

**NATIONAL ASSEMBLY  
LAW No. 41  
(Of August 24, 2007)**

IT IS CREATED THE SPECIAL REGIME FOR THE ESTABLISHMENT AND OPERATION OF THE MULTINATIONAL COMPANY HEADQUARTERS, AND THE COMMISSION OF LICENSES OF THE MULTINATIONAL COMPANY HEADQUARTERS AND IT DICTATES OTHER DISPOSITIONS.

**THE NATIONAL ASSEMBLY  
DECREES:  
Chapter I**

**Object, Ambit of the Application and Definitions**

**Article 1. Object.** This present Law is aimed to create the Special Regime for the Establishment and Operation of The Multinational Company Headquarters, in order to attract and promote the investment, generating jobs and technology transfer, as well as to make the Republic of Panama more competitive in the global economy, through the optimum use of its geographical position, its physical infrastructure and international services.

**Article 2. Application:** This law will be applying in the Republic of Panama and this law may only be applied for the operations of the Multinational Company Headquarters, in accordance with this Law.

**Article 3. Definitions:** For the purposes of this Law, The following terms will be understood as followed:

1. ***Multinational company.*** It is defined as an artificial person whom have their Main Office in a determinate country, it develops important productive activities, commercial, financial and of services in diverse countries. The companies will be considered as a multinational because they operate solely in certain country, even though they have important operations in different regions in the inside of this country and they decide to establish a branch, affiliate, subsidiary or associated company in Panama to carry out business transactions in the region.
2. ***Multinational Company Headquarters (SEM).*** It is defined as “A multinational company that from Panama carries out operations that are directed to offer the services defined in this Law to their Main Office or to their subsidiaries or to their affiliates or associate companies, or if they establish their Main Office in Panama, and furthermore Business Groups. The Headquarters will always be part of multinational companies with international or regional or important operations in their origin country.”

## **Chapter II**

### **Multinational Company Headquarters**

**Article 4. Services permitted.** The services provided by a Multinational Company Headquarters, are the ones referred below or a combination thereof.

1. The direction and/or Administration for the business operations in a specific or global geographical area of a company of the business group. It is referring to the services of strategic planning, business development, management and/ or training of personnel, operations control and /or logistics.
2. Logistics and storage of components or parts, required for the manufacturing or assembly of manufactured products
3. Technical assistance for the companies of the Business Group or clients that have acquired some product or service from the company and, by virtue of which it is obliged to provide the services of assistance
4. The financial management, includes the treasury services to the Business group
5. The accounting of the Business Group.
6. The elaboration of plans that are part of the designs and/ or constructions, or parts of them that constitutes part of the typical business activities of the Main Office or of anyone of their subsidiaries.
7. The electronic processing of any activity including in the consolidation of operations of the Business Group. This service includes the operations of networks.
8. Counseling, coordination and follow-up of market and advertisement guidelines of goods and services produced by their Business Group
9. The operations and investigation support and the development of products and services for the Business Group.
10. Any other analogous service approved previously by the Cabinet Council through grounded resolution, while it meets the requirements set forth in this Law.

**Article 5. Annual Report.** The Companies that are being established in Panama, and subjected to the rules of this Law they must submit to the Technical Secretariat of the Commission of License of the Multinational Company Headquarters, an annual report containing the statistics relating to its operations within the national territory. This Secretariat will determine the information that must contain the report and this information will be included in a form that should be filled out by all the companies that are under the special regime created by this Law. The Multinational Company Headquarters will be obliged to immediately communicate to the Commission on License of the Multinational Company Headquarters, any changes in the status of its operations in the country and its personnel.

**Article 6. Receiver of the services.** The role of the Multinational Company Headquarters will be to provide services only to the business group to which it belongs, in response to the activities permitted by this Law.

**Article 7. Type of companies.** The Multinational Companies, that are under this present regime, shall operate as a foreign company registered in Panama or as a Panamanian company owned by the Multinational Company, of their subsidiaries or its affiliates.

**Article 8. Exception.** For the purposes of this Law, it will not be considered as a Multinational Company, nor company subjected to Regime of the Multinational Company Headquarters, such as the law firms, that provides directly services to the customers or distinct companies or that are not property of the business groups from Panama or through a subsidiary or affiliates abroad.

### **Chapter III** **Licenses Commission of the Multinational Company Headquarters**

**Article 9. Created.** It is Created the Licenses Commission of Multinational Company Headquarters, henceforth the Commission, will act as the advisory and adviser organ for the establishment of the Multinational Company Headquarters, which will be attributed to the Ministry of Commerce and Industry. The Commission will be integrated by five commissioners with rights for voice and vote:

1. The Vice Minister of External Commerce who will preside over it.
  2. The Vice Minister of Foreign Affairs.
  3. The Vice Minister of Work and Labor Development.
  4. The National Director of Immigration and Naturalization of the Ministry of Government and Justice.
  5. The General Director of Revenues of the Ministry of Economy and Finance.
- Each one of the principal commissioners will designated their substitutes.

The National Director of Promotion of Investments of the Ministry of Commerce and Industry or the official that the National Director designates will participate in the meetings of the Commission in quality of technical secretary. In case that the National Director of Promotion of the Investments presides over the Commission, The General Director of Attention for the Investor of the Ministry of Commerce and Industry or the official that he designates will act as technical secretary.

The Commission will meet at least once a month, and the regulation quorum will be conformed by simple majority. The decisions of the Commission will be adopted by simple majority.

**Article 10 Function of the Commission.** The Commission will have the following functions:

1. To recommend the Executive Branch, by conduit of the Ministry of Commerce and Industry, the policy of promotion for the establishment of Multinational Company Headquarters in Panama.
2. To establish the requirements for the granting of the Licenses of the Multinational Company Headquarters.
3. To study formulas and/or efficient mechanisms to achieve that Panama is an attractive place for the investment for the multinational companies.
4. To coordinate, with the other institutions of the State, the necessary actions to make of Panama an attractive place for the investment of the Multinational Company Headquarters.
5. To recommend general norms or the implementation of mechanisms that facilitates the identification and the supervision of the companies with License of the Multinational Company Headquarters in our country.
6. To propose to the Executive Branch, by conduit of the Ministry of Commerce and Industry, the regulation dispositions of this Law.
7. To advise the National Government in all the matters that keeps in relationship with the development of this Law.
8. To know in second instance the decisions, in appeal degree, against the resolutions that dictates the Technical Secretariat.
9. To exercise the other functions that assigns this Law.

**Article 11. Functions of the Technical Secretariat of the Commission.** The Technical Secretary of the Commission will have the following functions:

1. Granting the Licenses of the Multinational Company Headquarters to companies that request and meet the requirements for the obtaining of the Licenses, upon previous recommendation of the Commission.
2. To process the visas of the personnel's that works for companies protected under a License of the Multinational Company Headquarters duly granted, as well as visa for their dependants.
3. To emit the certificates on behalf of the company with License of Multinational Company Headquarters or the personnel that is under the regime of the personnel Visa, of the Multinational Company Headquarters, for administrative procedures, in matters of their competence
4. To impose the administrative or pecuniary sanctions to the companies with Licenses of the Multinational Company Headquarters, for non fulfillment of the obligations established in this Law, in their regulations and in the norms that are dictated in their development.

5. To solve, in first instance the reclamations or the resources interposed in function of the Law.
6. To supervise the fulfillment of this Law on the part of the companies with Licenses of the Multinational Company Headquarters.
7. To carry out all the administrative procedures for the management of the benefits of the companies license of this law and their personnel.
8. To carry out the official registry of the companies with License of the Multinational Company Headquarters, as well as of their personnel and dependants.
9. To develop the forms, guides and/or instructive that should be presented and/or to use by the companies with License of the Multinational Company Headquarters, in conformity with the established ones in the Law and this regulation.

For the effects of the official registry and the process that the Technical Secretariat must carry out in the exercise of its functions that it is indicated in this Law, The Ministry of Commerce and Industry may establish a One Stop Service (Known in Panama as “Ventanilla Unica”) of Procedures of Investment assigned to The National Bureau of Promotion of the Investment.

## Chapter IV

### Licenses of the Multinational Company Headquarters’

**Article 12. Requirements for the license.** The requirements for the obtaining of the Licenses of the Multinational Company Headquarters’ will be established by the Commission of Licenses of the Multinational Company Headquarters, by which it must meet the following parameters: the assets of the multinational company, the places or headquarters of operation of the Multinational Company, the activities or trade operation carried out by the multinational company, the quotes of shares in the local stock markets or internationals as well as any other element or information that the Commission deems appropriate to establish and evaluate as a requirement

**Article 13. Request for the license.** The request for the Licenses of the Multinational Company Headquarters’ will be presented in written and addressed to the Technical Secretariat of the Commission through a form prepared by this Secretariat.

The interested company, must attach to the application a letter which will contain a sworn declaration expressing that they want to establish a Multinational Company Headquarters, in Panama and that it fulfills with all the requirements to qualify for a license in accordance to what is established in this Law, as well as the documentation of sustenance that is required.

**Paragraph.** The Multinational Company Headquarters, that are operating in Panama and lend services to companies related to the multinational company outside of Panama, the same ones will be protected by the benefit from the provisions of this Law by means of request to the Technical Secretariat, in accordance with the terms and conditions described in this Law and its regulations.

**Article 14. The criteria for the approval of the licenses.** The Technical Secretariat will evaluate the application and attached documentation and once it is completed it will be remitted to the Commission, for the recommendation.

The denial of licenses should be made by grounded resolution. The grounds for refusal may be remedied by filing a new form duly corrected.

**Article 15. The duration term of the license of the Multinational Company Headquarters.** The license of the Multinational Company Headquarters, will be awarded to the companies for an indefinite term and it will be confer a taxpayer number (known in Panama as RUC) this must be used in all the administrative procedures that is necessary for the development of its activities in the Republic of Panama. The Technical Secretariat will coordinate everything that is necessary with other State institutions to ensure that procedures are expedited.

**Article 16. Additional activities of the Multinational Companies Headquarters.** If a company with License of the Multinational Company Headquarters wants to carry out in the Republic of Panama additional or different activities from those for which they were authorized, they will request to the Technical Secretariat the modification of its license, by means of the extension of the form. The new license will have the same registry number as the original license.

**Article 17. Activities that are not covered by the license.** If a company multinational with its respective license wants to carry out operations that are not protected under the present Law, this company will have to make it by means of creating a separate company, registering this company in the Public Registry as foreign company, or by means of the creation of a new Panamanian corporation to carry out these operations in the national territory. This company will not be protected by the present Law for the development of this activities and it must count with their own personnel that does not belong to the company whose activities are protected by the present Law.

**Article 18. Cancellation Causals.** The Technical Secretariat, ex-officio, at the request of the interested party or by recommendation of the Commission, it may cancel the license of any Multinational Company Headquarters, which falls within any of the following grounds.

1. The ceasing of the activity or activities for which was granted the license.

2. Not beginning the operations within six (6) months following of the granting of the license. This term may be extended for an additional period of six (6) months upon request of the company
3. The multinational company cease its operations, product that it has been intervened or either because it was declared bankrupt by the authorities of their country of origin.
4. The violation to the dispositions of this Law.
5. The violation to the laws of the Republic of Panama.
6. Other cases that establishes this Law

**Article 19. Cancellation procedure.** The cancellation of the license will correspond to the Technical Secretariat and the Company can appeal before the Commission, this Commission will be the only one to confirm or deny the license by means grounded resolution, adopted by the affirmative votes of the simple majority of the commissioners.

After verifying the causal or grounds for the cancellation of the license of the Multinational Company Headquarters. The Technical Secretariat of the Commission will make a personally notification to the company indicating the reasons or grounds for the cancellation, the company will have a period of ten (10) skilled days, counting from the notification, to state the reasons why the company considers that its license should not be cancelled, including the evidence that deems conducive.

The Technical Secretariat will have a period of thirty working days to resolve this through grounded resolution.

The company will have a term of ten skilled days to file an appeal before the Commission, and this Commission will have a period of thirty skilled days to resolve it. The decision of the Commission will be the last step using the administrative channels.

**Article 20. The following steps after the Cancellation of the License.** The enforceable resolution by which the license is cancelled, the Commission, through the Technical Secretariat, will proceed immediately to cancel all the visas, work permits and other licenses and permits, granted in accordance with this Law. To those affected with their visas, it will be granted to them a term of ninety (90) days to regulate their immigration status or leave the country.

## **Chapter V** **Fiscal Regime**

**Article 21. Fiscal regime.** The Companies holder of a license of the Multinational Company Headquarters will be exempt from paying the income tax of the Republic of Panama, for the services provided to entities of any kind domiciled abroad, which do not generate taxable income within the Republic of Panama. This exemption will solely be applied to the company but not to their employees.

**Article 22. Tax Transfer Of Personal Goods and Rendering Services (known in Panama as ITBMS Tax).** Being services of exportation, the services provided by the company holder of the license of the Multinational Company Headquarters will not

generate Tax Transfer Of Personal Goods and Rendering Services (known in Panama as ITBMS), always that these services are lend to persons domiciled abroad, and that these services will not generate taxable income within the Republic of Panama.

Without prejudice of what is established in the literal e of the Article 10 of the Executive Decree No. 84, of August 26, 2005, exports of services is defined as those that are provided from an office established in Panama, these services can be perfected, consummated or to have effect abroad. These services are not eligible to obtain a Certificate of Cancellation.

**Paragraph.** A company that lends services under the license of the Multinational Company Headquarters, that are established and operates in the Republic of Panama, being a party or not from the same economic group, these services will cause Tax Transfer Of Personal Goods and Rendering Services (known in Panama as ITBMS Tax).

The Companies with Licensed of Multinational Company Headquarters, are not exempt from paying of Tax Transfer Of Personal Goods and Rendering Services (known in Panama as ITBMS Tax) for the purchase of goods or services in the Republic of Panama nor for imports made.

**Article 23. Income:** The income of the Multinational Company Headquarters, are deemed produced within the Republic of Panama, to the extent that their services are causing an effect on the production of the Panamanian income sources or the conservation of this, and its value has been considered by the person who received it as a deductible expense. In these cases, the taxpayer who will be benefit with the service or act, to which this article refers, must apply the rates provided in Article 699 of the Fiscal Code on the fifty percent (50%) of the sum that will be remitted to the Multinational Company Headquarters. In this case the taxpayer will use the procedure of withholding tax to the due date of the fiscal period, the Multinational Company Headquarters, will submit their income tax return, stating their income as exempt and showing that the tax are paid, this company will not have the rights for any fiscal credits for the lost that produced the costs and expenses that are charged to their operation.

**Article 24 Information Requirements** The Multinational Company Headquarters, are obliged to comply with the requirements that are in force in respect with the payment information made to third parties, whether natural or artificial

**Article 25. Tax Agreements:** Notwithstanding the provisions in the previous article and on a voluntary basis, the companies' holder of a license of the Multinational Company Headquarters may reach agreements with the Ministry of Economy and Finance, for the



consolidation of their gains and payment of the taxes on the income obtained in various countries.

In case of celebrating the tax agreement, in this agreement, it will be established the effective date on such taxes that must be paid, as well as other modalities agreed by the parties.

The company with License of the Multinational Company Headquarters must submit to the Technical Secretariat of the Commission, the evidence of the celebration of the agreement.

## Chapter VI

### **Immigration Regime and other special conditions for the personnel of the Multinational Company Headquarter**

**Article 26. The Permanent Personnel Visa of the Multinational Company Headquarters.** The foreign personnel and their dependants, will do the process through the Technical Secretariat, the Permanent Personnel Visa or the Dependent Permanent Personnel Visa of the Multinational Company Headquarters. The foreign personnel who is granted a Permanent Personnel Visa of the Multinational Company Headquarters, is entitled to work in the Republic of Panama, meanwhile this personnel labors in the multinational company with license of the Multinational Company Headquarters, in accordance to what is established in this Law.

The Ministry of Commerce and Industry will celebrate agreements with the National Bureau of Immigration and Naturalization, in order to verify the procedure and expedition of the Permanent Personnel or Temporary Visas' of the Multinational Company Headquarters, as well as the other applicable conditions for their procedures, expedition and/or approval.

When it is referring to the Dependants of the Permanent Personnel Visa of the Multinational Company Headquarters, it is making reference to the spouse, minor or children less than twenty-five (25) years old who are students and also the parents of this personnel who are staying in the national territory under the responsibility of the personnel of the Multinational Company Headquarters.

The Person holder of a Permanent Personnel Visa of the Multinational Company Headquarters, are subjected to the same tax regime that is applied to the holder of Temporary Special Visitor Visa when they receive their income directly from the parent company abroad.

**Article 27. Duration Period of the Visa.** The Permanent Personnel Visa of the Multinational Company Headquarters will be granted for a term, not exceeding to what is established in the respective employment contract, while this personnel labors in the

company, the duration period will not exceed more than five years; by virtue of this visa, the personnel will have the right for the identification card, with a duration of five years, and entail for the right for the multiple exit and entry permits, valid for the term of the card. Once granted the Permanent Personnel Visa of the Multinational Company Headquarters, that accompany this permits, it is not required additional process or for

the obtaining permits from any other entity in order to work at the Multinational Company Headquarters, or to reside in the Republic of Panama.

**Article 28. Temporary Personnel Visa of the Multinational Company Headquarters.**

The Multinational Companies Headquarters can process, through the Technical Secretariat, a Temporary Visa of the Multinational Company Headquarters, for the foreign personnel that provides technical services or training for the Multinational Company Headquarters, for a period not exceeding the three months. Once granted the Temporary Visa of the Multinational Company Headquarters, it is not required additional process or to obtain permits from any other State entity to work at the Multinational Company Headquarters, or to reside in the Republic of Panama for the term granted on the visa.

**Article 29. Special activities.** The foreign personnel and resident abroad of the Multinational Company Headquarters, may participate in the events held by the Multinational Company Headquarters, in the Republic of Panama, such as training, meetings of customers and suppliers, meetings of strategy or conventions, in respect of the above mentioned, the Multinational Company Headquarters, must notify to the Technical Secretariat in order to get a temporary permit for such purposes. The Executive Branch will regulate this matter.

**Article 30. The recruitment of personnel's.** The company protected with License of the Multinational Company Headquarters, may hire foreign workers of their trust, To occupy the positions of managers of high and middle level that they are required for the operation and for the effect of the conditions required by this law that comply with the disposition of Article 17 of the Labor Code for the companies whose transactions will be perfected, consummated or having its effects abroad. This provision shall not be applied to their dependants who must obtain work permits that correspond for such effect, in accordance with the in force legislation

**Article 31. Limitations.** Anyone who holds a Permanent or Temporary Visa of the Multinational Company Headquarters, can not do other work activities, other than those undertaken at the Multinational Companies Headquarters.

**Article 32. Responsibilities of the Multinational Company Headquarters.** The Multinational Company Headquarters, will be obliged immediately to inform the Commission of any changes in the status of the foreign personnel protected under this Law.

**Article 33. Exemption.** The holder of a Permanent Visa of the Multinational Company Headquarters, will be exempt, for traveling for the first time to the Republic of Panama, from paying the taxes, for **reasons of** the imports that could be applied for their households items. The Customs Administration will do the verification and confirmation that the law allows.

**Article 34. Insurance.** By virtue that the holder of either Permanent or Temporary Personnel Visa of the Multinational Company Headquarters, this personnel, who will be temporarily in Panama, to this personnel it will not be applied the provisions of the Article 77 of Law 51 of 2005, while this personnel does not request the permanent residency in Republic of Panama. However, these foreigners must have health insurance for themselves and their dependants, The multinational company will be responsible for the coverage of their personnel

## **Chapter VII Infractions and Sanctions**

**Article 35. Infraction.** All action or omission that transgresses or violate the rules contained in Law and in its regulations, or norms that are dictated in conformity with these regulations or the norms that are derived from the respective licenses, constitute an infringement likely to be sanctioned by the Technical Secretariat

**Article 36. Cancellation of license.** The multinational company holder of a license of the Multinational Company Headquarters, which carries out activities in the country other than those authorized by its license, without complying with the provisions of this Law, it will be canceled the license and they must pay a fine equivalent up to three times the lost revenue of perceiving tax exemptions granted by this Law.

**Article 37. Sanction.** The workers who enters to the national territory protected under the present Law and remains in Panama without working in the Multinational Company Headquarters, the same ones shall be punished with a fine up to five thousand dollars ( B/.5000.00) without prejudice to the sanction that corresponds to the company in the event of not making the respective notification in accordance with the provisions of the present Law.

In these cases, the visa and/or the corresponding permits of this worker's will be cancelled automatically and be repatriated at the expense of the company.

The company that does not make the communications that are established as obligations of the present Law or that fails to comply with the other dispositions will be sanction by a fine up to one hundred thousand dollars (B/.100,000.00), imposed by the Technical Secretariat.

NOT AN OFFICIAL VERSION

**Article 38. Administrative efficiency.** The establishment of The Multinational Company Headquarters, in Panama will be governed by the principle of administrative efficiency; therefore, the entities of the State and the officials in charged of the process related with the Multinational Company Headquarters in Panama the same ones mentioned above should improve their administrative efficiency, and avoiding the bureaucratization, in order to do things in a fast and efficient way, towards the needs of the Multinational Company Headquarters and their employees.

### **Chapter VIII Final Dispositions**

**Article 39. Forecasts.** The Ministry of Economy and Finances will take the necessary forecasts to assign the budgetary items that will require the Ministry of Commerce and Industry for the implementation of this Law.

**Article 40. The present Law will enter to govern from its promulgation.**

#### **TO BE PUBLISH AND BE COMPLIED**

Project 283 of 2007 approved in third debate in the Palacio Justo Arosemena, city of Panama, to the 21 days of the month of May of the year two thousand seven.

**The General Secretary,  
Carlos José Smith S.**

**The President  
Elías A. Castillo G.**

**NATIONAL EXECUTIVE BRANCH. PRESIDENCY OF THE REPUBLIC OF  
PANAMA, REPUBLIC OF PANAMA 24 of August of 2007.**

**ALEJANDRO FERRER  
MINISTER OF COMMERCE  
AND INDUSTRY**

**MARTÍN TORRIJOS ESPINO  
PRESIDENT OF THE REPUBLIC**