



Reform to the Colon Free Zone Law

KPMG Panama

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By means of [Law No. 412 of November 21, 2023](#), the Law No. 8 de 2016 was amended to reorganize the Colon Free Zone (CFZ) regime.

Though Law No. 412, it is allowed new activities that companies may carry within the CFZ, incorporating new terms such as *leaseback*, tax benefits and legal stability period.

New authorized activities to be carried

Nine new authorized activities that may be carried by companies within the CFZ.

New Activities
Provision of services to individuals or legal entities*
Multimodal and logistics services, as well as those related to supply chain management, nearshoring, supply and inventory management*
The provision of real estate and/or property management services and/or property usage services*
Individual sales to nationals and/or foreigners, through the established mechanisms*
The provision of services related to the film industry
The provision of services associated with the manufacture, processing, and reconversion of products
The provision of services related to the establishment and development of scientific research and innovation centers
The provision of services related to aviation and airports; ships and ports; repair, maintenance, conversion, reconversion, and manufacture of parts and/or pieces
The manufacture of high technology products, components and parts, for either its import to the domestic territory, export or sale or transfer between Free Zone companies and other free zones or special economic areas

*Existing activity, modified by Law 412

Likewise, companies incorporated under the EMMA, SEM or City of Knowledge regime may also operate within the CFZ.

Leaseback

Leaseback is a type of Investment Recognition Agreement in which the beneficiary under a lease contract repays the investments made during the term of the contract, deducting all or part from the agreed fee with

the CFZ. Under no circumstances, the lessee may negotiate a leaseback that exceeds 80% of the royalties, levy and other revenues that each lessee must pay to the CFZ for services.

The credit approved for recognition of investment will be transferable to any lot lease of the legal entity that carried out the infrastructure investment.

Tax Benefits

Companies incorporated in the CFZ that engage in the activities established in Law 9 of 2016 will enjoy exemption from the following taxes:

Corporate Income Tax (CIT)

The users of the CFZ will be exempt from income tax on income derived from the activities listed in the Law, provided that the income is produced outside the national territory.

The users of the CFZ that carry out commercial transactions with individuals or legal entities located in the national tax territory will be subject to the CIT.

Property Tax & Property Transfer Tax (ITBI)

Exemption from Property Tax on land and improvements is granted, as well as from the Property Transfer Tax.

Custom Duties and Taxes

Products manufactured, processed, or assembled, by companies established in the CFZ may be imported to the Panamanian fiscal territory by only paying the respective duties and taxes based on the value of the raw materials and foreign components incorporated into the product.

Special Compensation Fund Interest (FECI)

FECI is exempt for loans granted to finance operations of CFZ users.

Selective Excise Tax (ISC)

Companies operating in the CFZ will be granted ISC exemption, except if a vehicle already is exempt of import duty tax.

Stamp Duty

Users of the CFZ are exempt of the payment of stamp duties.

Complementary Tax

Profits generated regardless of the activity being carried out will be exempt from payment of the Complementary Tax, except multimodal and logistics services.

Capital Gains Income Tax

Alienation or transfer of shares of companies incorporated in the CFZ and capital gains generated by foreign revenue are exempt from Capital Gains Tax.

ITBMS (VAT)

Cases in which the companies established in the CFZ are exempt from ITBMS (VAT).

1. Any type or class of merchandise, products, equipment, goods, services, and other goods in general introduced into the CFZ whose final destination is abroad.
2. Services rendered by users to individuals or legal entities established inside or outside of Panama, including services rendered among the users of the CFZ.
3. The services received by the users of the CFZ (except for the exceptions established by the Tax Code).

Operation Notice

CFZ companies that have their respective operation key will be exempted from paying the operation notice tax until January 1, 2028.

Legal Stability

Companies established in the CFZ will enjoy a period of legal stability of their investments based on Law 54 of 1998.

If you have any questions on this and other related topics, please do not hesitate to contact our Tax specialists.

Contact us

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