Panama Analysis

ATU (Panama) SA

October 2013

1. Bearer Shares

After many back and forth discussions over the past months and regardless of the strong division of opinions, Law No. 47 regulating the immobilization of bearer shares was officially published on August 7, 2013. It is important to note that the aforementioned law will only come into force on August 7, 2015 and that a transitional period will apply thereafter.

This means that all bearer shares issued after August 6, 2015 will need to be deposited with an authorized custodian. In respect to the bearer shares issued before August 7, 2015, the same will need to be exchanged for registered shares or deposited with an authorized custodian. This has to be completed before August 7, 2018. ATU (Panama) SA will be happy to assist in the provision of such custodian services but we recommend to use registered shareholders on a nominee basis, another service offered by ATU (Panama) SA.

The immobilization of bearer shares is seen as an important step for Panama as it aims to meet certain international demands and also prepares itself for the next Peer Review of the OECD. Nevertheless, it also demonstrates that the country is willing to provide a resonable timeframe for existing clients to readjust themselves accordingly.

2. Treaties & Agreements

2.1 Free Trade Agreements (FTAs)

There has been a lot of activity regarding FTAs and Panama reflecting the growing importance of Latin America in general and the interest of other countries in Panama in particular. The last phase of the FTA with Canada was very straighforward and the agreement is now in effect. After many ups and downs, the FTA with Colombia was finally signed after four years of negotiations. An FTA with Mexico is right on track and has advanced to a third round of negotiations which will take place in Panama from November 12-15.

Panama is likely to gain full membership to the Pacific Alliance which includes Chile, Colombia, Peru and Mexico once this FTA is concluded. It was also reported that the possibility of an FTA with South Korea has been discussed between the Minister of the Presidency and the South Korea ambassador in Panama.

The Association Agreement between the European Union and Central America (Panama, Nicaragua, Honduras, El Salvador, Costa Rica and Guatemala) that was approved by the European Parliament on December 2012 has also entered into effect as of August 1, 2013 – at least as far as it concerns Panama.

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This needs to be seen in context of an obvious effort of the European Union to put a stronger focus on new markets in Latin America and also fits with the recently signed agreements with Peru (March 2013) and Colombia (August 2013), the two important new players in this region.

2.2 Double Tax Treaties (DTTs)

The number of negotiated DTT is currently at 19, with Austria being the latest country to have joined the list which currently includes:

Mexico	Spain
South Korea	Singapore
Italy	Qatar
Ireland	Israel
Belgium	Portugal
Czech Republic	Bahrain
Barbados	Luxembourg
Netherlands	France
U.A.E.	U.K.
Austria	

Since our last report, one additional DTT (Ireland) has joined the group of Mexico, Barbados, Spain, Qatar, Luxembourg, Holland, Singapore, France, South Korea, and Portugal - making a grand total of 11 DTTs which have been ratified by both countries and are currently enforced.

Furthermore, the National Assembly of Panama has ratified the DTTs with Italy, Israel, U.A.E., and Czech Republic, but is still waiting for their counterparts to do the same.

2.3 Tax Information Exchange Agreements (TIEAs)

The TIEA with Canada has now been signed. This gives us a total of 9 TIEAs that Panama has signed so far, the other 8 being with the U.S. and the Nordic Countries (Denmark, Sweden, Finland, Greenland, Faroe Islands, Iceland, and Norway).

However, the TIEA with the U.S. is the only one which has been ratified by both countries and is currently enforced. Moreover, it was reported that a TIEA with Germany is being negotiated.

3. Tip of the day: Friendly Nations Visa Program

An additional Visa program was created in Panama in the year 2012 and has already shown a significant impact. This program grants the opportunity of becoming a permanent resident in Panama to citizens from a list of so-called friendly nations. Among the listed friendly nations we have countries like Argentina, Australia, Germany, Switzerland, France and also Liechtenstein. We will be happy to send you the complete list of friendly nations upon request.

The key requisite for any applicant is to demonstrate "a professional and economic tie with the Republic of Panama". In other words, this could be starting a new business in Panama, acquiring an existing business in Panama, or getting hired in a professional capacity by a Panama company. Another of the main requisites is the proof of economic solvency. A deposit of at least USD 5'000 (plus USD 2'000 for each dependant) in a Panama bank account will usually do the trick.

Together with our Panamanian network, we offer our assistance to help you obtain the Panamanian permanent residency through the Friendly Nations Visa Program.

The other Visa programs (in particular the program for retired persons and for investors) remain unchanged and continue to be heavily used by newcomers seeking an investor and retiree friendly environment, both from a comfort and lifestyle perspective but also regarding beneficial tax consequences.

If you would like more information please do contact us for an updated brochure regarding the various possibilities and the services offered by ATU (Panama) SA.

4. Economy and Development

Panama's solid economy continues its good run as we approach the last quarter of 2013. The Monthly Index of Economic Activity grew by 6.31% between January and June compared to 2012. The real GDP for the first half of the year also displayed an increase of 7.3%. Construction was the stand out sectors which contributed to the growth, rising by 26.2%.
This does not come as a surprise with all of the infrastructure projects that are currently developing.

As we have already mentioned in our previous analysis, these projects include: the expansion of the Canal by 2015, the continuous development of Tocumen International Airport, the massive restructuring of the road system and the construction of various regional airports and another international airport. In addition, we are in the final phase of the construction of the first line of the first subway in Central America. Recently, the first test drive was performed and the subway is scheduled to open on February 28, 2014.

The air transport sector in general has been very active during the last years. Following latest reports it has already doubled and now accounts for 4.1% of Panama's GDP. This clearly shows Panama's transformation into „the Hub of the Americas". The expansion of Tocumen Airport includes plans for a new terminal for private flights to handle the 4000 private jets that land every year in a more exclusive way. Tocumen will then be the largest airport of Central America.

Further to the already existing connections with Europe, carried out by KLM, Iberia and Condor, Air France will offer direct flights between Paris and Tocumen from November 2013. In addition, there are negotiations with Lufthansa and a British Airline to provide for even more connections with the new gateway of Central America.

(model of the next expansion plan of Tocumen – capacity for up to 17 Mio. people in 2017)

In addition, a new commercial airport was opened in the Province of Colon to serve activities of the canal. The construction of the new international airport focussing on tourism is also advanced. The intention is to bring tourists closer to the beaches of Panama, e.g. the Buenaventura Beach resort and community, one of the most exclusive and preferred options for lifestyle investments into Panama.

Many foreign investors have been attracted by the aforementioned projects, including Multinational Companies which also make use of some benefits and incentives offered by Panama's investor-friendly legislation. It is no wonder that Panama has placed itself in the top ten countries with best global competitiveness indicators regarding foreign direct investment.

Furthermore and deservedly, Fitch Ratings and S&P both reaffirmed their "BBB" rating on the country praising its economic stability.

Keeping it up for the last months of the year, it seems that 2013 will also be another successful and positive year for Panama and its fast-paced emerging economy.

Should you require further information, please contact:

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