LAW 159
Of August 31st, 2020

That creates the Special Regime for the Establishment and Operation of Multinational Companies for the Provision of Services Related to Manufacturing

THE NATIONAL ASSEMBLY
DECRES:

Chapter I
Creation, Application and Definitions

Article 1. Creation. The Special Regime for the Establishment and Operation of Multinational Companies for the Provision of Services Related to Manufacturing is created, in order to attract and promote investments in production processes, job creation and technology transfer, as well as to make the Republic of Panama more competitive in the global economy.

Article 2. Application. This Law will have application in the Republic of Panama and may only be applied to operations of multinational companies for the provision of services related to manufacturing.

Article 3. Definitions. For the purposes of this Law, the following terms shall be understood as follows:
1. **Conditioning.** Adaptation or changes to the presentation of the product by carrying out operations such as coding of additional information, placement of labels, inserts, cover codes, bar codes, security bands, assembly of kits, coding, batching or labeling of products and other related services or similar added value.
2. **Multinational company.** Legal entity that, having its headquarters in Panama or in a certain country, develops important productive, commercial, financial or service activities in various countries. In addition, companies that, although they operate only in a certain country, have significant operations in different regions of the same country and decide to establish a branch, affiliate, subsidiary or associated company in Panama, to carry out commercial transactions in the region, will be considered as such.
3. **Multinational company for the provision of services related to manufacturing.** That company, whether foreign or national, that from Panama carries out operations aimed at offering services defined in this Law, to its parent company or to its subsidiaries or to its affiliates or to companies associated with said entities of the same group, hereinafter Business Group. Multinational companies for the provision of services related to manufacturing may be part of multinational companies with important international or regional operations in their country of origin.
4. **Assembly.** Manufacture of finished products, through the process of coupling inputs and semi-finished parts.

6. *Remanufacturing.* Process that results in the restoration or modification of a product that has already been manufactured and used previously. Remanufacturing implies that the product generally acquires a second useful life.

**Chapter II**
Multinational Company for the Provision of Services Related to Manufacturing

**Article 4. Services provided.** The services provided by a multinational company for the provision of services related to manufacturing are the following or a combination of these:

1. Services related to the manufacturing of products, machinery and equipment provided to companies of the Business Group.
2. Assembly services of products, machinery and equipment provided to companies of the Business Group.
3. Maintenance and repair services for products, machinery and equipment provided to companies of the Business Group.
4. Services related to the remanufacturing of products, machinery and equipment provided to companies of the Business Group.
5. Services related to the conditioning of products provided to companies of the Business Group.
6. Product development services, research or innovation of existing products or processes provided to companies of the Business Group.
7. Analysis, laboratory, testing or other services related to the provision of services related to manufacturing provided to companies of the Business Group.
8. Logistics services, such as the storage, deployment and distribution center of components or parts, required for the provision of services related to manufacturing.
9. Any other similar service previously approved by the Cabinet Council by means of a reasoned resolution, provided that it complies with the precepts set forth in this Law.

**Article 5. Annual report.** Companies that are established in Panama subject to the rules of this Law will have to submit to the Technical Secretariat of the Multinational Companies Licensing Commission, created by Law 41 of 2007, an annual report containing the statistics concerning their operations within of the national territory. This Secretariat will determine the information that said report must contain and will include it in a form that must be filled out by all companies that benefit from the Special Regime created by this Law.

Multinational companies for the provision of services related to manufacturing will have the obligation to immediately notify the Technical Secretariat of the Multinational Companies Licensing Commission of any change in the status of their operations in the country and of their personnel.
Article 6. **Recipient of the services.** The function of a multinational company for the provision of services related to manufacturing will be to provide services only to the Business Group to which it belongs, in accordance with the activities permitted by this Law.

For complementary production processes, multinational companies that avail themselves of this regime may provide the services allowed in this Law, by means of a request previously approved by the Multinational Companies Licensing Commission.

Article 7. **Type of company.** Multinational companies that avail themselves of this regime must operate as a foreign company registered in Panama or as a Panamanian company owned by the multinational company, its subsidiaries or its affiliates.

Article 8. **Exception.** For the purposes of this Law, a multinational company or company subject to the Regime of Multinational Companies for the Provision of Services Related to Manufacturing will not be considered a company that directly provides services to clients or to companies other than or outside its Business Group.

**Chapter III**

Multinational Companies Licensing Commission

Article 9. **Additional functions of the Commission.** The Multinational Companies Licensing Commission, created by Law 41 of 2007, will have the following additional functions:

1. Recommend to the Executive Branch, through the Ministry of Commerce and Industries, promotional policies for the establishment of multinational companies for the provision of services related to manufacturing in Panama.

2. Establish the requirements for the granting of Multinational Company Licenses for the Provision of Services Related to Manufacturing.

3. Study efficient formulas and / or mechanisms to make Panama an attractive point for investment by multinational companies.

4. Coordinate, with the other State institutions, the actions necessary to make Panama an attractive place for investment by multinational companies for the provision of services related to manufacturing.

5. Establish conventions or agreements with the competent authorities in order to facilitate the issuance of documents required by the destination markets of the product or service that the company exports.

6. Recommend general norms or the implementation of mechanisms that facilitate the identification and supervision of companies with a Multinational Company License for the Provision of Services Related to Manufacturing in our country.

7. Propose to the Executive Branch, through the Ministry of Commerce and Industries, the regulatory provisions of this Law.
8. Advise the National Government on matters related to the development of this Law.
9. Hear in second instance the decisions, in appeal, against the resolutions issued by the Technical Secretariat.
10. Exercise the other functions indicated by the law and its regulations.

**Article 10. Additional functions of the Technical Secretariat of the Commission.** The Technical Secretariat of the Commission, created by Law 41 of 2007, will have the following additional functions:

1. Grant the Licenses of Multinational Companies for the Provision of Services Related to Manufacturing to the companies that request them and meet the requirements for obtaining them, upon recommendation of the Commission.
2. To manage the visas of the personnel who work for companies covered by a Multinational Company License for the Provision of Services Related to Manufacturing duly granted, as well as those of their dependents.
3. Issue the certificates in the name of the company with a Multinational Company License for the Provision of Services Related to Manufacturing or of the personnel under the Multinational Company Personnel Visa for the Provision of Services Related to Manufacturing, for administrative procedures, in matters of its competence.
4. Impose administrative or pecuniary sanctions on companies with Multinational Company Licenses for the Provision of Services Related to Manufacturing for non-compliance with the obligations established in this Law, in its regulations and in rules that are dictated in its development.
5. Supervise compliance with this Law by companies with Multinational Company Licenses for the Provision of Services Related to Manufacturing.
6. Carry out all the administrative procedures for the management of the benefits of the licensee companies of this Law and their personnel.
7. Maintain the official registry of companies with Licenses of Multinational Companies for the Provision of Services Related to Manufacturing, as well as their staff and dependents.
8. Develop the forms, guides and / or instructions that must be submitted and / or used by companies with Multinational Company Licenses for the Provision of Services Related to Manufacturing, in accordance with the provisions of this Law and its regulations.
9. Resolve in the first instance the claims or appeals filed based on this Law.

For the purposes of the official registration and the steps that the Technical Secretariat must carry out in the exercise of the functions indicated in this Law, the Single Window for Investment Processing will be used, attached to the National Directorate for Investment Promotion, created by Law 41 of 2007.
Chapter IV
Multinational Companies Licenses for the Provision of Services
Manufacturing Related

Article 11. Requirements for the license. The requirements for obtaining a Multinational Company License for the Provision of Services Related to Manufacturing will be established by the Multinational Company Licensing Commission, for which it must meet the following parameters:

1. Assets of the multinational company.
2. The locations or affiliated companies, headquarters or operating subsidiaries of the multinational company.
3. The commercial or industrial activities or operations carried out by the multinational company.
4. The listing of shares on the local or international stock market.
5. The minimum number of full-time employees and the annual operating expenses of the multinational company in the Republic of Panama. In both cases, they must be appropriate to the nature of the business carried out by the company.
6. Any other element or information that the Commission considers convenient to establish and evaluate as a pertinent and necessary requirement, in order to promote an adequate use of the regime.

The companies holding a Multinational Company License for the Provision of Services Related to Manufacturing, in addition to the requirements established in this article, must carry out the activities that generate income subject to the tax regime provided in this Law.

Article 12. License application. Applications for Licenses of Multinational Companies for the Provision of Services Related to Manufacturing must be made in writing to the Technical Secretariat of the Commission, by submitting a form prepared by it. A letter from the interested company must be attached to the application, which will contain an affidavit stating that it wishes to establish a multinational company in Panama for the provision of manufacturing-related services and that it meets all the requirements to opt for a license as established in this Law, as well as the required supporting documentation.

Multinational companies may avail themselves of the provisions of this Law by requesting the Technical Secretariat, in accordance with the terms and conditions described in this Law and its regulations.

Multinational companies that are operating in Panama and provide services related to manufacturing to companies related to the multinational company outside of Panama or those that already have a license under the regime of Law 41 of 2007 and that wish to increase or expand activities in order to provide the services related to manufacturing described in this Law, they may avail themselves of this regime, in accordance with the provisions of this Law, by means of a request addressed to the Technical Secretariat, in accordance with the terms and conditions described in this Law and its regulations. In the cases of applications from multinational companies that already have a license under Law
41 of 2007, the Technical Secretariat may take into account all the documentation and information that already rests in the file of the multinational company in order to procure an expedited authorization process.

**Article 13. Criteria for the approval of licenses.** The Technical Secretariat will evaluate the application and the documentation that accompanies it and will forward it to the Commission, once it is complete, for its recommendation.

The denial of licenses must be made by means of a reasoned resolution. The grounds for refusal may be corrected by submitting a new, duly corrected form.

**Article 14. Validity of the Multinational Company License for the Provision of Services Related to Manufacturing.** The Multinational Company License for the Provision of Services Related to Manufacturing will be granted to companies for an indefinite term and the numerical assignment will correspond to the Unique Taxpayer Registry number of the General Directorate of Revenues of the Ministry of Economy and Finance that must be used in the administrative procedures necessary to develop its activities in the Republic of Panama.

The Technical Secretariat will coordinate everything necessary with the other institutions of the State so that the procedures are expeditious.

**Article 15. Additional activities of multinational companies for the provision of services related to manufacturing.** If a company with a Multinational Company License for the Provision of Manufacturing-Related Services wishes to carry out in the Republic of Panama additional activities in accordance with the Multinational Companies Regime, or different from those for which it was authorized according to this Law, it may request For the Technical Secretariat to take into account all the documentation and information that is already in the file of the multinational company for the provision of services related to manufacturing, in order to ensure an expedited authorization process. In view of the fact that these are different regimes, the Multinational Company for the Provision of Services Related to Manufacturing and the Multinational Company Headquarters, multinational companies that avail themselves of their respective licenses must keep separate accounts, in addition to the substance requirements that apply to you.

**Article 16. Activities not covered by the license.** If a multinational company for the provision of services related to manufacturing with its respective license wants to carry out operations not covered under this Law or under the Multinational Companies Regime, it will have to do so by creating a separate company, either by registering said company as foreign company in the Public Registry, or through the creation of a new Panamanian company to carry out said operations in the national territory. This company will not be covered by this Law for the development of said activities and must have its own personnel who do not belong to the company whose activities are covered by this Law.
Article 17. Causes for cancellation. The Technical Secretariat, ex officio or at the request of a party or on the recommendation of the Commission, may cancel the license of any company with a Multinational Company License for the Provision of Services Related to Manufacturing that incurs in any of the following causes:
1. The cessation of the activity for which the license was granted.
2. Failure to start operations or construction of the facilities within the first year following the granting of the license. Said term may be extended for an additional period of time.
3. That the multinational company is taken over or declared bankrupt by the authorities of its country of origin.
4. Violation of the provisions of this Law.
5. Violation of the laws of the Republic of Panama.
6. Other cases established by law.

Article 18. Cancellation procedure. The cancellation of the license will correspond to the Technical Secretariat and may be appealed to the Commission, which can only confirm or deny it by means of a reasoned resolution, adopted by the affirmative vote of the simple majority of the commissioners.

The Technical Secretariat, after verifying the cause or causes of cancellation of the Multinational Company License for the Provision of Services Related to Manufacturing, will personally notify the company of the resolution, in which it must establish the reasons or motives for the cancellation. The company will have a term of ten business days, counted from the date of notification, to state the reasons why it considers that its license should not be canceled, accompanying the pre-constituted tests that it deems appropriate.

The Technical Secretariat will have a term of thirty working days to resolve, by means of a reasoned resolution, the appeal for reconsideration.

The company will have a term of ten business days to present the appeal before the Commission, and the Commission will have a term of thirty business days to resolve it. The decision of the Commission will exhaust the governmental process.

Article 19. Measures after the cancellation of the license. Once the resolution by which the license is canceled has been executed, the Technical Secretariat will immediately notify the competent authorities that they proceed to cancel all visas, work permits and other licenses and permits, granted in accordance with this Law. In the case of visas and work permits, those affected will be granted a term of ninety calendar days to regularize their immigration status or leave the country.
Chapter V
Tax Regime

Article 20. Tax Regime. Companies holding a Multinational Company Headquarters License must pay income tax in the Republic of Panama on the net taxable income derived from services rendered at a rate of 5%.

For these purposes, companies holding a Multinational Company License for the Provision of Services Related to Manufacturing must settle and pay income tax through the annual income tax return, and may include within their deductible expenses the expenses incurred for the remuneration of all its employees, in accordance with the provisions of the Tax Code. The deduction of said labor remuneration will proceed even when the worker receiving the salary is exempt from income tax, in accordance with the provisions of article 31 of this Law.

Companies holding a Multinational Company License for the Provision of Manufacturing Related Services may apply as an income tax credit the amount that they have actually paid for this concept or similar abroad, with respect to the taxable income generated in the Republic of Panama derived from the provision of services to non-residents, as well as the amounts withheld by taxpayers of the Republic of Panama as income tax, in accordance with article 27 of this Law.

When the application of a tax credit is applicable, in accordance with the previous paragraph, the company holding a Multinational Company License for the Provision of Manufacturing Related Services must pay, at least, 2% of the net taxable income generated in the Republic of Panama, as income tax.

The amounts that are thus considered as income tax credit may not be considered as carry-over credits in the following fiscal periods, nor may they be subject to refund.

The entities that have a Multinational Company License for the Provision of Services Related to Manufacturing and their activities allow to boost the profitability of the commercial operations generated by the companies that make up the multinational group must report the income in the income tax declaration that is attributable to said activity, following the principle of full competition or Arm's Length developed by the transfer pricing regulations established in the Fiscal Code of the Republic of Panama, in accordance with the functions performed, the assets used and the risks assumed. To the corresponding income, following the principle indicated above, the corresponding costs and deductions will be applicable and the net result generated will be taxed based on the tax rate established in this Law.

It is understood that the activities indicated in the previous paragraph are those allowed based on the provisions of article 4 of this Law and that must be identified in the request made by the multinational group and in the granting of the Multinational Company License for the Provision of Services Related to Manufacturing by the Ministry of Commerce and Industries.

The General Directorate of Revenue must adapt its current systems and procedures to ensure that companies holding a Multinational Company License for the Provision of
Services Related to Manufacturing, whose activities are framed in this article, can proceed with the cancellation of the tax on the income derived from the activities indicated in this article.

Article 21. Transfer prices. Natural or legal persons that carry out operations with related parties that are companies holding a Multinational Company License for the Provision of Services Related to Manufacturing are subject to the transfer pricing regime in accordance with the provisions of the Tax Code.

The transfer pricing regime will also apply to any operation that a company holding a Multinational Company License for the Provision of Services Related to Manufacturing performs with related parties that are established in the Republic of Panama or that are tax residents of other jurisdictions or that are established in the Colon Free Zone, or that operate in the Petroleum Free Zone under Cabinet Decree 36 of 2003, Panama-Pacific Special Economic Area, Multinational Companies Headquarters, City of Knowledge or in any other free zones or in an established or future special economic area.

The companies holding a Multinational Company License for the Provision of Services Related to Manufacturing, although they maintain a reduced rate of income tax by provision of their special law, are subject to the transfer pricing regime as established in the Tax Code, the provisions of article 762-D of this Code are not applicable.

Article 22. Dividend and complementary tax and tax on branches. Companies holding a Multinational Company License for the Provision of Services Related to Manufacturing will be exempt from paying dividend tax, complementary tax and branch tax, regardless of whether they are from local, foreign or exempt sources. For these purposes, the provisions set forth in article 733-A of the Tax Code will not apply.

Article 23. Fiscal equipments. Companies holding a Multinational Company License for the Provision of Services Related to Manufacturing will not be subject to the use of fiscal equipment; However, they will be obliged to document their activities through invoices or equivalent documents that allow the General Directorate of Revenues to control, record, record and audit the transactions carried out, such as electronic invoices or any other means established.

Article 24. Notice of Operation. Companies holding a Multinational Company License for the Provision of Services Related to Manufacturing will not have the obligation to obtain a Notice of Operation for the provision of the services established in this Law; consequently, they will not be subject to the provisions set forth in Article 1004 of the Fiscal Code of the Republic of Panama.

Article 25. Capital gain. Gains or losses in the transfer of shares or securities issued by companies holding a Multinational Company License for the Provision of Services Related to Manufacturing will be subject to the provisions established in the Tax Code and in
Executive Decree 170 of 27 of October 1993, which regulates the income tax provisions contained in the Tax Code.

For these purposes, when applicable the application of income tax on capital gains, in accordance with the provisions established in the previous paragraph, the seller or transferor must calculate income tax on the gains obtained at a fixed rate of the two %. However, in these cases, the buyer will have the obligation to retain from the seller a sum equivalent to 1% of the total value of the sale as an advance on income tax from the capital gain.

The seller or transferor may choose to consider the amount withheld by the buyer as the final income tax to be paid as capital gain.

**Article 26. Tax on the transfer of personal property and the provision of services.** As they are mainly export services, the services provided by a company with a Multinational Company License for the Provision of Services Related to Manufacturing will not cause transfer tax on movable tangible assets and the provision of services, provided they are provided to persons who do not generate taxable income within the Republic of Panama.

Without prejudice to what is established in literal e of article 10 of Executive Decree 84 of August 26, 2005, it is defined as export of services those provided from an office established in Panama, but that are perfected, consumed or take effect in the outside. These services do not give the right to obtain Certificates with Cancellation Power.

**Paragraph.** The services provided by a company with a Multinational Company License for the Provision of Services Related to Manufacturing established and with operations in the Republic of Panama, whether or not it is part of the same economic group, will cause a transfer tax on movable tangible assets and the provision of services when they are provided to people who generate taxable income in the Republic of Panama.

Companies with Licenses of Multinational Companies for the Provision of Services Related to Manufacturing will be exempt from the payment of the transfer tax of movable tangible assets and the provision of services for the purchase and import of goods or services in the Republic of Panama.

**Article 27. Income.** The taxpayer of the Republic of Panama, natural or legal person, who benefits from a service or act, documented or not, provided by a company holding a Multinational Company License for the Provision of Services Related to Manufacturing must retain a fee of 5% on the sum to be remitted to the company that has a Multinational Company License for the Provision of Services Related to Manufacturing, provided that said services or acts affect the production of income from a Panamanian source or its conservation and their value has been considered a deductible expense by the person who received them.

Natural or legal persons whose domicile is outside the Republic of Panama, who provide any service or act, documented or not, that benefits a company holding a Multinational Company License for the Provision of Services Related to Manufacturing, which includes, but is not limited to, fees and income from copyrights, royalties, key rights,
trademarks, invention patents, know-how, technological and scientific knowledge and industrial or commercial secrets, will be subject to tax. on income in the Republic of Panama, to the extent that said services affect the production of income from Panamanian source or its conservation and its expenditure has been considered as deductible expenses by the person who received them. However, all income from Panamanian source paid or accredited by a company holding a Multinational Company License for the Provision of Services Related to Manufacturing that is in loss to a natural or legal person not resident in the Republic of Panama will be subject to of the tax and, consequently, is subject to the withholding referred to in this article.

Similarly, natural or legal persons whose domicile is outside the Republic of Panama will be subject to income tax on interest, commissions and other charges for loans or financing used in the Republic of Panama. For these purposes, the company holding a Multinational Company License for the Provision of Services Related to Manufacturing that benefits from the service, loan, financing or act in question must retain a fee of 5% on 50% of the sum to be remitted to said person domiciled outside the Republic of Panama.

This duty of withholding to natural or legal persons whose domicile is outside the Republic of Panama will not apply in the event that the natural or legal person whose domicile is outside the Republic of Panama has registered as a taxpayer of income tax. before the General Directorate of Income.

Article 28. Information requirements. Multinational companies for the provision of services related to manufacturing are obliged to comply with the current requirements for information on payments made to third parties, whether natural or legal.

Multinational companies for the provision of services related to manufacturing are required to keep their accounting records in Panama.

Article 29. Exemption from import tax. The multinational companies that provide the services contained in article 4 of this Law will be exempt from all taxes, fees, charges or import duties on all types or classes of merchandise, products, equipment and other goods in general, including, but not limited to limit, machinery, materials, containers, raw materials, supplies, supplies and spare parts that are used or required for the execution of the provision of services related to manufacturing. These may not be sold, leased, given as collateral or judicially auctioned, without paying the corresponding taxes, duties or fees.

Multinational companies that provide services in accordance with this Law may establish themselves in a special economic area in the national territory, a free zone, a free zone or constitute a customs control and surveillance area in accordance with national legislation. In the event that the multinational company that provides services related to manufacturing wishes to establish itself within an area with special tax treatment, the provisions and benefits provided in this Law will be applicable.

Article 30. Introduction to the fiscal territory. Products manufactured, processed, assembled or remanufactured by multinational companies for the provision of services
related to manufacturing established in a special economic area in the national territory, free zone, free zone or in a customs control and surveillance area may be introduced to the national fiscal territory by a company of the Business Group paying the respective tariffs or customs taxes, only on the value of the raw materials and foreign components incorporated in the product, based on the tariff that corresponds to each raw material or component incorporated in the Final product.

For these purposes, the Business Group company that acts as an importer must present, before the customs authorities, the input-product relationship sheet, previously verified and approved by the National Customs Authority.

For the computation of said tariffs or customs duties, the amount corresponding to the value of raw materials, inputs, components or foreign goods that have been incorporated into the finished product, subject to duty-free treatment or tariff discounts, shall be excluded, as appropriate, under international trade treaties or agreements.

**Chapter VI**

Immigration Regime and other special conditions for the personnel of a Multinational Company for the Provision of Services Related to Manufacturing

**Article 31. Temporary Personnel Visa of Multinational Company for the Provision of Services Related to Manufacturing.** The multinational company for the provision of services related to manufacturing may manage, through the Technical Secretariat of the Ministry of Commerce and Industries of Panama, a Temporary Personnel Visa of a Multinational Company for the Provision of Services Related to Manufacturing or Dependent of Temporary Personnel of a Multinational Company for the Provision of Services Related to Manufacturing.

The Multinational Company Temporary Personnel Visa for the Provision of Services Related to Manufacturing will be granted to the foreigner who provides services, at an operational or training level, to the multinational company, for a term of two years, extendable.

Once the Multinational Company Temporary Personnel Visa for the Provision of Manufacturing Related Services has been granted, the Ministry of Labor and Labor Development, through the same Migration Office at the Multinational Companies Headquarters or Single Window of Investment of the Ministry of Commerce and Industries, will grant in a single process a work permit that grants the right to work in the Republic of Panama, while working within the multinational company with a Multinational Company License for the Provision of Services Related to Manufacturing, in accordance with established in this Law.

The Executive Branch may regulate the percentage of national workers that the company must have with a Multinational Company License for the Provision of Services Related to Manufacturing.
The Ministry of Labor and Labor Development will keep the Multinational Companies Licensing Commission informed, under the Electronic Employment Exchange System, of the job offer with a specialization profile of Panamanians.

Those salaries and other labor compensation, including salary in kind, received by persons with a Temporary Multinational Company Visa for the Provision of Services are considered exempt from income tax, social security and educational insurance contributions. Related to Manufacturing, to the extent that such wages and salaries are paid, assumed and recognized as personnel expenses in the accounting of the company that holds the Multinational Company License for the Provision of Services Related to Manufacturing.

**Article 32. Visa of Dependent of Temporary Personnel of Multinational Company for the Provision of Services Related to Manufacturing.** Temporary employees of multinational companies for the provision of manufacturing-related services shall be understood to be:

1. To the spouse or partners united for a minimum of five years in conditions of uniqueness and stability.
2. To children under the age of eighteen and up to twenty-five, provided that they study regularly and are financially dependent on temporary staff of multinational companies, and children with disabilities who live with them.
3. To the parents of said personnel, who remain in the national territory under the responsibility of the main interested party.

The temporary staff of multinational companies for the provision of services related to manufacturing that demonstrate that they have the custody or custody and accredited upbringing of a minor may request it as a dependent.

The validity of the Visa for Temporary Personnel Dependent of Multinational Companies for the Provision of Services Related to Manufacturing may in no case exceed the validity granted to the Visa for Temporary Operating Personnel of Multinational Companies for the Provision of Services Related to the Manufacture whose request supports.

**Article 33. Training of national personnel.** The companies covered by a Multinational Company License for the Provision of Manufacturing Related Services must ensure the exchange of knowledge and training of Panamanians who wish to aspire to jobs in these multinational companies, and improve the skills of those who already form part of one of these companies.

For this, they must jointly establish at least one technical training center in the Republic of Panama. Additionally, they may adopt training programs with universities and educational centers, official and private.

The Executive Branch will regulate the matter.

**Article 34. Permanent Personnel Visa of Multinational Company.** The multinational company for the provision of services related to manufacturing will manage, through the
Technical Secretariat, the Visa of Permanent Personnel of a Multinational Company or of Dependent of Permanent Personnel of a Multinational Company based on the provisions of Law 41 of 2007 and its reform. Foreign personnel who are granted a Multinational Company Permanent Personnel Visa will have the right to work in the Republic of Panama, while working within the multinational company with a Multinational Company License for the Provision of Manufacturing Related Services, in accordance with what is established in this Law.

The reference to the dependents of whoever holds a Permanent Personnel Visa of a Multinational Company refers to the spouse or partners united for a minimum of five years in conditions of singularity and stability, to children under eighteen years of age and up to twenty-five years of age, provided that they study regularly and are under the economic dependence of the permanent staff of multinational companies, the children with disabilities who live with them and the parents of said staff, who remain in the national territory under the responsibility of the main interested party.

The permanent staff of multinational companies for the provision of services related to manufacturing that shows that they have the custody or custody and accredited upbringing of a minor may request it as a dependent. The validity of the Permanent Personnel Dependent Visa of Multinational Companies may in no case exceed the validity granted to the Permanent Personnel Visa of Multinational Companies whose application covers.

Those salaries and other labor remuneration, including salary in kind, received by persons with a Permanent Personnel Visa of a Multinational Company are considered exempt from income tax and social security and educational insurance contributions, to the extent that that such wages and labor compensation be paid, assumed and recognized as a personnel expense in the accounting of the company that holds the Multinational Company License for the Provision of Services Related to Manufacturing.

**Article 35. Terms of the Visa.** The Permanent Personnel Visa of a Multinational Company based on the provisions of Law 41 of 2007 and the corresponding identification card will be granted for a term of five years, extendable for the same period, except in those cases in which the employment contract establishes a minor term. This article does not limit the number of times in which the visa and the card in question can be extended.

The processing card to which you will be entitled by virtue of the visa will carry the right to multiple exit and return permits, valid for the term of the card. Once the Multinational Company Permanent Personnel Visa that accompanies it has been granted, it will not be required to carry out additional procedures or obtain any permission from another state entity to work in the multinational company for the provision of services related to manufacturing or to reside in the Republic of Panama.

**Article 36. Permanent Residence of Personnel of Multinational Companies.** Foreign personnel who work or have worked for any multinational company for the provision of services related to manufacturing may, once the term of five years has elapsed, counted
from the approval of the first Permanent Personnel Visa of a Multinational Company or of the Visa of Temporary Personnel of a Multinational Company for the Provision of Services Related to Manufacturing, opt for a Permanent Residence.

The foreigner who obtains a Permanent Residence for Permanent Personnel of Multinational Companies may continue working for a company that has a Multinational Company License for the Provision of Services Related to Manufacturing; however, it will be subject to the payment of income tax and social security and educational insurance contributions, as applicable to the salary and other earned wages, including salary in kind, in the Republic of Panama.

For these purposes, the employee who obtains the Permanent Residence for Permanent Personnel of Multinational Companies will not need to carry out additional procedures to work in a company that holds a Multinational Company License for the Provision of Services Related to Manufacturing.

The applicant will manage, through the Technical Secretariat, the Permanent Residence for Permanent Personnel of a Multinational Company and their dependents.

Once the Permanent Residence for Permanent Personnel of Multinational Companies has been granted, it will not be required to carry out additional procedures to reside and work in the Republic of Panama.

The holder of a Permanent Residence for Multinational Company Personnel will have the right to obtain a permanent resident card with a fixed number issued by the Civil Registry of the Republic of Panama. If a holder of a Permanent Residence for Personnel of a Multinational Company stops working for said multinational company, she may work for a different company, provided that she obtains a work permit as a permanent resident in the Republic of Panama.

**Article 37. Special activities.** Foreign personnel and personnel residing abroad of a multinational company for the provision of services related to manufacturing may participate in events held by the multinational company, such as trainings, customer and supplier meetings, strategy meetings or conventions. For this, the multinational company must notify the Technical Secretariat in advance of the date and reason for the event, as well as the foreign personnel that will participate.

**Article 38. Hiring of staff.** The company covered by a Multinational Company License for the Provision of Services Related to Manufacturing may hire trusted foreign workers to occupy positions of managers of high and middle levels, as well as temporary personnel, in the terms of this Law, that requires for your operation. By effect of the requirements demanded by this Law, said foreign personnel comply with the provisions of article 17 of the Labor Code, in relation to companies whose transactions are perfected, consumed or have their effects abroad. This provision will not apply to your dependents, who must obtain the corresponding work permits in accordance with current legislation.

Any foreign person who has a dependent status of a foreign worker under a Visa or Residence Permit for Multinational Companies of Manufacturing Related Services, in the
terms of this Law, may work in the Republic of Panama, provided that they meet the conditions necessary to process a work permit in any of the existing or recognized categories in the country.

Dependents who obtain a work permit and work in the Republic of Panama will be subject to income tax and social security and educational insurance contributions for wages and other remuneration received.

**Article 39. Limitations.** Whoever holds a Permanent Personnel Visa or a Multinational Company Temporary Personnel Visa for the Provision of Manufacturing-Related Services may not engage in work activities other than those carried out in the multinational company.

**Article 40. Responsibilities of the multinational company.** Multinational companies for the provision of services related to manufacturing will have the obligation to immediately notify the Technical Secretariat of any change in the status of foreign personnel covered by this Law, as well as the termination of working relationships with said foreign personnel.

**Article 41. Exemption.** The holder of a Permanent Personnel Visa of a Multinational Company or a Temporary Personnel Visa of a Multinational Company for the Provision of Services Related to Manufacturing will be exempt, at the time of moving to the Republic of Panama for the first time, from paying taxes that due to their importation could be applied to their household items. In addition, foreign personnel covered by a Multinational Company Permanent Personnel Visa or Multinational Company Temporary Personnel Visa for the Provision of Manufacturing-Related Services may request a full one-time duty exemption from the National Customs Authority, every two years, for the importation of a motor vehicle for personal or family use.

Items for domestic or personal use and the motor vehicle that have been brought into the country duty-free may not be sold, leased, given as collateral or judicially auctioned, without paying the corresponding taxes, duties or fees. In the case of articles for domestic use or for personal use that have been brought into the country duty-free, the tax in question will not be paid after three years have elapsed from their entry into the country.

The National Customs Authority may carry out the verifications and verifications that the law allows.

**Article 42. Insurance.** Persons holding a Permanent or Temporary Personnel Visa of a Multinational Company for the Provision of Services Related to Manufacturing will not be subject to the provisions of article 77 of Law 51 of 2005, as long as they do not request permanent residence in the Republic of Panama.

These foreigners must have health and personal accident policies for themselves and their dependents. The multinational company for the provision of services related to the manufacturing for which they work will be responsible for this coverage.
Chapter VII
Special Labor Regime

Article 43. Applicable labor legislation. Every worker holding a Permanent or Temporary Personnel Visa of a Multinational Company for the Provision of Services Related to Manufacturing will be subject to the rules of the Labor Code, except for those exceptions expressly provided by this Law.

Article 44. Work contracts. Multinational companies for the provision of services related to manufacturing may sign employment contracts in any of the forms established in the Labor Code with foreign workers who are requested a Permanent or Temporary Personnel Visa in the terms of the present Law. However, the visa and identification card granted to foreign personnel may not exceed the term of duration applicable to the type of visa, in accordance with the provisions of this Law.

Article 45. Weekly rest day. Multinational companies for the provision of services related to manufacturing may agree with their workers the mandatory weekly rest day, which will not necessarily be Sunday. When Sunday is a regular work day, there will be no surcharge.

Work on the agreed weekly rest day will be remunerated with a 50% surcharge on the salary.

Article 46. Surcharges for extraordinary working hours and agreed rest day. Work carried out on overtime or overtime will be remunerated with a single surcharge equivalent to 25% on the salary of the workers of a multinational company for the provision of services related to manufacturing.

Chapter VIII
Infringements and sanctions

Article 47. Infringement. Any action or omission that transgresses or violates the norms contained in this Law and its regulations, or the norms that are dictated in accordance with these or those derived from the respective licenses, constitutes an offense that may be sanctioned by the Technical Secretariat.

Article 48. Cancellation of license and tax effects. The multinational company that holds a Multinational Company License for the Provision of Services Related to Manufacturing, which carries out in the national territory activities other than those authorized by its license, without complying with the provisions of this Law, will be canceled the license and will be responsible for the unpaid taxes, with the fines, surcharges, interests and penalties in accordance with the provisions of the Fiscal Code of the Republic of Panama.

The company that holds a Multinational Company License for the Provision of Services Related to Manufacturing that in a fiscal period does not comply with having the number of full-time employees or annual operating expenses, both appropriate to the nature
of the business carried out. carried out by the company, or that does not comply with the requirement indicated in the last paragraph of article 11 of this Law, must pay the income tax corresponding to said fiscal period at the general rate, with fines, surcharges, interests and penalties that correspond in accordance with the provisions of the Fiscal Code of the Republic of Panama.

**Article 49. Sanction.** Workers who enter the national territory covered by this Law and remain in Panama without actually working in the multinational company for the provision of services related to manufacturing will be sanctioned with a fine of up to five thousand balboas (B/.5,000.00), Without prejudice to that which corresponds to the company in case of not making the corresponding communications in accordance with this Law.

In these cases, the visa and / or the corresponding work permit of said worker will be automatically canceled and he will be repatriated at the expense of the company.

The company that does not make the communications that are established as obligations of this Law or that does not comply with the other provisions may be sanctioned with a fine of up to one hundred thousand balboas (B/.100 000.00), imposed by the Technical Secretariat.

**Article 50. Administrative efficiency.** The establishment of multinational companies for the provision of services related to manufacturing in Panama will be governed by the principle of administrative efficiency; Therefore, the State entities and the officials in charge of processing matters related to multinational companies in Panama should improve their administrative efficiency and avoid bureaucratization, in order to face, quickly and efficiently, the needs of the companies, multinationals and their employees.

Likewise, they must endeavor to use existing channels and resources in the Ministry of Commerce and Industries to promptly process immigration requests; promote that the application procedures for visas and residences created under this Law are carried out using digital platforms, as well as carrying out biometric processes and delivery of immigration cards in the same act, after the visa or residence permit application has been submitted.

**Chapter IX**

**Environment and other Requirements**

**Article 51. Application of legislation.** In the areas or zones where multinational companies are established for the provision of services related to manufacturing, the current legal provisions on environmental matters will be applied, including the scope, guides and terms of reference, for the preparation and presentation of declarations, environmental impact assessments and studies, environmental audits and inspections, as well as the imposition of administrative sanctions for non-compliance with these, without prejudice to the corresponding civil and criminal responsibilities.
Article 52. Environmental impact study. Multinational companies for the provision of services related to manufacturing that, due to their nature, characteristics, effects, location or resources, could generate environmental risk, and that, in accordance with Panama's environmental regulations, require an environmental impact study to consideration of the Ministry of Environment, they may manage and obtain it at a later date after the granting of a Provisional License of Multinational Companies for the Provision of Services Related to Manufacturing. However, they must have the approval, by the Ministry of the Environment, of the environmental impact study before starting the project, work or activity.

After the approval of the environmental impact study, the definitive license will be granted for the start of operations of the multinational company for the provision of services related to manufacturing.

Article 53. Recyclable waste. In order to promote clean productions, multinational companies for the provision of services related to manufacturing will be able to sell locally the waste that the manufacturing process generates for recycling by third parties, a transaction that will not be subject to the payment of income tax. To qualify for this benefit, multinational companies for the provision of services related to manufacturing must submit to the Multinational Companies Licensing Commission an application, which describes the manufacturing process, the reasons for generation and the type of waste that can be sold, as well as the corresponding recycling process.

The Executive Branch will regulate this article.

Chapter X
Establishment and Legal Stability

Article 54. Establishment. Multinational companies for the provision of services related to manufacturing provided for in this Law may choose to establish themselves in the Panama-Pacific Special Economic Area, created by Law 41 of 2004, or in a free zone that operates based on Law 32 of 2011 or in any other part of the national territory where the development of said activities or services is allowed. Only the special regimes and treatments established in this Law are applicable to multinational companies that are established in the aforementioned areas or zones.

In any case, the provisions contained in Law 41 of 2004 and in Law 32 of 2011, will only apply to said multinational companies in what is pertinent to the administrative and operational rules that regulate said areas or zones, as well as to the regulation, direction, control, authority and supervision of the corresponding agency or entity.

Article 55. Legal stability of investments. Multinational companies for the provision of services related to manufacturing will automatically enjoy, from the moment of their registration, the guarantees referred to in Law 54 of 1998, regulated by Executive Decree 9 of February 22, 1999, or current legislation on the issue of legal stability of investments.
Chapter XI
Additional Provision

Article 56. Article 30 of Law 41 of 2007 is as follows:

Article 30. Hiring of staff. The company covered by a Multinational Company Headquarters License may hire trusted foreign workers to occupy positions of managers of high and middle levels, in the terms of this Law, that it requires for its operation. By effect of the requirements demanded by this Law, said foreign personnel comply with the provisions of article 17 of the Labor Code, in relation to companies whose transactions are perfected, consumed or have their effects abroad. This provision will not apply to your dependents, who must obtain the corresponding work permits in accordance with current legislation.

Any foreign person who has a dependent status of a foreign worker under a visa or residence permit from the Headquarters of Multinational Companies, in the terms of this Law, may work in the Republic of Panama, provided that they meet the necessary conditions to process a work permit in any of the existing or recognized categories in the country. These permits may be processed through the Migration Office of Multinational Companies Headquarters or the Single Investment Window.

Dependents who obtain a work permit and work in the Republic of Panama will be subject to income tax and social security and educational insurance contributions for wages and other remuneration received.

Chapter XII
Final Provisions

Article 57. Provisions. The Ministry of Economy and Finance will make the necessary provisions to assign the budget items that the Ministry of Commerce and Industries will require for the implementation of this Law.

Article 58. Modification. This Law modifies article 30 of Law 41 of August 24, 2007.

Article 59. Validity. This Law will take effect three months after its promulgation.

COMMUNICATE AND ENFORCE IT.

Project 355 of 2020 approved in the third debate at the Palacio Justo Arosemena, Panama City, on the sixth day of August of the year two thousand and twenty.

The President,

Marcos E. Castillero Barahona

The General Secretary,

Quibian T. Panay G.

LAURENTINO CORTIZO COHEN
Republic President

RAMON MARTINEZ
Ministry of Commerce and Industries