



Doing Business

In Panama



ORG

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The purpose of this report is to provide an overview of the business environment in Panama, based on data available at the time of publication. While every effort has been made to ensure the accuracy and timeliness of the content, **ORG Auditores Independientes, S.A.** assumes no responsibility for errors, omissions, or decisions made based on this information. For personalized inquiries or professional advice, we invite you to contact our team directly.

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About ORG Auditores Independientes, S.A.

Since our founding on December 1, 2015, we have been committed to providing the highest quality auditing and consulting services, with the goal of generating real value for our clients.

Our vision from the outset has been to become a benchmark in the industry, providing financial and business solutions that promote transparency, growth, and sustainability for the organizations we work with.

Over the years, we have built a solid reputation based on principles of integrity, technical excellence, and a fully personalized approach. This approach has allowed us to forge lasting relationships with companies of all sizes, from small and medium-sized businesses to large corporations, providing them with the support they need to achieve their goals.

Today, we have a team of highly trained professionals who are up to date with the latest accounting, auditing, and market technology regulations and trends. Each of our members contributes their experience and knowledge

to address the unique challenges of our clients, adapting to the constant changes in the business environment.

Our philosophy is based on understanding the unique needs of each client and offering solutions that generate tangible and added value.

WE ARE PROUD TO BE A PART OF:

- The Technical Accounting Board of the Ministry of Commerce and Industries of Panama since 2015, where our firm is duly registered and complies with all regulatory requirements.
- The Panama Quality Control Review Program since 2016, approved by the Panama Quality Alliance (ALCAPA), guaranteeing the highest standards in our services.
- Allinial Global since 2017, a prestigious organization that promotes the success of independent accounting firms, with a solid network of 270 members that is constantly growing worldwide.
- The AIC Inter-American Forum of Firms since 2023, a platform that fosters collaboration and knowledge sharing among leading firms in the region.

AT ORG AUDITORES INDEPENDIENTES, S.A., WE DON'T JUST AUDIT OR RECORD NUMBERS, WE ALSO BUILD THE FUTURE OF THE ORGANIZATIONS WE WORK WITH.

Our Partners

With over 25 years of experience



Angel Pinzón has been a key pillar in the firm's development and growth, performing strategic roles and assuming critical responsibilities in the field of external auditing, leading teams in complex and large-scale projects.

Thanks to his solid experience in team management and his comprehensive vision of the business, his ability to adapt to different contexts and his in-depth knowledge of the market position him as a valuable partner for those seeking expert and personalized advice in the field of auditing.

[VIEW LINKEDIN PROFILE](#)



Román Quirós has an outstanding track record in financial, operational, and compliance auditing. He has successfully led complex projects for local and multinational companies in sectors such as finance, insurance, manufacturing, hospitality, education, and retail.

His extensive professionalism and knowledge of various regulatory frameworks, together with his leadership, dedication, commitment to excellence, and collaborative approach, have been key to strengthening the firm's technical and operational capabilities, positioning him as a strategic and valuable partner for both our organization and our clients.

[VIEW LINKEDIN PROFILE](#)

Message from our Managing Partner



Dear readers,

It is an honor for me to address you in the context of the “Doing Business” report. At our firm, as part of our auditing, consulting, accounting, and tax advisory services, we support the development of different economic sectors in Panama and are committed to offering quality services that support the growth of both local and international companies in an increasingly globalized and competitive economic environment.

Panama has historically been a key business hub in Latin America, not only because of its strategic location, but also because of its economic stability and business-friendly policies. In this regard, auditing and accounting play a fundamental role in ensuring transparency, efficiency, and compliance with current regulations. Our mission is to accompany our clients through comprehensive, professional, reliable, and up-to-date services, providing detailed analysis that allows them to make informed decisions aligned with international best practices.

We know that the business environment is constantly evolving, and we are committed to staying at the forefront to support our clients in adapting to regulatory and economic changes that may arise. This includes everything from the correct implementation of tax regulations to advising on complex corporate transactions.

We appreciate the trust our customers and partners place in us, and we reaffirm our commitment to continue offering excellent service, driving their businesses and Panama’s economic growth.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Pinzón'. The signature is fluid and cursive, written over a white background.

Angel Pinzón

ORG Auditores Independientes, S.A.

Doing Business in the Republic of Panama

Welcome to this first edition of **Doing Business with ORG Auditores Independientes, S.A.** Our mission is to accompany investors and entrepreneurs on their path to success in Panama, a country that stands out for its strategic location, dynamic economy, and a legal framework that favors investment. In this report, you will find valuable information to make informed decisions and learn how our firm can be your strategic partner.

Country Overview

Panama is located in the southeastern corner of Central America, with coastlines on the Pacific Ocean and the Caribbean Sea. Thanks to its strategic position, it

is a key point for international trade, being home to the Panama Canal, one of the most important maritime routes in the world.

The country is divided into ten provinces and five indigenous regions, and its capital and most populous city is Panama City.

The Republic of Panama is bordered by the Caribbean Sea to the north, the Pacific Ocean to the south, Colombia to the east, and Costa Rica to the west. It has a land area of 75,517 km² and a population of 4,509,517¹.

PUBLIC HOLIDAYS

- **JANUARY 1** — New Year's Day
- **JANUARY 9** — Martyrs' Day
- **FEBRUARY – MARCH** — Carnival
- **MARCH – APRIL** — Holy Week
- **MAY 1** — Labor Day
- **NOVEMBER 3** — Separation of Panama from Colombia
- **NOVEMBER 5** — Consolidation of Panama's Separation from Colombia (celebrated in Colón)
- **NOVEMBER 10** — Cry of Independence of the Villa de Los Santos
- **NOVEMBER 28** — Independence of Panama from Spain
- **DECEMBER 8** — Mother's Day
- **DECEMBER 25** — Christmas

LANGUAGE

The official language of Panama is Spanish. It is the language used in government, education, business, and everyday life in the country. However, due to its international character and the presence of foreign communities, English is also widely spoken, especially in the fields of business and commerce.

RELIGION

The predominant religion in Panama is Catholicism. Protestantism has been growing in recent decades. In addition, there are communities of

Jews, Muslims, Buddhists, and indigenous religions, among others. The constitution of the Republic of Panama guarantees religious freedom.

CULTURE

Panama's culture is rich, diverse, and vibrant, influenced by traditional mixtures of indigenous, African, European (mainly Spanish), North American, Central American, and Asian cultures.

CLIMATE

The climate in Panama is tropical, characterized by two main seasons: wet (rainy) and dry (summer). However, due to the mountainous geography and proximity to the sea, the climate can vary slightly depending on the region.

CURRENCY

The official currency is the balboa (PAB), represented by the symbol B/., while the US dollar (USD), identified by the symbol \$, circulates alongside it, facilitating foreign investment.

¹ International Monetary Fund. "World Economic Outlook: Panama." Accessed February 23, 2025. <https://es.wikipedia.org>

GOVERNMENT

It is based on the division of powers, following the classic model of separation of powers:

EXECUTIVE POWER:

It is headed by the President of the Republic, who is elected by popular vote and has a five-year term, with no possibility of immediate reelection. The president is both the head of state and the head of government and is responsible for executing and enforcing laws. In addition, the president appoints his cabinet of ministers to oversee different areas of government.

The president is accompanied by the Vice President, who takes office in the event of the president's temporary absence and may also have specific functions assigned to him.

LEGISLATIVE POWER:

It is unicameral and is composed of the National Assembly of Panama, which has 71 members elected by popular vote for a term of five years.

The members of the Assembly are known as deputies, and their main function is to draft, approve, or amend laws. They also have the power to control the executive branch through oversight and audits of its management.

JUDICIAL BRANCH:

It is independent and is responsible for the administration of justice in the country. It is presided over by the Supreme Court of Justice, which is composed of nine justices who are appointed by the president with the approval of the National Assembly. The Court is responsible for interpreting and applying the laws, as well as ensuring the constitutionality of regulations. In addition, this branch is made up of the lower courts and tribunals established by law.





Investment potential in the provinces of Panama

HERE'S A BREAKDOWN OF PANAMA'S 10 PROVINCES AND THEIR MAIN INVESTMENT OPPORTUNITIES:

PANAMA

The capital, Panama City, is the economic engine of the country, concentrating a large part of the financial and commercial activity. With modern infrastructure and the Panama Canal as its central hub, the province offers opportunities in the logistics, technology, real estate, and tourism sectors.

BOCAS DEL TORO

With its unique biodiversity and idyllic beaches, Bocas del Toro is an emerging destination for sustainable tourism. Foreign investment in tourism infrastructure, renewable energy, and agribusiness is gaining momentum. Its proximity to Costa Rica and access to the Caribbean Sea make it attractive for projects seeking to connect regional markets.

CHIRIQUÍ

This province is an agricultural center par excellence, known for its coffee plantations and rice, corn, and vegetable crops. In addition to agriculture, the region has potential for real estate investment and infrastructure construction, especially in the hydroelectric sector, given its abundance of water resources.

COCLÉ

With a strong focus on agriculture, Coclé is a key location for investment in agro-industrial projects. In addition, development initiatives in the real estate sector, such as the tourist complexes in Playa Blanca, are growing. The province also has a regional airport that facilitates access to the area.

COLÓN

With its seaport and Free Trade Zone, it is one of the country's main areas of international trade. Investment in infrastructure, foreign trade, and logistics remains crucial. In addition, the area is gaining importance in the renewable energy sector, with solar and wind projects on the rise.

DARIÉN

This province, located on the border with Colombia, is characterized by its biodiversity and natural wealth. It has great potential in sectors such as ecotourism, sustainable exploitation of natural resources, and agriculture. The region is known for its rainforests, national parks, and rivers. In terms of agriculture, Darién is suitable for crops such as cocoa, oil palm, and other tropical products.

HERRERA

Located in the central region of the Azuero Peninsula, in southern Panama, Herrera is known for its agricultural production, especially sugarcane, corn, and rice. The agro-industrial and manufacturing sectors offer investment opportunities, along with growing interest in road infrastructure development and improved connectivity in the region.

LOS SANTOS

This province has a strong agricultural component, specializing in rice and sugarcane production and the development of new plantations. Renewable energy and rural tourism projects are being promoted in the region, opening up new opportunities for investors in these sectors.

VERAGUAS

With a strategic geographical location connecting the Caribbean and the Pacific, Veraguas has high potential in terms of trade and transportation. In addition, its natural landscape attracts tourists interested in ecotourism. Road infrastructure and clean energy projects are gaining momentum in this region.

PANAMÁ OESTE

The province of Panama Oeste, close to Panama City, has become a key driver of urban, commercial, and industrial development. Panama Pacifico, within this region, offers a special regime that facilitates investment and growth in sectors such as technology, commerce, and real estate, backed by modern and strategic infrastructure.

Economic Structure

Panama's economy is one of the most dynamic in the region. It is pegged to the US dollar and has experienced sustained growth in recent years. The country has an economic model based on free trade, foreign investment, and international banking. The Panama Canal, financial services, and logistics are fundamental pillars of the economy.

Economic Sectors

TERTIARY SECTOR

The service industry is the largest in the country, with transportation being the most important sector and the main economic driver.

TRANSPORTATION AND LOGISTICS:

The Panama Canal facilitates the passage of goods between the Atlantic and Pacific oceans, generating significant revenue from tolls. In addition, the Colon Free Zone, one of the largest in the world, positions Panama as a regional logistics and distribution center. Complementing this infrastructure, the railroad connects the Atlantic coast with the Pacific coast, further strengthening freight transport efficiency and regional integration.

FINANCIAL SERVICES:

Panama is considered an international banking center, with a strong presence of multinational

banks and favorable regulation for the sector. The US dollar facilitates the flow of foreign investment and financial stability.

TOURISM:

Although the tourism sector is not as large as the financial services sector, the country has experienced significant growth in recent years. Beaches, ecotourism, the Panama Canal, and historical sites such as the Old Town, the ruins of Panama la Vieja, and Portobelo are the main attractions for international tourists.

SECONDARY SECTOR

It also contributes to GDP, but less significantly than services.

CONSTRUCTION INDUSTRY:

This is a constantly expanding sector, driven by public and private investment in infra-





structure, housing projects, commercial and tourist developments.

MANUFACTURING:

We have a small manufacturing industry that produces products such as processed foods, beverages, chemicals, and textiles, although it is not as large as in other countries in the region.

PRIMARY SECTOR

Although it represents a small part of the national economy, it is nevertheless important in terms of employment and exports.

AGRICULTURE:

It is mainly based on the production of bananas, coffee, sugar cane, corn, rice, tropical fruits, and vegetables. The country has also seen an increase in investments in sustainable agriculture.

LIVESTOCK:

This is important in rural areas and focuses on meat and milk production, although to a lesser extent than in other countries in the region.

FISHING:

Access to the sea gives us the opportunity to develop a significant fishing industry, particularly tuna fishing, which is exported to various international markets.

THE REPUBLIC OF PANAMA HAS MULTIPLE FREE TRADE AGREEMENTS THAT ALLOW IT TO ACCESS INTERNATIONAL MARKETS.

Among them is the Free Trade Agreement with the United States, also known as the Panama-United States Trade Promotion Agreement (TPA). In addition, the country has similar treaties with the European Union and various Latin American nations.



Tax and fiscal system

The tax system is favorable for businesses, as it is based on the principle of territoriality, meaning that only income generated within the country is subject to taxation. In addition, it offers tax incentives that encourage investment, especially in free zones such as the Colon Free Zone and Panama Pacifico, located in the province of Panama Oeste.

The General Revenue Directorate (DGI), attached to the Ministry of Economy and Finance (MEF), is the entity responsible for tax administration in Panama. Its mission is to ensure efficient collection, promote voluntary compliance, and exercise oversight, control, and sanctioning functions in the event of tax violations.

Its functions include the application of sanctions, the resolution of administrative appeals, and the issuance of administrative acts related to tax legislation. The DGI also promotes public policies and strengthens the tax culture in society.

Recently, the DGI has moved toward digitization, implementing the e-Tax 2.0 system, which allows taxpayers to carry out proce-

dures online, such as payments, inquiries, and requests, facilitating tax compliance and reducing in-person procedures.

A taxpayer before the DGI can be a natural person, legal entity, non-profit organization, withholding agent, or collecting agent. To operate legally, they must register with the Single Taxpayer Registry (RUC), which assigns the tax identification number necessary to file taxes and carry out tax procedures.

The DGI distinguishes “Large Taxpayers,” those with high income, assets, or tax payments, to provide them with specialized attention that optimizes tax processes. The criteria include income greater than B/. 25 million, assets greater than B/. 100 million, or annual contributions greater than B/. 1.7 million. This category is updated annually with data from the e-Tax 2.0 system.

In summary, Panama’s tax system, supported by modern and technological management, creates an environment conducive to investment and business development, with an efficient regulatory framework and a tax collection agency committed to transparency and excellence.

Main national taxes

The Panamanian tax system is characterized by its diversity, which includes direct and indirect taxes regulated by the Tax Code. Among the most relevant are:

IMPORT

INCOME

REAL ESTATE

VESSELS

STAMP DUTY

BUSINESS OPERATING NOTICE

BANKS, FINANCIAL INSTITUTIONS, AND CURRENCY EXCHANGE BUREAUS

INSURANCE

CONSUMPTION OF FUEL AND PETROLEUM DERIVATIVES

ITBMS (TRANSFER OF GOODS AND SERVICES)

SELECTIVE TAX ON THE CONSUMPTION OF CERTAIN GOODS AND SERVICES

TRANSFER OF REAL ESTATE



How do these national taxes work?

IMPORT TAX

The importation of goods is subject to customs duties, which are a fundamental source of revenue for the State. The rate varies according to the type of product and its tariff classification. The National Customs Authority of Panama is the entity responsible for collecting this tax.

INCOME

This direct tax is levied on income generated by individuals and legal entities within Panama. Taxpayers must file an annual tax return and an estimated return for the following year, with installment payments in June, September, and December.

All persons who have remained in the country for 183 days in a calendar year are subject to income tax on their salary or other forms of income.

Our legislation establishes that companies with income exceeding B/. 1.5 million, with a tax loss or effective rate, have the option of requesting the non-application of the Alternative Income Tax Calculation (CAIR).

REAL ESTATE

Contribution levied on land and permanent structures throughout the national territory. The rate is progressive, with exemptions for primary residences and family assets with a cadastral value between B/. 120,000.00 and B/. 300,000.00, in addition to a three-year exemption for new properties. Payment is made annually in three installments (April, August, and December). Properties with a cadastral value of less than B/. 120,000.00 are exempt if they are primary residences or family assets subject to taxation.

VESSELS

Applicable to the ownership and use of vessels, regulated by Law 4 of 1983, with oversight by the Panama Maritime Authority.

STAMP DUTY

Applies to legal documents, contracts, and notarial acts, common in commercial transactions.

BUSINESS OPERATING NOTICE

Any individual or legal entity that maintains a valid business license must pay an annual tax based on the company's capital stock at a rate of 2%, with a minimum of B/. 100.00 and a maximum of B/. 40,000.00. Companies with capital of less than B/. 10,000.00 are exempt.

BANKS, FINANCIAL INSTITUTIONS, AND CURRENCY EXCHANGE BUREAUS

Financial and exchange activities pay a tax determined by their volume of operations and profitability.

INSURANCE

Life and property insurance premiums are subject to a tax intended to regulate the insurance market. The Superintendency of Insurance and Reinsurance of Panama (SSR) oversees this activity.

CONSUMPTION OF FUEL AND PETROLEUM DERIVATIVES

Taxes the consumption of gasoline, diesel, and other fossil fuels, with fiscal and environmental repercussions.

ITBMS (TRANSFER OF GOODS AND SERVICES)

Flat rate of 7% since 2010, applicable to sales, services, contributions, and transfers within the country. Taxpayers with annual turnover exceeding B/. 36,000.00 must collect, declare, and pay this tax, deducting the tax credit corresponding to the tax paid on inputs and services.

CASES WHERE OTHER RATES APPLY:

- Import, wholesale, and retail sale of alcoholic beverages ITBMS 10%.
- Import, wholesale, and retail sale of tobacco products ITBMS 15%.
- Accommodation or lodging services in all forms ITBMS 10%.
- Medicines, basic school supplies, uniforms, textbooks, food, agricultural products, public services (electricity and water), medical services, and laboratories are not subject to ITBMS.

SELECTIVE TAX ON THE CONSUMPTION OF CERTAIN GOODS AND SERVICES

These taxes are imposed on specific products such as alcohol, tobacco, and luxury goods to regulate their consumption in line with fiscal policy.

TRANSFER OF REAL ESTATE

The transfer of property is subject to a 2% tax. The amount paid may be deducted from the income tax generated by the sale of real estate, in accordance with the Tax Code.

Other taxes and obligations related to your investment

REMITTANCE TAX

Money transfers sent outside Panama are subject to a tax, generally calculated as a percentage of the amount sent. Its purpose is to regulate and control the outflow of foreign currency from the country. Individuals or legal entities, whether national or foreign, located in the territory of the Republic of Panama who benefit from the service or acts in question must apply the rates established in Articles 699 and 700, on 50% of the amount remitted, Article 694, subsection (e) of the Tax Code.

TRANSFER PRICING

It is the value assigned to commercial and financial transactions between related companies in different jurisdictions, used for tax purposes. Its regulation seeks to prevent price manipulation that could reduce the tax base and evade taxes.

Transactions carried out by taxpayers with related parties must be valued in accordance with the “arm’s length principle,” i.e., ordinary and extraordinary income, costs, and deductions necessary to carry out those transactions must be determined considering the price or amount that independent parties would have agreed upon under similar circumstances in conditions of free competition.

OUR TAX CODE, IN ARTICLE 762C, ESTABLISHES THAT A RELATED PARTY IS UNDERSTOOD TO BE THE FOLLOWING:

- When there are two or more persons and one of them participates directly or indirectly in the management, control, or capital of the other.
- When there is a group of persons and one or more persons participate directly or indirectly in the management, control, or capital of said persons.
- Likewise, the head office or other permanent establishments of the same, as well as the persons indicated in the previous paragraph and their permanent establishments, are considered related parties of a permanent establishment.

Panamanian law establishes five (5) methods for analyzing the agreed value in transactions between related parties, in accordance with Article 762F of the Tax Code.

The Transfer Pricing Report (Form 939) must be submitted through the General Revenue Directorate’s website within six (6) months after the end of the fiscal period.

Additionally, the legislation provides for the Transfer Pricing Study, regulated in Article 762-J, which must contain the supporting information required by the DGI. This study must be submitted within 45 days from the date of notification of the requirements.

MUNICIPAL TAXATION

Municipalities levy taxes, fees, and contributions on industrial, commercial, and profit-making activities in their districts. In Panama, in addition to national taxes, municipalities have the power to impose various



taxes on commercial and industrial activities, services, and properties located within their jurisdictions. Companies are also required to file their annual income tax returns with their local municipality. Failure to comply with this obligation may result in a fine of B/. 500.00.

The main municipal taxes and fees applicable to taxpayers in general are described below:

OPERATION AND ACTIVITY NOTIFICATION TAX

This tax is levied annually on all individuals or legal entities that carry out commercial, industrial, or service activities within the municipal district. Its tax base is usually related to declared capital or the type of economic activity. Payment of this tax is a requirement for obtaining and maintaining a valid municipal operating permit.

VEHICLE TAX

This tax is levied on the ownership and use

of vehicles within the municipal jurisdiction. It may apply to private cars, commercial vehicles, public transport, and heavy machinery.

TAX ON WORKS AND CONSTRUCTION

All construction, remodeling, or expansion of buildings within the municipality is subject to this tax. The amount is generally calculated based on the estimated cost of the work or the built area.

ENVIRONMENTAL MANAGEMENT FEES

Municipalities apply taxes or fees related to environmental management and protection, such as garbage collection, solid waste management, and maintenance of green areas.

URBAN PLANNING FEES

This tax is charged for permits and licenses related to land use, zoning, subdivision, and other aspects of land use planning.

How to set up your investment?

Panama offers a range of tax incentives to investors, especially in key sectors such as the Colon Free Zone, tourism, infrastructure, and renewable energy.

There are tax exemptions, incentives for hiring employees, and exemptions on the importation of equipment and machinery.

If you are considering investing, here are the key steps to establishing your investment.

1. CHOICE OF LEGAL STRUCTURE:

The first step is to define the legal structure of your investment. The most common options are:

■ PUBLIC LIMITED COMPANY (S.A.):

Ideal for those who wish to maintain the privacy of the partners and access a flexible structure. Law No. 32, enacted on February 26, 1927, on corporations establishes that two or more persons of legal age, regardless of their nationality or whether or not they reside in the Republic, may form a corporation for any lawful purpose. To do so, it is necessary to formalize a social pact that must include certain essential elements for its registration, such as: the names and addresses of each subscriber, the name of the company, its corporate purpose, the amount of capital stock, the number and par value of the shares into which the capital is divided, the domicile of the company, the name and address of its resident agent in the Republic, the duration of the company, and the number of directors, which may not be less than three, among other relevant aspects.

■ LIMITED LIABILITY COMPANY (S.R.L.):

Suitable for small and medium-sized companies, with fewer formalities and restrictions on the transfer of shares. Law No. 4, dated January 9, 2009, establishes that two or more persons may form a limited liability company and act as its administrators. The number of partners, which may not be less than two, shall be determined in the articles of association. The company may be incorporated by means of a private document recorded in the public registry or a public deed, and must be registered in the Public Registry.

2. ENTRY IN THE PUBLIC REGISTER:

The registration of a public deed in the Public Registry of Panama is essential to give it full validity and enforceability against third parties. This procedure ensures that legal acts and documents, such as the incorporation of companies, the purchase of real estate, or the creation of mortgages, are officially recognized and protected by law. Prior legal advice is essential in this step, as it secures your investment.

3. NOTICE OF OPERATION AND OTHER PERMITS:

Depending on the activity carried out, it may be necessary to obtain an operating permit, which is processed by the Panamanian Ministry of Commerce and Industry (MICI) through the Panama Emprende System. Once the company is registered, the next step is to register with the corresponding municipality. In addition, some sectors require specific permits (e.g., health, food, safety, etc.).

→ <https://www.panamaemprende.gob.pa>

4. REGISTRATION OF THE COMPANY WITH THE DGI:

All companies in Panama must be registered with the General Revenue Directorate (DGI) to obtain a Unique Taxpayer Registration Number (RUC), which allows them to comply with their tax obligations, such as filing tax returns and paying taxes.

In addition, companies must pay a single annual fee to the DGI, a payment that is mandatory to keep the registration active and in good standing, ensuring compliance with the country's tax regulations.

This payment is one of the basic tax responsibilities that companies must assume in order to operate legally in Panama.

→ <https://dgi.mef.gob.pa/>

5. OPENING A BANK ACCOUNT:

This is a fundamental step for any company wishing to establish itself and operate in Panama. The Panamanian banking system is robust and comprises a wide variety of financial institutions, both local and international, providing companies with a wide range of options for managing their financial operations.

To open a bank account, companies must meet certain requirements established by financial institutions. Generally, legal documents for the company must be presented, such as the Public Registry, the RUC, and official identification for the company's legal representatives. In addition, banks usually request a description of the company's business activities and the source of funds.

The process of opening an account in Panama is relatively simple and efficient, reflecting the stability and confidence that the country offers to investors. The possibility of having accounts in US dollars is an additional attraction, given that Panama uses the Balboa as its official currency, but its economy is dollarized, which facilitates international transactions and minimizes exchange rate risk.

BANKING INSTITUTIONS IN THE SECTOR:

- BAC International Bank, Inc.
- Banco Aliado, S.A.
- Banco Davivienda (Panamá), S.A.
- Banco Ficohsa (Panamá), S.A.
- Banco General, S.A.
- Banco Lafise Panamá, S.A.
- Banco La Hipotecaria, S.A.
- Banesco (Panamá), S.A.
- Banistmo, S.A.
- Banisi, S.A.
- BCT Bank International, S.A.
- Canal Bank, S.A.
- Credicorp Bank, S.A.
- Global Bank Corporation
- Metrobank, S.A.
- Multibank Inc.
- St. George Bank & Company, Inc.
- Towerbank International Inc.
- Unibank, S.A.

Once the bank account has been opened, the company will be able to carry out financial transactions, receive payments, manage its working capital, and establish both local and international business relationships. Without a doubt, opening a bank account in Panama is an essential step in ensuring the smooth running of operations and compliance with the country's tax and commercial regulations.

6. MUNICIPAL REGISTRATION

This is a necessary process for a company to operate legally within a specific municipality in Panama. This registration is carried out at the municipality corresponding to the place where the business will be established and aims to ensure that the business complies with local regulations and pays the relevant taxes for its commercial activity. You must approach the corresponding municipality to request the registration requirements, as failure to comply with this obligation may result in legal penalties.

7. LABOR PROCEDURES

In terms of labor, Panama has legislation that protects both employees and employers. The Labor Code, Cabinet Decree No. 252 of December 30, 1971, and its respective amendments, regulates labor relations and establishes the rights and duties of the parties involved.

→ <https://www.mitradel.gob.pa/>

Employers must register their employees with the Social Security Fund (CSS). These contributions are essential to guarantee workers' access to health services and a pension fund for their retirement.

→ <https://www.css.gob.pa/>

EMPLOYMENT CONTRACTS IN PANAMA

It can be in written or verbal form. However, it is advisable that the contract be in writing to avoid future conflicts, as it provides clarity on the working conditions.

TYPES OF EMPLOYMENT CONTRACTS

- **FIXED-TERM CONTRACT:**

It is established for a fixed term, either for a specific period or for the completion of a job. This type of contract must always be in writing and must specify the start date and end date.

- **PERMANENT CONTRACT:**

This is the most common contract in Panama. It does not have a set termination date and is designed to establish a continuous employment relationship. It can be terminated by either party, but must follow the procedures established by law to avoid penalties or additional payments.

- **FIXED-TERM CONTRACT:**

It is entered into for the performance of a specific work or service, and ends when that service or work has been completed.

SALARIES IN PANAMA

In Panama, the minimum wage is determined by the Ministry of Labor and Workforce Development (MITRADEL) and varies according to economic activity (industry, commerce, agriculture, etc.) and region (urban or rural area). For example, the minimum wage may be higher in Panama City and its surroundings, while it may be lower in other rural areas such as the interior of the country. According to Article 174 of the Labor Code, the minimum wage is reviewed every two (2) years.

PAYMENT METHOD

Salaries must be paid in official currency (balboas or dollars) and on time, via bank deposit,



ACH transfer, check, or cash.

- **MONTHLY:**

Generally used for workers with fixed-term contracts.

- **BIWEEKLY:**

Widely used in standard employment contracts in Panama.

- **WEEKLY:**

For jobs with more frequent payments, such as in construction or services.

- **DAILY:**

Paid for each day worked. Applies in cases of temporary work or part-time work.

- **HOURLY:**

Payment is calculated for each hour worked. It is used for part-time work, reduced working hours, or when expressly agreed upon in the contract.

- **TASKS OR PIECES:**

Salary is calculated according to the number of products manufactured or tasks completed.

and dividing it by twelve. It is paid in three installments (December, August, and April).

- **VACATION:**

The worker is entitled to an annual period of paid vacation. Equivalent to thirty days for every eleven continuous months of work.

- **OVERTIME:**

Hours worked outside normal working hours (more than 8 hours per day or more than 48 hours per week) must be paid at an additional rate, which varies depending on the shift (day, night, or mixed).

- **BONUS OR BONUS PAYMENT:**

The Christmas bonus is an additional payment on top of the employee's salary, the amount of which is determined by each company and is not subject to a specific value. It is usually paid in December and is not mandatory for the employer, unlike the thirteenth month's salary, which is required by law.

ADDITIONAL BENEFITS

- **THIRTEENTH (XIII) MONTH:**

It is an additional payment obtained by adding up the total salary earned in a year

WORKING HOURS AND BREAKS

In Panama, the standard working week is 48 hours, spread over 6 days (usually Monday to Saturday), with one mandatory day off (usually Sunday).

The working day must not exceed 8 hours. For workers with working days longer than 8 hours, the employer must pay overtime or additional hours at the rates established by law.

- **DAILY BREAK:**

The working day includes a break of no less than half an hour and no more than two hours. All employers are required to grant their workers a daily break.

- **WEEKLY DAY OF REST:**

The mandatory day of rest is Sunday, but the worker may agree to work on that day and take the rest at another time.

DISMISSAL AND TERMINATION OF THE CONTRACT

The employer may not terminate the employment relationship without a justified cause provided for by law:

- **DISMISSAL WITHOUT JUSTIFIED CAUSE:**

If the employer dismisses the worker without legal justification, they must pay compensation based on seniority and salary. This compensation is calculated according to the length of service and the type of contract.

- **TERMINATION WITH JUSTIFIED CAUSE:**

Termination is justified if the employee has committed serious offenses established by law, disobedience, or non-compliance with labor regulations.

- **EMPLOYEE RESIGNATION:**

If the employee decides to resign, they must follow certain procedures and may be entitled to compensation if they are in certain circumstances, such as resignation for justified reasons.

WORKERS' RIGHTS:

Workers in Panama enjoy a number of fundamental rights.

- **PROTECTION AGAINST DISCRIMINATION:**

The employer may not discriminate against an employee on the basis of race, gender, religion, etc.

- **OCCUPATIONAL HEALTH AND SAFETY:**

The employer must ensure a safe and healthy working environment.

- **RIGHT TO ORGANIZE:**

Workers have the right to form and join unions.

- **SOCIAL SECURITY AND EDUCATIONAL INSURANCE PAYROLL DEDUCTIONS:**

Payroll deductions are made each month and are the responsibility of the employer. Social Security covers health, pension, and workplace accident benefits, and the employer must withhold a percentage of the employees' wages to pay this amount to the CSS.

In addition, Educational Insurance is a mandatory contribution applied to employers and workers, intended to finance programs and projects aimed at strengthening and improving the national education system.

The employer is responsible for ensuring that these deductions are made correctly and on time, in addition to complying with tax and labor obligations. The employee, for their part, is required to provide the necessary documents for registration and to cooperate with the employer to ensure that contributions are timely and adequate.

VISAS FOR FOREIGNERS AND WORK PERMITS IN PANAMA

To ensure legal and efficient integration, the Panamanian government offers various visa options for foreigners and work permits, allowing investors, professionals, and their families to reside and operate legitimately in the country.

Accounting regulations

In Panama, accounting regulations are adapted to ensure transparency and financial integrity, and are aligned with international best practices. Current accounting regulations are based primarily on International Financial Reporting Standards (IFRS), which have been accepted by both the General Revenue Directorate and

the agencies that oversee the country's regulated industries, such as banks, insurance companies, and securities firms.

The applicable accounting regulations are detailed below:

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):

The International Financial Reporting Standards are the basis for accounting for companies in Panama, especially those listed on the stock exchange or operating internationally. The Association of Certified Public Accountants of Panama and other organizations within



the profession have adopted these standards as part of their regulations for companies in the country.

Companies must prepare the following annual financial statements in accordance with IFRS:

- **BALANCE SHEET:**
A statement that presents the financial position of the company, showing its assets, liabilities, and equity.
- **INCOME STATEMENT:**
Shows the revenues, costs, expenses, and profits or losses generated during a given period.
- **STATEMENT OF CHANGES IN EQUITY:**
Reflects the changes in the company's net equity during a period.
- **CASH FLOW STATEMENT:**
Presents the cash flows generated and used during the period, broken down into operating, investing, and financing activities.
- **NOTES TO THE FINANCIAL STATEMENTS:**
Include additional and explanatory information on accounting policies, financial risks, and other relevant transactions.

PANAMA TAX CODE

The Panama Tax Code establishes rules on the filing of financial reports for tax purposes. This code regulates accounting for tax purposes, ensuring that companies correctly report their income and expenses in accordance with Panamanian tax laws.

KEY ASPECTS OF THE TAX CODE:

- **RECORDING OF INCOME AND EXPENSES:**
Companies must keep detailed records of all their business transactions, both for tax and accounting purposes.

■ **AUDIT REQUIREMENTS:**

Companies subject to audit must submit their financial statements to an external review by a certified public accountant.

■ **TAX RETURN:**

Companies must file an annual tax return with the DGI, which must be supported by financial statements prepared in accordance with local accounting standards and IFRS.

MAIN LEGAL PROVISIONS

LAW 52 OF OCTOBER 27, 2016

It establishes that companies operating in Panama, including corporations, must follow certain accounting practices. This law, enacted by the SSNF, regulates the activities of certain non-financial sectors and sets requirements for the registration and control of operations.

■ **OBLIGATION TO KEEP ACCOUNTING**

RECORDS:

Companies must maintain accounting books in which all financial transactions of the company are recorded, and these must be accessible to the tax authority in case of an audit.

■ **COMPLIANCE WITH INTERNATIONAL**

STANDARDS:

The law establishes the obligation to follow international accounting principles, including IFRS, for companies in certain sectors.

■ **TRANSPARENCY:**

The law requires companies to comply with financial transparency standards, especially to prevent money laundering and terrorist financing.

LAW 254 OF NOVEMBER 11, 2021

- Introduces adjustments to Panamanian legislation to strengthen international tax transparency.

- Reinforces measures against money laundering, terrorist financing, and the proliferation of weapons of mass destruction.
- Updates and adapts the legal framework to comply with international standards and improve tax and financial cooperation.

LAW 124 OF JANUARY 7, 2020

- Creates the Superintendency of Non-Financial Entities, the authority responsible for supervising and regulating non-financial entities vulnerable to money laundering (e.g., lawyers, real estate agents, casinos, etc.).
- Seeks to expand supervision beyond the traditional financial sector to strengthen prevention.

LAW 70 OF JANUARY 31, 2019

- Reforms the Criminal Code regarding offenses related to money laundering and terrorist financing.
- Establishes harsher penalties and clear sanctions for those responsible for these crimes, strengthening criminal prosecution.

LAW 21 OF MAY 10, 2017

- Regulates the activity of trustees and trust businesses in Panama.
- Establishes rules for their supervision and control, ensuring that these entities implement adequate measures to prevent money laundering and terrorist financing.

LAW 23 OF APRIL 27, 2015

- Main framework for the prevention of money laundering, terrorist financing, and the proliferation of weapons of mass destruction.
- Establishes identification, reporting, and control obligations for obligated parties, both financial and non-financial.
- Defines the responsibilities of the Financial Analysis Unit (UAF) and other authorities.

LAW 280 OF DECEMBER 30, 2021

- Regulates the practice of the profession of certified public accountant.

EXECUTIVE DECREE 35 OF SEPTEMBER 6, 2022

- Regulates Law 23 of 2015.
- Details the procedures and controls that entities must implement to comply with the law, including due diligence, monitoring, and reporting of suspicious transactions.

EXECUTIVE DECREE 585 OF AUGUST 4, 2015

- Regulates the preventive freezing of assets as provided in Law 23 of 2015. Establishes procedures for freezing property or assets when there is suspicion that they are linked to money laundering, terrorism, or the proliferation of weapons.

RESOLUTION NO. 201-1990 OF JULY 21, 1998

- Instruction for the application of rules for accounting records and financial statements.

SUPERINTENDENCY OF BANKS OF PANAMA (SBP)

For financial institutions and banks in Panama, the Superintendency of Banks of Panama (SBP) regulates accounting practices and audits, establishing strict financial reporting requirements.

SBP REGULATIONS:

- **BANK ACCOUNTING STANDARDS:**
Banks must follow IFRS and other specific regulations to ensure that their accounting is accurate and that they can adequately manage financial risks.

- **EXTERNAL AUDIT:**

Banks must be audited by independent auditors, and the audited financial statements must be submitted to the SBP regulator.

ACCOUNTING OF CORPORATIONS

Corporations are the most common legal forms for conducting business in Panama.

These entities are required to maintain accounting records in accordance with Panama's tax and accounting laws.

REQUIREMENTS FOR CORPORATIONS:

- **MANDATORY ACCOUNTING RECORDS:**

Corporations must maintain accounting books in which all business transactions are recorded. Although Panama's Commercial Code does not require accounting in specific books, the books must be available for audits and tax reviews.

- **ANNUAL REPORTS:**

Corporations must submit their annual financial reports, including an external audit, to their shareholders and the tax authorities.

AUDIT AND FINANCIAL SUPERVISION

Auditing in Panama is a key aspect to ensure transparency and compliance with regulations. Companies must submit their financial statements to external audits if they are public interest entities or if their revenues exceed certain thresholds established by law.

Having financial audit reports is beneficial for business relationships, as it demonstrates financial strength to clients, shareholders, partners, and investors.

AUDIT REQUIREMENTS IN PANAMA:

- **CERTIFIED PUBLIC ACCOUNTANTS (CPA):**

Financial statements must be audited by a certified public accountant registered with the College of Certified Public Accountants of Panama (CPA).

- **REVIEW OF FINANCIAL STATEMENTS:**

Audited financial statements must be submitted to the DGI and, in some cases, to other regulators such as the Superintendency of Banks or the Superintendency of the Securities Market (SMV).

THE FOLLOWING CONSTITUTE ACTIVITIES EXCLUSIVE TO THE PROFESSION OF CERTIFIED PUBLIC ACCOUNTANT, IN ACCORDANCE WITH LAW 280 OF DECEMBER 30, 2021:

- External audit, opinion, and endorsement of financial statements, comptrollership, internal audit, treasury, and budgeting.
- The review, compilation, preparation, analysis, and interpretation of financial statements.
- Advisory services, consulting, and expert reports of a tax, judicial, administrative, or any other nature involving accounting or financial records and/or information.
- Endorsement of national and municipal income tax returns exceeding eleven thousand balboas (B/. 11,000.00) for individuals and legal entities.
- The formalization of the opening of accounting books and validation of records.
- Certification or endorsement of reports, presentations, or statements of an accounting or financial nature.
- Forensic auditing in the prevention and fight against fraud.
- Participation as an expert witness for the presentation of expert reports in judicial investigations.



**Reliability,
experience,
and commitment
at your service**



What can we do for your investment?

As an audit, consulting, accounting, and tax advisory firm, we can offer you a range of services specifically designed to facilitate and optimize your investment in Panama. Here is how we can assist you:

1. CONSULTING IN LEGAL AND TAX STRUCTURE

■ COMPANY FORMATION:

We provide guidance on establishing a company in Panama, assisting you in choosing the type of entity (such as a corporation, limited liability company, etc.) and ensuring compliance with all local regulations.

■ TAX AND FISCAL ADVISORY:

We provide tax planning, assisting you



in leveraging specific tax incentives for foreign investors, such as tax exemptions in special zones or the Colón Free Zone.

- **TAX OPTIMIZATION:**

We assess how to optimize your tax burden in Panama and guide you in structuring your operations most efficiently to maximize tax benefits while complying with local and international laws.

2. AUDIT AND DUE DILIGENCE

- **FINANCIAL AUDIT:**

We conduct audits of the financial statements of your company or of local companies you wish to partner with or acquire, ensuring that the figures are accurate, transparent, and comply with accounting and tax standards.

- **DUE DILIGENCE:**

We conduct a thorough analysis in acquisition, merger, or investment processes in Panamanian companies, reviewing their financial, legal, tax, and operational status to ensure an informed decision and minimize risks.

3. ACCOUNTING AND FINANCIAL MANAGEMENT

- **ACCOUNTING SERVICES :**

We provide comprehensive accounting services, from the preparation of financial statements to the management of accounting books, ensuring that your company complies with local regulations and maintains efficient operations.

- **CASH FLOW AND FINANCE MANAGEMENT:**

We help you manage your cash flow, optimizing the use of resources and ensuring that your investment remains liquid and profitable at all times.

- **PREPARATION OF FINANCIAL REPORTS:**

We prepare periodic reports to help you make decisions based on up-to-date and accurate data regarding the performance of your investment.

4. ADVISORY ON SPECIAL REGIMES AND ECONOMIC ZONES

- **SPECIAL ZONES AND EXEMPTION REGIMES:**

Panama offers various economic zones and favorable tax regimes (such as the Colón Free Zone and investment areas in tourism or infrastructure). We help you identify the most beneficial options for your type of investment and guide you on how to take advantage of these incentives.

- **STRATEGIES FOR TAX EXEMPTIONS:**

We advise you on the available tax ex-

emptions, optimizing the tax impact of your investment.

5. ADVISORY IN CORPORATE FINANCE AND EXPANSION PROJECTS

■ FINANCING STRUCTURING:

If you need capital for your investment, we help you structure financing options, whether through bank loans, bond issuance, or seeking investors.

■ EXPANSION PLANNING:

If your goal is to expand your investment in Panama, we help you develop expansion and growth plans, creating a strategic roadmap for their implementation.

6. COMPLIANCE AND LOCAL REGULATIONS

■ COMPLIANCE WITH LOCAL REGULATIONS:

We ensure that your investment complies with all local regulations in Panama, including labor, tax, environmental laws, and regulations for foreign investment.

■ MONITORING OF REGULATORY CHANGES:

We keep you informed about changes in laws and regulations that may affect your investment and help you adapt your

strategies accordingly.

7. REAL ESTATE INVESTMENT ADVISORY

■ ANALYSIS OF REAL ESTATE OPPORTUNITIES:

If your interest is in real estate investment, we can help you identify properties with high profitability potential, both in the residential and commercial sectors.

■ ADVISORY IN REAL ESTATE PURCHASE AND SALE:

We guide you through the entire process of acquiring or selling properties, ensuring compliance with local regulations and securing the best financial terms.

8. EXIT STRATEGY AND PROFITABILITY PLANNING

■ EXIT PLANS:

If in the future you wish to divest or sell your investment, we help you develop an efficient exit strategy, ensuring you achieve the highest possible return.

■ PROFITABILITY MAXIMIZATION:

We focus on optimizing the profitability of your investment over time, managing

INVESTMENT BUILDS FUTURES; RESPONSIBLE AND STRATEGIC DECISIONS LAY THE FOUNDATION FOR TOMORROW'S GROWTH, INNOVATION, AND PROSPERITY.

risks, and leveraging new business opportunities.

9. LEGAL SERVICES DERIVED FROM ACCOUNTING AND AUDIT PRACTICES

■ **REPRESENTATION BEFORE THE GENERAL DIRECTORATE OF REVENUE (DGI):**

We assist our clients in tax audits, fiscal inspections, formal requests, and tax reviews, ensuring an appropriate technical response and a well-documented defense.

■ **LEGAL MANAGEMENT BEFORE MUNICIPALITIES:**

We provide support on matters related to municipal taxes, business licenses, and local fees, facilitating compliance and the resolution of requirements or disputes.

■ **ADVISORY AND PROCEDURES BEFORE THE MINISTRY OF COMMERCE AND INDUSTRIES (MICI):**

We assist in legal processes related to operating permits, registration in special

records, and compliance with sector-specific regulations applicable to your economic activity.

■ **LEGAL SUPPORT ON REGULATORY MATTERS ARISING FROM ACCOUNTING AND AUDIT:**

We help interpret and apply local regulations in financial, tax, and accounting matters with legal support, ensuring consistency between accounting reports, tax obligations, and legal requirements.

At ORG Auditores Independientes, S.A., we provide all the necessary support to make your investment in Panama successful and fully structured from a legal, financial, and tax perspective. From advising on the creation of your company to optimizing your tax burden and ensuring regulatory compliance, we are here to ensure your investment grows sustainably and profitably. Additionally, we have a team of professionals committed to offering personalized solutions tailored to each client’s needs.



We are ORG Auditores Independientes, S.A.

Financial solutions for your company's success



AUDIT | TAX ADVISORY | ACCOUNTING CONSULTING | LEGAL SERVICES

*CONTACT US AND RECEIVE
THE PROFESSIONAL SUPPORT YOUR
COMPANY DESERVES TO GROW WITH
SECURITY AND CONFIDENCE*

References

GENERAL REVENUE DIRECTORATE | Tax Administration and Oversight

→ <https://dgi.mef.gob.pa/>

MUNICIPALITY OF PANAMA | Municipal Contributions

→ <https://mupa.gob.pa/>

MINISTRY OF ECONOMY AND FINANCE | Establishes fiscal and tax policies

→ <https://www.mef.gob.pa/>

MINISTRY OF COMMERCE AND INDUSTRIES | Regulates and authorizes commercial activities

→ <https://mici.gob.pa/>

PANAMÁ EMPRENDE | Operating Permit

→ <https://www.panamaemprende.gob.pa/>

PUBLIC REGISTRY OF PANAMA | Telematic Services

→ <https://www.rp.gob.pa/>

MINISTRY OF LABOR AND LABOR DEVELOPMENT | Labor Permits and Obligations

→ <https://www.mitradel.gob.pa/>

COLÓN FREE ZONE | Special Regulations

→ <https://www.zolicol.gob.pa/>

Our information is based on publicly available data from various websites, as well as on the legislation in force as of the publication date, 2025.

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