



Panama Tax News

Summary of fiscal developments for the fiscal period 2022.

Due to the latest tax updates, we have prepared the following summary:

Tax Amnesty (Law 257 of November 26, 2021):

- Applies to delinquencies in the payment of taxes, fees, and special contributions, before January 31, 2021.
- If payment is made by January 31, 2022, up to 75% of all interest, surcharges and penalties will be forgiven.
- If the payment arrangement is requested until January 31, 2022, up to 70% of all interest, surcharges and penalties will be forgiven, and it will be extended until June 30, 2022.

New activities subject to electronic invoicing, pending the implementation schedule (Law 256 of November 26, 2021):

- Public passenger transport services, national and international, by land, air, or sea.
- Cargo transport services for petroleum products.
- Operations and services in general carried out by banks and other financial institutions, including leasing companies and investment funds, as well as activities carried out by credit, fiduciary or financial banking institutions governed by special laws, cooperatives, retirement and social security funds and savings and loan institutions.

- The operations carried out by the stock exchange and products authorized to operate in Panama.
- Services provided in the exercise of liberal, craft and artistic professions, independently or through civil societies.
- The activity of leasing real estate under notarized contracts or registered with the Ministry of Housing and Territorial Planning carried out by individuals or legal entities who administer their own assets without the intervention of third parties.
- 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, work, oil exploration and drilling of international traffic, whether they are registered in the Merchant Navy of Panama.
- Hostels that have less than seven rooms.
- Free zones that exist or are created.

New Sales and Services Report or Form 1027 (Resolution 201-10011 dated October 20, 2021):

- This report must be submitted by those individuals and legal entities who must submit an affidavit of income and who have received annual gross income or more than USD1,000,000.00

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and/or possessed at the same date total assets for an amount equal to or greater than USD 3,000,000.00 in the previous (annual) period where the form must be formalized.

- The presentation of this report is from February 01, 2022.
- This report must be submitted monthly, on the last working day of the month following the reporting period.
- Failure to submit this report in a timely manner will result in a fine of USD 1,000.00 to USD 5,000.00.

Form 03, new form of presentation and payment (Law 186 of November 22, 2021):

- As of January 1, 2022, Form 03 must be submitted monthly, within 15 calendar days following the expiration of the previous month.
- Balances in favor of the Tax Authority, must be canceled on the last working day of each month.
- It must coincide with the information submitted to the Social Security Fund, through the monthly prepared form.
- Failure to submit this report in a timely manner will result in a fine of USD 1,000.00 to USD 5,000.00.

New requirements for International Taxation procedures, recognition of various tax benefits, among others. (Resolution 201-8097 of 2021)

- The requirements for the recognition of the tax benefits contemplated in article 58 of Law 41 of 2004 (Tax Regime of the Panama-Pacific Special Economic Area) are established.
- The requirements that must be submitted to the General Directorate of Revenue for applications for a Tax Residence Certificate (individuals and legal entities) are indicated.
- The documents that must be submitted together with the applications for the application of benefits contemplated in Agreements to Avoid Double Taxation are indicated.
- The requirements for the application of exemption from property tax for individuals and legal entities are listed.
- The requirements for the application of immovable property tax exemption for individuals and legal entities are listed.

Strengthening transfer pricing surveillance:

- Aligned with digitalization of tax processes, Transfer Pricing Authority have constructed a risk matrix to identify taxpayers who submit returns with inconsistent information extracting data from filings submitted within a tax period comparing – among other indicators – tax regime, industry and profitability of each taxpayer. Red and yellow flags can be triggered with a potential audit as risk when information filed is inconsistent.
- Along with latest Tax Court decisions, we suggest strengthening the support documentation from services received by Panamanian taxpayers from related parties, placing emphasis to construct a

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benefit test based on collecting data to confirm that service was actually received, that services are not duplicated and services' deliverables (TAT-RF-066).

- Be aware that authority will require that all transfer pricing documentation be consistent with articles 10 and 11 of Executive Decree 390 of 2016; i.e., must be prepared fully in Spanish and present taxpayer individual audited financial statements.
- Tax authority has enabled a transfer pricing fine within international tax fines for those taxpayers who do not present the transfer pricing documentation within the required deadlines, which begins 45 business days once notified to present TP report. The fine for non-compliance in the presentation of the requested

information ranges from USD 1,000 to USD 10,000 with a temporary business closure that ranges from 2 to 10 days.

- As of November 12, 2021, the fine for non-compliance with CBCr filing amounts USD 100,000, plus a daily fine of USD 5,000 until CBCr is submitted. If the obliged entity presents inconsistent or erroneous information, the fine amounts USD 25,000. Whether the information is intentionally altered, the fine will amount USD 500,000. It is important to remember that the country-by-country report is an annual obligation, those who are required are the groups with the last holding company resident in Panama and whose consolidated income exceeds EUR 750 M in a fiscal period. . (Article 45 of Law 254 of 11/11/21).

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