.00	22.5%

- Similarly, such legal entities will be exempt from the payment of the complementary tax.

## 2. Requirements to be considered a micro, small or medium enterprise are established:

- a) To be registered in the AMPYME Business Registry
- b) That it does not result, directly or indirectly, from the division of an enterprise into several legal entities, or that it is not affiliated, subsidiary or controlled by other legal entities
- c) To receive annual gross income not exceeding five hundred thousand balboas (B/. 500,000.00)

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- d) That the shares or participation quotas of the legal entity are nominative and that its shareholders or partners are individuals.

Those requirements must be verified annually at The Tax Administration.

The Ministry of Economy and Finance will determine the formal requirements that legal entities that want to benefit from this special regime must comply.

### 3. Modification of the tax rates established in Article 700-A of the Tax Code, applicable to natural persons for income tax purposes:

- It will begin to be in force from the fiscal period of 2020.
- They apply to natural persons considered micro, small and medium entrepreneurs, depending on the volume of income generated and considering the following rates:

If total income is:	The tax to be paid on concept of Income tax will be:
Up to B/. 11,000.00	0%
From B/. 11,000.01 to B/. 36,000.00	7.5%
From B/. 36,000.01 to B/.90,000.00	10%
From B/. 90,000.01 to B/. 150,000.00	12.5%
From B/. 150,000.01 to B/. 350,000.00	17.5%
From B/. 350,000.01 to B/. 500,000.00	22.5%

### 4. For the purposes of the above table, micro, small or medium entrepreneurs are considered to be those who are in the following circumstances:

- a) That are registered in the AMPYME Business Registry
- b) That receives annual gross income not exceeding five hundred thousand balboas (B/. 500,000.00)

- c) Those requirements must be verify annually at The Tax Administration

The Ministry of Economy and Finance will determine the formal requirements to be fulfill by the legal entities that want to benefit from this special regime.

This Law will be force from November 24, 2020

This law will be consider of public order and social interest, so it will have retroactive effect until January 1, 2020.

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