



Administration Attorney General's Office Confirms and Clarifies the Scope of Municipal Taxation for Companies Established in Panama Pacífico

Informative Letter

September 10, 2026

Key Aspects of Opinion No. C-SAM-68-26 of August 21, 2026

The Office of the Attorney General of the Administration has issued an opinion that strengthens the position of companies established in Panama Pacifico against potential municipal taxation claims. Opinion No. C-SAM-68-26, dated August 21, 2026, confirms that the existence of income or sales within the national territory does not constitute sufficient grounds to establish a municipal tax obligation.

The opinion emphasizes that any municipal tax assessment requires an individualized analysis of the activities carried out by the company, as well as verification of the existence of a specific taxable event in accordance with the applicable municipal legislation.

Key Conclusions

✓ **Registration in Panama Pacifico Does Not, by Itself, Give Rise to Municipal Taxes**

The Attorney General's Office concludes that the determination of a municipal tax obligation must be based on the activities carried out by the company and on the existence of a taxable event established under the applicable municipal legislation.

Accordingly, the mere registration of a company in the Panama Pacifico Companies Registry does not constitute sufficient evidence to establish the existence of a municipal tax obligation.

Likewise, the existence of income reported at the national level does not automatically lead to the conclusion that such income is subject to municipal taxation.

✓ **Protection Remains in Place for Activities Expressly Covered by the Special Regime**

The opinion reaffirms the continued application of the municipal tax exemption regime applicable to certain activities carried out within Panama Pacifico.

In particular, it recognizes that the activities of importation, storage, processing, manufacturing, dispatch, and logistics of goods conducted within the Special Economic Area continue to be protected, pursuant to Article 3 of Law No. 9 of 1958 and Article 31 of the Memorandum of Understanding adopted through Executive Decree No. 170 of 2008.

The Attorney General's Office further notes that these limitations on municipal taxing authority form part of the legal framework that supports the competitiveness and attractiveness of Panama Pacifico as a regional platform for investment and international business.

✓ **Authorization to Operate and Tax Liability Are Legally Distinct Concepts**

The opinion emphasizes that authorization to operate within Panama Pacifico should not be confused with the determination of tax obligations that may arise from specific activities.

In this regard, the Attorney General's Office explains that registration in Panama Pacifico allows a company to establish itself and operate within the Area without the need to obtain additional municipal permits or registrations. However, this does not preclude the possibility that the competent authorities may assess whether certain activities carried out by the company fall outside the scope of protection granted under the special legal regime.

✓ **Not All Income Is Automatically Subject to Municipal Taxation**

One of the most significant aspects of the opinion is its recognition that tax returns filed with the national tax authorities do not, by themselves, constitute sufficient evidence to establish the existence of a municipal tax obligation.

The Attorney General's Office emphasizes that municipal authorities must analyze the legal and economic nature of the activities generating such income and determine whether those activities fall within the scope of the activities protected under the special regime or, alternatively, constitute activities subject to municipal taxation.

✓ **The Municipality Must Demonstrate the Existence of the Taxable Event**

The opinion emphasizes that the exercise of municipal taxing authority requires an individualized demonstration of the existence of a taxable event, as well as compliance with due administrative process.

Accordingly, before imposing municipal taxes on a company established in Panama Pacifico, the relevant authority must demonstrate that the company carries out commercial or service activities outside the scope of protection afforded by the special regime and that such activities fall within the taxable event contemplated under the applicable municipal regulations.

What Does This Opinion Mean for Companies?

This opinion may be particularly relevant for companies engaged in logistics, distribution, manufacturing, international trade, corporate services, shared service centers, and regional operations established in Panama Pacifico.

In particular, the opinion confirms that the determination of a municipal tax obligation cannot be based exclusively on the existence of income reported to the General Directorate of Revenue (DGI) or on sales conducted within the national territory. Rather, it must be based on an analysis of the activities carried out by the company.

For organizations that maintain operations both within and outside Panama Pacifico, the opinion highlights the importance of maintaining documentation that clearly distinguishes activities protected under the special regime from those that may be subject to review by the municipal authorities.

Background

Opinion No. C-SAM-68-26 is consistent with positions previously adopted by the Attorney General's Office regarding limitations on municipal taxing powers in areas subject to special legal regimes.

Opinions issued in 2016 and 2025 had already recognized that certain logistics, warehousing, processing, and goods-handling activities carried out under special regimes cannot be subject to municipal taxation when they are protected under the applicable legal framework.

The new opinion expands upon these criteria by emphasizing that any municipal tax assessment requires the identification of a specific taxable event and an analysis of the activities carried out by each taxpayer.

Key Considerations for Companies

As a result of this opinion, companies established in Panama Pacifico should consider conducting a proactive review of their operations to ensure that the documentation available adequately supports the application of the tax protections afforded under the special regime. In this regard, companies should consider the following aspects:

- The nature of the activities and services performed.
- The location where the income-generating activities are physically performed.
- Supporting documentation, demonstrating that operations are carried out within the scope protected by the special regime.
- The proper classification of the activities conducted in light of the applicable exemptions and benefits.
- The existence of ancillary or complementary activities that could give rise to municipal taxation risks.
- The preparation and maintenance of evidence and documentation that may be relevant in the event of municipal audits, tax assessments, or other review procedures.

For companies with complex operating structures or with activities conducted both within and outside Panama Pacifico, the opinion provides greater clarity regarding the criteria that may be considered by the authorities when assessing the existence of a potential municipal tax obligation.

Ultimately, the opinion strengthens legal certainty for companies established in Panama Pacifico by confirming that municipal taxation requires an individualized analysis of the activities performed and the existence of a duly substantiated taxable event, consistent with the protections afforded under the special regime.

Potential Practical Implications

Depending on the specific circumstances of each company, this opinion may be relevant in the following situations:

- Ongoing municipal tax audits and review procedures.
- Tax assessments based primarily on financial information or tax returns filed with the national tax authorities.
- Discussions concerning activities carried out partially within and partially outside Panama Pacifico.
- Administrative tax assessment proceedings or municipal tax disputes.
- Internal reviews of tax compliance and supporting operational documentation.

KPMG: Perspectives

Based on our preliminary review, Opinion No. C-SAM-68-26 represents one of the most significant opinions issued in recent years regarding the municipal taxation of companies established in Panama Pacifico.

In particular, the Attorney General's Office appears to reject an approach based solely on a company's reported income and instead adopts an analysis focused on the nature of the activities carried out, as well as the need to demonstrate the existence of a specific taxable event within the relevant municipal jurisdiction.

Although the opinion does not constitute a binding ruling on specific cases, it provides interpretative guidance that may prove relevant in the context of tax audits, administrative proceedings, and municipal tax risk assessments.

The opinion also reinforces the importance of maintaining adequate evidence regarding the nature and location of activities performed by companies operating under the Panama Pacifico special regime.

The principal contribution of Opinion No. C-SAM-68-26 is its confirmation that the municipal taxation of companies established in Panama Pacifico should be assessed based on the activities carried out by each taxpayer, rather than solely on the existence of income, sales, or administrative registrations.

How can KPMG Help?

Considering this opinion, companies established in Panama Pacifico may benefit from a targeted review of their operations to:

- Assess potential exposure to municipal taxes.
- Confirm which activities are protected under the special regime.
- Analyze operations conducted partially outside the Panama Pacifico Area.
- Strengthen supporting documentation for future tax audits and inspections.
- Review tax risk mitigation strategies.
- Assist with administrative proceedings and disputes involving municipal authorities.

Our Tax & Legal team has extensive experience advising multinational corporations, logistics operators, manufacturing companies, and regional shared service centers established in Panama Pacifico.

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