



# Panama

<b>General</b>	<b>Types of indirect taxes (VAT/GST and other indirect taxes)</b>	<p>VAT Impuesto a las Transferencias de Bienes Corporales Muebles y la Prestacion de Servicios (ITBMS). This tax applies to imported goods, products sold or services rendered in Panama.</p>
	<b>Are there other indirect taxes?</b>	<p>A stamp tax is levied on the issuance of certain documents.</p> <p>Selective consumption tax, Impuesto Selectivo al Consumo (ISC) is an excise tax on the import of specific goods such as luxury vehicles, jewelry, firearms, alcoholic beverages and tobacco products.</p> <p>Insurance tax is levied on insurance premiums.</p>
	<b>What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?</b>	<p>Standard rate: 7%.</p> <p>Higher rates: 10% (alcoholic beverages and hotel services) and 15% (tobacco products).</p> <p>There are no zero-rated rules for supplies. However, exporters of goods (i.e. services not included) may recover a tax credit certificate related to the input VAT incurred. The same regime applies to local sales of food products and medical/pharmaceutical products. There are several partial exemptions (i.e. without the right to deduct input VAT), including services related to health care, education, electricity, insurance and financial services.</p> <p>Some transfers of goods are also VAT exempt. This includes:</p> <ul style="list-style-type: none"> <li>— agricultural products in their natural condition. Goods that are already altered by chemical processes or by any treatments not covered</li> <li>— export and re-export of goods</li> <li>— supplies of goods that are inside free zones and those inside customs precincts, as well as warehouses and similar places</li> <li>— newspapers, magazines, educative magnetic media, notebooks, pencils and other items for school purposes, like books and general publications</li> <li>— fuel and similar products, except oil and lubricants</li> <li>— cement, additives and sub-products used by the subcontractors in connection with the construction of the third set of locks of the Panama Canal</li> <li>— medicines and pharmaceutical products</li> </ul>

**General  
(continued)**

What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes (continued)?

- VAT paid in connection with both exempt supplies and supplies not subject to the tax cannot be recovered. In any event, transactions that cannot be deducted from input VAT may be entitled to be deducted from income tax.
- Selective consumption tax: various tax rates.
- Insurance tax: 5% of the premium.
- Stamp tax: rate varies depending on the value and type of document.

Who is required to register for VAT/GST and other indirect taxes?

For VAT purposes, all individuals or legal entities that provide professional services and sell and/or import goods, including state-owned industrial and commercial enterprises, are required to register when their monthly gross income exceeds USD36,000 per year.

However, only individuals and legal entities registered as taxpayers (or taxable persons for VAT purposes) operating domestically within Panamanian boundaries may be registered in the Panamanian's taxpayer registry (Registro Único de Contribuyentes). Such a registration involves the identification of the relevant taxable person with an identification number valid for all tax purposes (including invoicing, filing of tax returns and other reports to the tax administration.

The aforementioned registry includes not only VAT-taxable persons, but all other types of taxpayers and/or taxable persons subject to Panamanian tax laws (including income tax, excise taxes, VAT and others).

A registration or any indirect tax registration is not possible without a permanent establishment in Panama. In the case of foreign companies importing goods to Panama, the import must be made by another company located in Panama and with a taxpayer identification number. The local company has to settle the import VAT and recover it in the sale afterwards.

In the case of import of services, the client (based in Panama) must pay the non-resident supplier (which is rendering a service within the territory of Panama). When making the payment, the client withholds VAT and recovers it afterwards. The retention amounts to the total invoiced by the supplier multiplied with the rate 0.65421.

Services performed by a non-resident supplier for a customer based in Panama which are rendered outside Panama are not subject to VAT.

For excise taxes on consumption purposes, the taxpayer is the individual or legal entity which acts:

- as a provider of taxable services
- as a manufacturer, importer or provider of taxable goods.

Excise taxes on consumption purposes refers to the selective consumption tax, but a distinction is made between selective tax and petroleum tax (both of which are excise taxes on consumption).

<b>VAT/GST registration</b>	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?	It would be possible for a foreign company to register with Panama's taxpayers registry. However, such a registration will only serve the purposes of allowing the foreign entity to file VAT returns before the tax administration. The company may then deduct any input VAT paid in the acquisition of goods and services required to provide taxable supplies within Panamanian territory. Domestic VAT law does not provide for the recovery of any excess input VAT in cash. These amounts could only be carried forward to the following tax periods.
	Does an overseas company need to appoint a fiscal representative?	Under Panamanian VAT law, there are no provisions governing the appointment of a fiscal representative.
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect taxes registration?	Not applicable.
	Is grouping* for VAT/GST and other indirect taxes possible?	VAT grouping is not allowed except in the case of joint ventures that are an association of two or more individuals or companies engaged in a solitary business for profit — without actual partnership or incorporation — in order to share strengths, minimize risks and increase competitive advantages in the marketplace.
<b>VAT/GST compliance</b>	How frequently are VAT/GST and other indirect taxes returns submitted?	The VAT return must be submitted within 15 days after the month or quarter period. — Independent professionals are required to file on a quarterly basis. — On agreement with the tax authority, the VAT return could be submitted on an agreed basis other than monthly or quarterly.  Selective consumption tax can be paid in the customs clearance at the final product placement (in the case of imported products) or on a monthly basis.
	What are the exchange rate rules in your country?	If a business receives a purchase invoice in foreign currency, it should use the exchange rate of the invoicing date. However, there is no obligation to use a central bank's exchange rate.
<b>VAT/GST recovery</b>	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	No. Only individuals and legal entities registered as taxpayers (or taxable persons for VAT purposes) operating domestically within Panama are granted the right to recover VAT.
	Are there any exemptions with the right to recover or deduct input VAT?	Exclusively the exportation of goods and the importation and local supplies of food products and medical/pharmaceutical products.
	Are there any restrictions to the deduction of input VAT?	As a general rule, exemptions do not grant the right to recover VAT.
<b>Invoices</b>	Is a business required to issue tax invoices?	Yes.
	Is it possible/mandatory to issue invoices electronically?	Yes, although an authorization from the tax authorities is required.
	Is it possible for recipients to issue tax invoices/self-invoices (self-invoicing)?	No.

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

<b>Audits</b>	Do tax audits take place on a regular basis?	No. Audits are carried out on a discretionary basis by the tax authority.
	Are there audits done electronically in your country (e-audit)? If so, what system is in use?	No.
	What penalties can arise from non-compliance?	<p>Penalties, as well as interest, are assessed for late payments:</p> <ul style="list-style-type: none"> <li>— late filing: 10% of the VAT amount due</li> <li>— interest: 12% annual rate</li> <li>— USD500 charge for filing amendment return 3 months after the original form was filed</li> <li>— late return (over 60 days) with no liability: USD10 fine.</li> </ul> <p>Not registering, although using invoices as well as irregular documentation or non-fulfillment of formal obligations, are considered misdemeanors sanctioned with a fine between USD100 and USD500 for first offense and between USD500 to USD5,000 more than one offense.</p> <p>In cases of fiscal fraud, imprisonment from 2 to 5 years or a fine from 5 to 10 times the amount applies. Such cases are selected for partial or total omission of tax payment, for not documenting either taxable transactions or deductions of the tax, for failure to register accounting operations or for not submitting return or tax payment within 2 months of the date due.</p>
<b>Special indirect tax rules</b>	In your country, are there any special rules for the sale of a company by a taxpayer to another where VAT is not due on the sale?	No.
	In your country, are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	<ul style="list-style-type: none"> <li>— No refunds can be requested for ITBMS paid in excess.</li> <li>— No ITBMS can be charged on services provided to the state.</li> <li>— There is a special ITBMS regime applicable to concessions granted by the government related to infrastructure projects. The concessionaire is also granted an exemption for VAT.</li> <li>— On a general basis, contracts entered into with the government will be subject to VAT. The government will withhold 25% of the VAT charged by the contractor upon payment. This regime may generate excess credit positions to contractors.</li> </ul>
	Does a reverse charge mechanism apply in your country for goods or services?	No.
	Are there indirect tax incentives available in your country (e.g. reduced rates, tax holidays)?	Yes. There are special regimes that grant companies ITBMS exemptions.
<b>Rulings</b>	Are rulings and decisions issued by the tax authorities publicly available in your country?	No, rulings and decisions are not publicly available. Tax opinions issued by the Dirección General de Ingresos are available at <a href="http://www.dgi.gob.pa">www.dgi.gob.pa</a> .