

Legal Stability Law

The Panamanian Government passed the Law on Legal Stability of Investments (Law 54 of July 22, 1998) to promote Panama's economic growth and development through rules that stimulate and guarantee stability in domestic and foreign investments carried out in the Republic of Panama.

The regime grants a guarantee for a term of ten (10) years to natural persons or legal entities who are engaged in tourism, industrial, agricultural export, agroforestry, mining, export processing zones, oil and commercial free zones, telecommunications, construction, port and railway developments, electricity generation, irrigation projects and efficient use of water resources. These persons must make an investment in the territory of the Republic of Panama for the minimum amount of two million dollars (US\$2,000,000.00) within two (2) years.

The regime is not limited to investments already made, as it includes investments that still need to be fully completed or are in the process of starting. To apply to this regime, every investor must accompany their application with an investment plan, the declaration of an authorized public accountant certifying the existence of the investment and that the amount exceeds two million dollars (US\$ 2,000,000.00), as well as an affidavit certifying the veracity of the provided information.

The entity in charge of processing the applications and supervising the companies of the legal stability regime is the National Directorate of Business Development ("DINADE") of the Ministry of Commerce and Industries ("MICI").

Benefits and Guarantees of the Legal Stability Regime

Companies that comply with all the requirements and receive the legal stability authorization from the DINADE will enjoy ten (10) years of legal and other tax, fiscal, customs, and labor benefits that emanate mainly from the freezing of the legal conditions in force at the time when the resolution was issued in favor of the company to be registered in the regime. Some of the benefits are:

- Legal stability if new provisions may vary the rights acquired by the Law, except in cases of public order or social interest.
- Tax stability in the national order, therefore, the company will be subject to the regime in force at the date of its registration at the DINADE, except for indirect taxes (i.e., the ITBMS).



- Tax stability at the municipal level due to changes that may occur under the regime of determination and payment of municipal taxes. In the case of tax stability, these can only affect companies every five years.
- Legal stability in the workplace regarding the provisions applicable when hiring, following Panamanian laws, international conventions, and agreements on labor matters.
- Guarantee of the special customs regimes in force such as reimbursement, inventory replacement with duty-free, temporary admission for operational improvement, temporary export for passive gain, clearance system of goods with guaranteed payment, and the international customs transit regime. This guarantee has the exception of modifications that are to simplify and/or facilitate the implementation of the customs regime.

It should be mentioned that the legal regimes (in addition to legal stability) that the investor has received before his registration in the Investment Registry and that extend his benefits for a specific time will be valid only until the date that the Law has indicated that establishes said legal regime.

The legal stability regime of investments is an excellent opportunity for national and international investors to establish or expand their companies in Panama because the company benefits from having legal stability within the framework of the law with which it was created.