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## **Recent developments in international taxation: Panama**

This report outlines the principal tax developments in Panama during the calendar year 2024 and through the first half of 2025, including legislative reforms, administrative regulations, and relevant municipal updates.

### **Key tax changes in Panama: 2024–2025 overview**

The Panamanian tax system is based on the territoriality principle, meaning only transactions from Panamanian sources are subject to taxation. Therefore, transactions performed or executed outside the fiscal Panamanian territory are generally tax exempt. The tax landscape has seen significant adjustments in 2024 and early 2025, driven by efforts to strengthen fiscal stability, modernise tax administration, and align with international standards.

### **Amnesties and temporary tax reliefs (2023–2024)**

Panama implemented key measures to provide relief to taxpayers with outstanding tax debts. Law 401 of 5 October 2023, declared as prescribed, under certain conditions, tax debts from fiscal year 2015 and earlier, including income tax (ISR), educational insurance (SE), and operation notice (AO). To qualify, taxpayers must meet specific requirements, such as settling outstanding debts incurred after 2015. This law also allowed significant discounts on the payment of property tax and the annual single rate if paid in advance and provided partial or full forgiveness of fines and penalties in specific cases.

Later, Law 446 of 28 October 2024 granted a general tax moratorium for the payment of national taxes (including income tax, ITBMS, property tax, selective consumption tax and others) from November to December 2024. This law exempted 100 per cent of interest, penalties and surcharges for those who settled the main tax owed during that period. Additionally, it allowed tax withholding agents (eg, employers) to regularise withheld and unpaid taxes up to June 2023 by paying the principal amount before 31 December 2023 without incurring interest or penalties.

### **Implementation of the Tax Procedure Code (June 2024)**

The long-awaited Tax Procedure Code (TPC), originally passed as Law 76 of 2019, came into full effect on 1 June 2024. This code provides a comprehensive framework for taxpayer rights and the procedural relationship between taxpayers and the tax authority. Key aspects include:

- introduction of statutory deadlines for the administration and taxpayers;
- clear regulations on notifications, appeals and finality of actions;
- a five-year statute of limitations for both the tax authority and taxpayers; and
- rules on the enforcement of tax debts and jurisdictional competencies.

The TPC reinforces principles of legality, good faith and procedural guarantees, while also enabling more efficient collection by the Directorate General of Revenues (DGI).

### **Publication of tax debtors**

In June 2024, the DGI issued Resolution No 201-4328, publicly disclosing a list of taxpayers with debts older than 12 months. The list includes names, identification, and the amount owed. This measure aims to promote voluntary compliance through reputational risk and represents a shift towards more public enforcement tools.

### **Sales tax (ITBMS) changes and future digital tax**

There were no changes to the general ITBMS rate, which remains at 7 per cent. However, a significant update was the release of a new list of designated withholding agents (*grandes contribuyentes*) required to withhold 50 per cent of the ITBMS paid to suppliers. This list, updated in August 2023 via Resolution No 201-8055, took effect for fiscal year 2024.

Also under consideration is a legislative initiative to apply ITBMS to digital services provided from abroad (eg, Netflix, Amazon and Uber). While not yet enacted, the DGI has expressed interest in taxing these services to level the playing field and expand the tax base. A proposal remains under evaluation as of May 2025.

### **Regulation on Accounting Records for Offshore Entities**

Decree 177 of December 2024 clarified and implemented the obligation for certain Panamanian entities without operations in Panama to maintain accounting records. Entities are now classified into three categories:

- Panamanian entities owned by Panamanians, acting only as asset holders;
- entities with foreign ultimate beneficial owners; and
- entities without any operations or assets.

Depending on the classification, the entity must provide either a certified declaration, a summary of financial position, or detailed financial statements to its resident agent. Agents must file an annual certification before 15 June of each year confirming which entities submitted the required documentation. Sanctions for non-compliance range from US\$5,000 to US\$1m, and entities may face suspension of corporate rights or forced liquidation.

### **Income tax (ISR) developments**

While no structural changes were made to general income tax rates, the government of Panama confirmed its intention to study the implementation of the OECD Pillar Two Global Minimum Tax for multinational groups with consolidated annual revenues exceeding €750m. As of May 2025, no legislative proposal has been filed, but consultations are ongoing, and its adoption is not imminent.

Additionally, Panama continues applying the alternate calculation of the income tax regime (*cálculo alternativo al impuesto sobre la renta* or CAIR) of 1.17 per cent on gross revenues for companies with gross income above US\$1.5m, unless exceptions apply.

The DGI also confirmed that for fiscal year 2024 (filed in 2025), extensions for filing the corporate income tax return were granted until 30 May 2025, for those who requested the extension before 30 March. For natural persons, the deadline for filing the sworn income statement was extended until 17 March 2025 (originally 15 March). The DGI has also implemented a new income tax return form specific for taxpayers operating within the Colón Free Zone, available in the e-Tax 2.0 system, which must be used for the 2024 fiscal period.

### **Local tax developments – municipalities**

In December 2024, the Municipality of Colón enacted a comprehensive tax reform (Agreement No 101-40-19) introducing progressive tax rates for commercial activity based on gross income levels. This represents a major modernisation of Colón’s municipal tax regime, aiming for higher revenues, fairness and improved service delivery. It took effect on 1 January 2025.

The Municipality of Panama offered a temporary amnesty in late 2024, allowing businesses to pay 100 per cent of owed municipal taxes while receiving forgiveness of penalties and interest.

### **Special incentive regimes**

There were no changes in 2024 to the main incentive regimes, such as:

- SEM and EMMA regimes (multinational headquarters);
- Panama Pacifico Special Economic Area; and
- Free Zones and City of Knowledge.

However, it is important to note that in 2023, the Colón Free Zone reformed its system through Law 412 of 21 November 2023, with the aim of equating its incentives to those currently existing in other special regimes in the country, such as Panama Pacifico. This reform expanded the range of permitted activities and services within the Colón Free Zone.

Additionally, the tax credit programme for tourism investment projects under Law 80/2012, as amended, remains in force until the end of 2025. It provides a tax credit of 100 per cent of the amount invested in projects outside Panama City, usable against income tax up to 50 per cent per year.

### **Conclusion**

2024 and early 2025 in Panama were marked by significant administrative reforms, taxpayer relief through amnesties and moratoriums, the implementation of the TPC, and enforcement enhancements such as the publication of tax debtors. No general tax rate increases occurred, but the government continues to explore digital taxation and adherence to international standards, including Pillar Two. Panama’s focus remains on strengthening tax collection without increasing the general tax burden, while improving compliance, transparency and legal certainty.