



Republic of Panama  
**Ministry of Economy and Finance**

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**CUSTOMS, TAXES, AND FUTURE  
PROJECTS IN PANAMA**

**EXPOCOMER 2007**

**Information Conference – Canal Expansion Program**

Panama, March 8, 2007

## National Development Strategy :

1. Reduction of Poverty
2. Development of the Human Resource
3. Restructuring the public financial sector
4. Modernizing the Government
5. Economic development and competitiveness



# **CUSTOMS: World Facilitator for Safe Commerce and Transport in a Globalized Panama.**

**Economic development and competitiveness**

**Modernizing the Government**

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## FOUNDATIONS FOR DEVELOPMENT

Objective:

To enhance effectiveness and efficiency in the Panamanian Customs Administration



## **Traditional function of the GCO:**

- ✓ Efficient fiscal collections
- ✓ Preventing tax evasion and fighting smuggling

## **Improvement and Modernization of the GCO:**

- ✓ Facilitating international commerce by simplifying procedures
  - ✓ Complying with the provisions of the FTA's and controlling strategic products
  - ✓ Promoting safety in international commerce and transport
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## Customs Exemptions:

### Law 19 of 1997: Organizing the ACP

- Acknowledges a 100% exoneration of Import Taxes on equipment, materials and operating supplies for the ACP
- Grants an expeditious customs process

### Cabinet Decree No. 20 of the year 2000: Simplification of ACP Imports :

- Gives priority to the processing of imports by ACP and its contractors
  - Establishes a simplified procedure for withdrawing merchandise imported by ACP or its contractors
  - In case of notorious emergency, the merchandise is released immediately by the Customs Office, subject to the subsequent compliance with all relevant requirements according to the type of merchandise
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## **Incentive Law No. 8 of 1994: Promotion of Tourist Investments**

- Exoneration of Import Taxes on materials and equipment
- Exoneration of Import Taxes on land and water motor vehicles

## **Incentive Law No. 9 of 1987: Exemptions for Retirees and Annuitants**

- Exoneration of Import Taxes for annuitants who invest in Panama
  - Tax Exemption for home articles
  - Bi-annual exemption for importing automobiles
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## Customs Breaks for Investors

### Facilitating measures:

- ✓ **Advanced Tax Income Returns**
  - ✓ **A more expeditious merchandise clearance and delivery, since customs transactions may be carried out prior to merchandise arrival**
  - ✓ **Advanced tax payment**
  - ✓ **Advanced merchandise control through risk management**
  - ✓ **Subsequent merchandise control, implemented through audits**
  - ✓ **Effectiveness of Rights suspension customs regimes**
  - ✓ **Express acknowledgement of the right to request customs duties paid in excess and expedite resolution of petitions**
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## **Un-intrusive Revision of Containerized and Trucked Cargo**

- ✓ Reduction of time and cost in all foreign trade operations
- ✓ Consolidation of Panama's competitive advantages
- ✓ CSI Certification and other international standards

## **Foreign Trade Integrated System (SICE per its acronym in Spanish)**

- ✓ All transactions are electronic
  - ✓ Standardized and expeditious customs procedures
  - ✓ Electronic Single Service Contact for willing institutions (under construction)
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# **GENERAL INCOME OFFICE: Guaranteeing regular incomes for reducing poverty.**

**Restructuring of the public finance sector**

**Modernizing the Government**

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# THE FOUNDATIONS OF TAX ADMINISTRATION

- New legislation:
    - ✓ Law 6 of 2005
    - ✓ Law 18 of 2006
  
  - Modernization of the GIO:
    - ✓ Pilot programs – mass inspection
    - ✓ Transparent processes
    - ✓ Use of process management systems
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## New Legislation:

- **OBJECTIVE:** Adapting present legislation to modern systems seeking to guarantee incomes, reduce the need for coercive inspections, and gradually reduce tax incentives in order to increase our country's competitiveness.
  
  - **MAJOR ISSUES:**
    - C.A.I.R. (Alternative Tax Income Estimate ): Levied on gross income, establishing an assumed annuity when company losses or gains are less than 4.67%.
    - I.T.B.M.S. (Movable Goods and Services Transfer Tax): Exemptions are eliminated.
    - CAPITAL PROFIT: Levied at the source – retention by the purchaser on the total operation amount.
    - NATIONAL CERTIFICATE OF GOOD STANDING: ITBMS is included.
    - FOREIGN SUPPLIERS: Retention at the source by the local client.
    - FOREIGN LOANS: Remittance tax fee increased to 15%.
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## Modernizing the GIO:

- **MASS INSPECTION PROJECTS:**
    - INCOME: Based on experience gained through the analyses of the requests for non-application of the CAIR, the matrix will be applied to the entire database.
    - ITBMS: Evasion estimated at B/.150 million.
  
  - **HOW DOES IT WORK? Through sharing information:**
    - SS
    - Government purchases
    - Customs
    - Credit card sales report
    - Risk matrix – comparative analysis of companies from the same sector
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## Transparency and less red tape:

- The use of computer systems for all kinds of transactions allows the Tax Administration to be more efficient when processing information and offer a better service at a lesser cost both for the GIO and the tax payer.
  - Systems currently under construction:
    - E-Tax 2006 – manual transactions are eliminated + new links
    - Certificates of good standing (extensive to the Treasury in project with Municipalities)
    - RUCS (Tax Payer Single Registration)
    - Certification of exemptions granted – real estate
    - ITBMS
    - PATS (Payments to Third Parties)
  - Short-term projects:
    - Returns
    - All matters related to exclusions, 2%, and fist home exemptions (in cooperation with CONVIVIENDA)
    - Cleanup of cadastral database
    - Self assessments Law 6 (Cadastre)
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## GOOD AND SERVICES SOLD TO ACP:

- Exempt from ITBMS
    - Sales to the rest of the Government are encumbered (with some exceptions).
    - Tax credit - eliminated
  - Levied with Tax Income – via tax income return when the supplier is local.
    - CAIR experience
  - When supplier is from abroad:
    - When service is provided 100% outside the country, not levied.
    - When service is provided in Panama: Art. 733 of the Tax Code (occasional roll – income and educational insurance taxes).
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# PANAMA: Future Projects... Where are we headed to?

Economic development and  
competitiveness

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## MODERNIZING THE GOVERNMENT:

- TECHNOLOGICAL INNOVATION SECRETARY OF THE PRESIDENTIAL OFFICE – to develop processes and systems; innovating initiative by the government of the President, Martin Torrijos :
    - PANAMA TRANSACTIONS ([www.panamatramita.com](http://www.panamatramita.com))
    - PANAMA BUYS ([www.panamacompra.com](http://www.panamacompra.com))
    - PANAMA ENTREPRENEURS ([www.panamaemprende.com](http://www.panamaemprende.com))
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**BRIDGE OF THE WORLD,  
HEART OF THE UNIVERSE**

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# International Logistics Platform

Modern port structure

Ocean-to-ocean railroad

Hub of the Americas for air transport

Panama Canal



# Special Economic Area Panama Pacific

## Objective:

Combining our logistics and telecommunications platform with the commercial, financial and service experience; this combination will make turn Howard into one of the most attractive commercial hubs.

## Structure:

2,023 hectares  
International Airport  
Bunkering facilities.  
Industrial, commercial and residential areas.  
Public facilities

## Special provisions :

Tax  
Labor, customs and immigration



# The City of Knowledge

- Is an international facility for education, research and innovation.
- Created to promote and facilitate synergies between Universities, Scientific Research Centers, and International Businesses and Organizations.
- Offers services for creating an interaction in the transfer of technologies and provide added value to both national and international businesses who provide state-of-the art technology in order to develop products and services with international projections.



## OTHER “SPECIAL” AREAS:

- Colon Duty-Free Zone – increased area (Coco Solo and Fort Davis)
  - Oil-Free Zones
  - Call centers
  - Tourist development areas (development poles)
  - Preliminary plan “Regional Offices”
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## Main Investment Projects: 2007-2009

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## ROAD STRUCTURES:

- **Rehabilitation of the Boyd Roosevelt (Trans-Ishtmian) Highway**
    - Initial Investment: B/.100 million
    - Complements the Panama Colon Highway development (toll-free option).
  
  - **Expansion of the Arraiján-La Chorrera Highway**
    - Investment: B/.66.2 million
  
  - **Construction of the Extension of the Southern Corridor and Coast Belt:**
    - Initial investment: B/.90 million
    - From the Monument to Mothers to the Seafood Market (elevated viaduct and 5 connections)
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- **Construction of the Panama-Colon Highway (End of Phase I – Madden to Colon Stretch)**
    - Investment: B/.216 million
  - **Construction of Phase II – Northern Corridor:**
    - Investment: 112 million
    - From Tinajitas to Tocumen
    - Exit lane from Altos del Golf to Via Domingo Díaz and a secondary lane connecting with Villa Lucre
  - **Panama City Urban Transportation System**
    - Public investment Phase I: B/.65 million
    - Administration system, new buses, structures
  - **Road expansion and organization of the City of Panama**
    - Estimated investment: B/.40 million
    - Vehicular bridges – complementing the Urban Transportation System
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## HEALTH:

- **Panama Bay Cleanup Project:**
    - Investment: B/.379 million
  
  - **Telemedicine:**
    - Investment: B/.14.2 million
    - Remote assistance to patients located in hard-to-access areas (under execution in Darien)
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## EDUCATION:

- **National Training Institute for Human Development (INADEH, per its acronym in Spanish):**
    - Investment: B/.55 million
    - Training the human resource at a technical professional level in order to provide qualified manpower for public and private investment projects.
  
  - **English For Life:**
    - Investment: 14 million
    - Promotes learning of the English language among the student population (31,000 students for 2009)
  
  - **Connect to Knowledge:**
    - Investment: B/.70 million
    - Integrates internet technology and connectivity to public schools in order to enhance the educational system (by 2009 – 255,000 students)
  
  - **Dignified School for Thatched Schools:**
    - Investment: B/.4.3 million
    - Eliminates 178 existing thatched as well as 292 partially thatched schools
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## OTHER:

- **Basic Structure Community Development Program (PRODEC per its acronym in Spanish):**
    - Investment: B/.500 million in 10 years (B/.80k per corregimiento, per year – 621 corregimientos)
    - Panama Canal Funding
  
  - **Biodiversity Museum - Gehri**
    - Estimated investment: B/.40 million
    - Estimates are that the museum will receive 2.69 million visitors in 5 years, 70% of which would be foreigners
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**Thanks for your attention.**

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