

LAW 41 COMPARISON: OFFICE USERS

ZERO TAXES FOR OFFICE USERS AT PANAMA PACIFICO!

Companies locating to Panama Pacifico are finding immense benefit from the incentives provided by Law 41 of 2004, which created the Panama Pacifico Special Economic Area. These benefits offer some of the best government incentives anywhere in Latin America!

The Law 41 incentives—including legal, customs, immigration and labor benefits—apply to all companies who move to Panama Pacifico. For many companies operating in specific business activities defined in Law 41, these incentives include **exemption from fiscal taxes – meaning they pay no tax!**

Companies eligible for the **Zero Tax benefits** include call centers, back offices, and those engaged in office functions (as their core operation).

TAX BENEFITS COMPARISON

The following chart outlines the tax benefits available in Panama Pacifico, versus companies in an Export Processing Zone in Panama. These tax exemptions are provided as an example of the significant savings a qualified “Office User” will enjoy here.

Tax	PANAMA PACIFICO	Export Processing Zones *
Income	EXEMPT	30%
Dividend/Complimentary	EXEMPT	Exempt
Withholding Tax on Royalties	EXEMPT	Taxable, unless the expense is not deducted; The applicable rate is 15%
Indirect Taxes	EXEMPT	Exempt
Stamp Tax **	EXEMPT	Taxable on sales made to the Panamanian fiscal territory; \$0.10 per each \$100.00 of the contract
Real Estate Transfer Tax	EXEMPT	2%
Municipal Tax	The municipality of Arraiján pre-establishes a company's taxes for two five-year periods	Taxable
Import Limitations	EXEMPT	The import of goods that are not to be modified in the EPZ is forbidden

This information is based on an analysis conducted by KPMG Panama and is used for comparative purposes only.

* Export processing zones are another special tax regime in Panama, governed by Law 25 of 1992.

** The ITBMS is handled separately from the normal operations of the company. If the company is a ITBMS taxpayer, Stamp Tax does not apply.

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EXAMPLE TAX COMPARISON (assuming a total company income of \$1M annually)

Tax	PANAMA PACIFICO	Export Processing Zones
Income	0.00	\$120,000.00
Dividend Tax	0.00	0.00
Withholding Tax	0.00	\$3,750.00
Indirect Taxes	0.00	0.00
Municipal Tax	0.00	0.00
Import Tax	0.00	0.00
Operation Notice Tax (License Tax)	0.00	0.00
Property Tax	0.00	0.00
Annual Taxes Due	\$0.00	\$123,750.00

The above information was based on the assumptions below for an Office User conducting business during a one-year period.
Company net taxable income of \$1M, comprised of \$600k foreign income and \$400k local income.
Other assumptions included \$25k in services rendered to foreigners and stockholder equity of \$5M.

As evident from this comparison, Panama Pacifico's Law 41 of 2004 saves Office Users significant time and money!

If you are interested in leasing space in our new international-style Class-A office buildings, please contact Dan Marcus or Bobby Pereira at +507-316-3500.



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