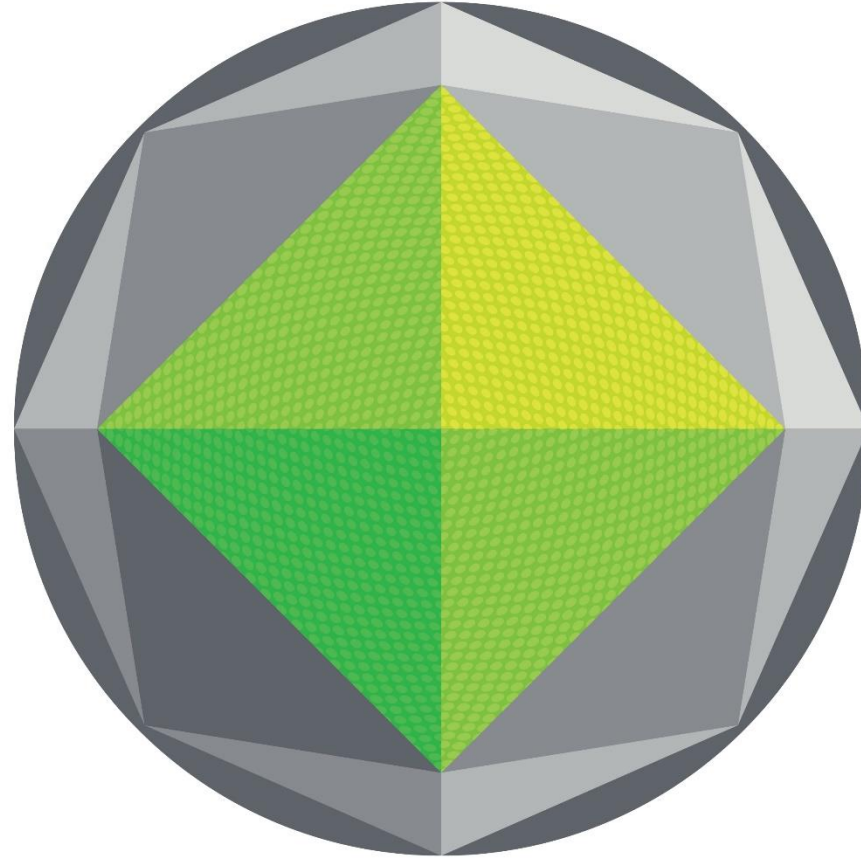


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Panama Tax News

Law 256 of 2021 amending articles of Law 76 of 1976 on tax measures

December 2021

Law 256 of November 26, 2021 amending articles of Law 76 of 1976 on tax measures

Amendments to Article 11

- The issuance of an electronic invoice or equivalent document will be mandatory to prove any transfer operation, sale of goods and provision of services by persons residing in Panamanian territory and this must be issued through authorized tax equipment or through the Electronic Invoicing System of Panama (SFEP), under the modalities of Qualified Authorized Supplier (PAC) or Free Biller of the SFEP.
- The Electronic Invoice issued through the SFEP, constitutes a negotiable document and lends the holder of the electronic invoice as an enforceable title. The invoice or equivalent document must indicate at least:
 - The denomination according to the type of document (invoice or non-tax document)
 - The unique numbering by billing point.
 - The registration number of the tax equipment.
 - The name and surname or business name, address, Unique Taxpayer Registry Number (RUC) and Verification Digit (DV) of the issuer.
 - Name and identification of the recipient, including passport card or RUC and DV.
 - Date day, month, and year of issue.
 - Amount of the operation, except in those operations that due to their characteristics cannot be expressed.
 - The breakdown of the ITBMS tax, the selective tax on the consumption of certain goods and services and any other tax that causes the operation.
 - The individual value of the transfer, the sale of the goods or the provision of services, the total sum of the invoice, date, form, and terms of payment.
 - Discounts, bonuses, cancellations and any other adjustment to the agreed price or remuneration, the description and value of these.
- The General Directorate of Revenue (DGI) may exceptionally authorize the use of another means of invoicing or proof, in those cases in which due to internet connectivity, nature or volume of the activity it is not possible to invoice through authorized tax equipment or electronic invoicing.
- Failure to comply with the obligation to issue and demand or keep receipts will constitute minor and serious formal infractions. As of January 1, 2022, any new RUC must use the SFEP as a means of billing.
- Taxpayers who participated in the Pilot Plan as electronic billers must issue their invoices through the SFEP, under the modality of PAC or Free Biller of the SFEP, from the first business day of 2023.
- The DGI is empowered to revoke

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authorizations previously granted for the use of any other format, system and / or means of issuing substitute invoices, as well as to fix, publish and extend the dates on which taxpayers must make use of authorized tax equipment and the SFEP.

Amendments to Article 12

- The documentation relating to the transfer, sale of goods and provision of services referred to in Article 11 shall be extended to companies operating within the free zones that exist or are created, as well as to sales made in the fiscal territory of Panama by companies operating within these zones and must document them in accordance with the conditions established by the special invoicing regime referred to in Articles 105-J and 105-K of Executive Decree 170 of 1993.
- The following are exempt from the use of fiscal equipment and the SFEP:
 1. Agricultural activity whose annual gross taxable income

are under \$350,000.00 USD

2. The transfer of real estate and those movable assets that must be recorded in public deeds.
3. Services provided under the relationship of dependency in accordance with the Labor Code.
4. Natural or legal persons who carry out the activities of sales of products or services through street vendors who do not use motor vehicles.
5. The activities of the associations of co-owners related to the collection of maintenance fees to comply with the Horizontal Property Regime.
6. The activities of commission agents, which correspond to reimbursable expenses. In which case they will be documented by non-tax vouchers. The DGI shall regulate this provision.
7. The entities associations or non-profit guilds of the country, provided

that they are authorized to receive donations deductible by the DGI.

8. Selective land transport services by land (taxis).
 9. Any other activity that, by its nature, in the opinion of the DGI, should be exempted.
- The excepted activities must be documented through invoices or equivalent documents authorized by the DGI.
 - The schedule for the adoption of authorized tax equipment or the SFEP will be established for the following activities:
 1. Passenger transport services, national or international, by land, air or sea, not excepted by law.
 2. Cargo transport services for petroleum products.
 3. Operations and services generally carried out by banks and other financial institutions, including leasing

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companies and investment funds, as well as activities carried out by credit, fiduciary and financial banking institutions governed by special laws, cooperatives, savings institutions and funds, pension funds, retirement and social welfare funds and savings and loan institutions.

4. The operations carried out by the stock exchanges and products authorized to operate in Panama.
5. The exercises rendered in the exercise of liberal, artisanal, and artistic operations, independently through civil societies.
6. The activity of leasing real estate under notarized contracts or registered with the Ministry of Housing, carried out by individuals or legal entities that manage their own assets without the intervention of

third parties.

7. Private entities duly authorized by the Maritime Authority of Panama to guarantee compliance with the regulations of construction, navigation, pollution prevention and safety of merchant ships, passenger transport, pleasure, scientific research, labor, oil exploitation and drilling of international traffic, whether or not they are registered in the Merchant Navy.
 8. Hostels that have less than seven rooms.
- Entities that, due to their public functions or by reason of their activity, trade or profession, intervene in acts or operations in which they must retain or receive 50% or 100% of the ITBMS (Article 19 of Executive Decree 84 of 2005), are appointed as complainant

agents in order to assist in case of breach of the obligation to invoice.

- As of July 30, 2022, all public entities are obliged to receive only as a valid document to manage purchases of goods and services by the State the electronic invoice issued in accordance with the SFEP.
- The Executive Branch, through the Ministry of Economy and Finance (MEF), will have the power to carry out a tax lottery or any other mechanism to promote and encourage compliance with billing tax obligations.
- The Executive Branch is empowered to establish the regulatory framework for the means of invoicing established in this Law.

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Contacts:

Yira Cobos

Tax Partner

ycobos@deloitte.com

Phone +(507) 303-4100

Desiree Esaa

Senior Tax Manager

desaa@deloitte.com

Phone +(507) 303-4100

Maria Andreina Marquez

Senior Tax Manager

marimarquez@deloitte.com

Phone +(507) 303-4100

Tania Aguilar

Senior Tax Manager

tanaguilar@deloitte.com

Phone +(507) 303-4100

Lisandro Becerra

Tax Manager

libecerra@deloitte.com

Phone +(507) 303-4100

Juan Mendoza

Senior Transfer Pricing Manager

jumendoza@deloitte.com

Phone +(507) 303-4100



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