



Mutual agreement procedure in conventions for the avoidance of double taxation is regulated



The Panama Tax Administration (DGI, for its acronym in Spanish) through Resolution No.201-3777 of 2024, published in the Official Gazette on June 24, regulated the mutual agreement procedure established in the Conventions for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income that have been ratified by Panama.

The resolution indicates that mutual agreement will be requested when a person considers that the measures adopted by one or both Contracting States imply taxation that is not subject to the provisions of the convention or also when points regarding the interpretation and application of the convention must be clarified.

In any case, this mechanism applies to all nationals or residents of the Republic of Panama and will be coordinated, until its resolution, by the Tax Treaties Department of the DGI; this must be concluded within 24 months from the day following the date of application for the same.

Persons who wish to proceed with a request by mutual agreement shall be guided, for its submission, by the period established by the applicable agreement and shall be governed,

among others, by the cases detailed in the Resolution No.201-3777, which are the following:

- Interpretation and application of provisions or principles of conventions
- Tax residency determination
- Transfer pricing adjustments
- Withholding tax applied at source
- Attribution of income to permanent establishments
- Characterization of certain incomes for the purposes of applying the agreement
- Characterization of the transactions carried out between the parties subject to the agreement
- Determination of the existence of a permanent establishment
- Enforcement of anti-abuse provisions if any

This resolution specifies the format in which the application must be submitted, its content and the documents that must be attached when formalizing the request, as well as the grounds for rejection and the applicable procedure in case of corrections or addition of documentation.

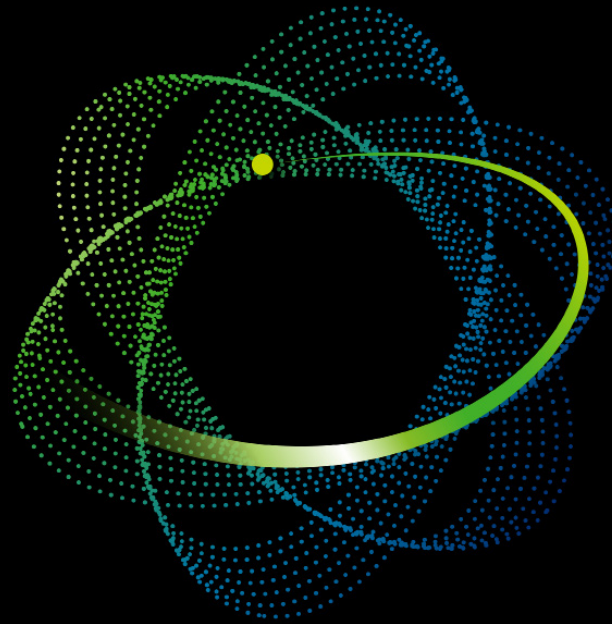
In the same way, the processes that will be carried out between the DGI and the competent authority of the other Contracting State are

established, in the event that the former determines that the application cannot be resolved unilaterally.

In accordance with this regulation, the mutual agreement procedure could have several results, including the total or partial elimination of double taxation, the determination that there is no taxation contrary to the convention, the rejection of the application, among others. Finally, the resolution determines that in the event that a person has filed any other legal action regarding the same facts that are the subject of the request for mutual agreement, could continue with both, but specific guidelines are established that must be followed at the time that one of the two has a resolution.

If the mutual agreement is resolved first and the person accepts the resolution, must desist from the other legal action, and inform the DGI; otherwise, if the other legal action is resolved first, the DGI will be obliged to implement the decision taken by the other authority.

To read more details about this resolution, you must click on the following link: [Resolution No.201-3777 of 2024.](#)



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