

## Panama enacts Law promoting the establishment of Multinational Manufacturing Companies

Through **Law 159 dated August 31, 2020**, the Republic of Panama creates a special regime for the establishment and operation of **multinational companies for the provision of services related to manufacturing (“EMMAs”)**. The objective of this new law is to attract and promote investments in production processes, job creation and technology transfer, through the establishment of multinational companies in the areas of manufacturing, assembly, and remanufacturing.

**EMMAs** are defined as companies, national or foreign, that carry out operations, from Panama, offering certain services to their parent companies, subsidiaries, affiliates or associated companies of the same business group. The provision of services to these group companies includes:

- 1) Manufacture of products, machinery and equipment,
- 2) Assembly of products, machinery and equipment,
- 3) Maintenance and repair of products, machinery and equipment,
- 4) Remanufacturing of products, machinery and equipment,
- 5) Product conditioning,
- 6) Product development, research or innovation of existing products or processes,
- 7) Analysis, laboratories, or tests related to manufacturing,
- 8) Logistics, storage, deployment and distribution center of components or parts,
- 9) Any other similar service, approved by the Cabinet Council.

**EMMAs** will be subject to a special tax regime. The companies will pay income tax in the Republic of Panama, on the net taxable income derived from the services rendered at a rate of 5%. They will be exempt from the payment of dividend tax, complementary tax and branch tax. VAT ( *itbms*) will be exempted for export services rendered to persons who do not generate taxable income within the Republic of Panama. Machinery, supplies, raw materials, goods, provisions and spare parts used for manufacturing will be exempt from import tax.

A special immigration regime and special conditions are also established for the staff of the **EMMAs**, which includes Visas for Temporary Personnel, Permanent Personnel, Dependent Visas for relatives and Residency permits for personnel. A special labor regime for workers is also established.

Multinational companies that are established under the **EMMA** regime will automatically enjoy the investment stability guarantees as of their registration.

**The new law will enter into force on December 1, 2020 and interested companies must apply for before the Multinational Companies Licensing Commission of the Ministry of Commerce and Industries.**