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PANAMA'S GENERAL TAX AMNESTY PROJECT IS APPROVED

The Draft Law No. 78 of August 7th, 2019, approved in third debate, concedes the application of a general tax amnesty for all administered tax by the Dirección General de Ingresos de Panamá (the "DGI").

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September, 2019. With the approval of the Draft Law No. 78 of August 7th, 2019, in third debate, the goal is that taxpayers may regulate their tax situation with the DGI.

The general tax amnesty, consists on waivers on behalf of the State on interest fees and fines charged for overdue taxes and omissions on the taxpayer's statements. As part of the general amnesty contained in Draft Law No. 78, the elimination of fines for delayed report filings of tax compliance obligations, as well as fines for other contraventions under DGI jurisdiction.

The taxes included in this fiscal regularization: taxes, fees and special contributions, as well as any other cash or cash-like debt, enforceable by the DGI.

As indicated, the general tax amnesty seeks to regulate the taxpayers, whether natural persons or legal entities, in addition to real property. Taxpayers who may adhere to this regularization are those who maintain tax debts caused or owed by June 30th, 2019.

As such, this will apply to:

a. Natural persons, legal entities and real property, in addition to taxpayers with payment plans at the time the law enters into effect, once sanctioned by the President of Panama.
b. Retention agents and other people responsible for taxes.
c. Taxpayers with ongoing procedures as long as they waive the action or procedure for the payment of the obligation.

Nevertheless, those who find themselves in procedures for administrative tax evasion or tax fraud won't be able to adhere to the benefits conceded by the general tax amnesty.

The period of application for the general amnesty is until the 29th of February of 2020, as stated by the following conditions:

1. If past due balances are canceled in the month of October and November of 2019, 100% of the interests, surcharges, and fees will be forgiven.
2. If the payment is made in the month of December of 2019, 95% of the interests, surcharges, and fees will be forgiven.
3. If the payment is made in the month of January of 2020, 90% of the interests, surcharges, and fees will be forgiven.
4. If the payment is made in February of 2020, 85% of the interests, surcharge and fees will be forgiven.

It's noteworthy that taxpayers with payment plans will be able to waive the payment plan and subscribe a new payment plan with a 25% credit on the nominal tax owed and subjected to the conditions previously indicated. Additionally, said payment plan will not be able to exceed past June 30th, 2020. In the case of outstanding balances not being canceled in the period of the tax amnesty or a date of expiration of the agreement, the interest, surcharges, and fees will be applicable.

To adhere to the amnesty, the taxpayers must manifest to the DGI, either personally, by power of attorney or through use of the E-Tax 2.0 system, with the intention to apply to the amnesty.

It's important to mention that the Draft law No. 78 also concedes a time frame up to December 31st, 2019 to present the monthly reports or annual that were meant to be presented by Junes 30th, 2019 without a fee being applied.

In relation to real property, during the term of the general tax amnesty, late declaration of improvements with no applications of fines will be permitted, as long as during the amnesty period the taxpayer presents at the Public Registry the public document which contains said declaration. To that effect, it's necessary that said process be accompanied by a sworn statement before a notary of the taxpayer or a certification of an authorized public accountant, indicating the construction date of the improvements and amount payed.

The Draft Law No. 78 also establishes future suspension of amnesties and tax moratoriums until December 31st, 2024.

Other data to consider
Draft Law 78 amends some articles of Law 76 of 2019, which itself amended the Tax Procedural Code. Some material amendments include:

- Decreasing the limitation period for indirect taxes to five years. Initially, a 12 year period had been established.
- The effective date for the Tax Procedural Code was delayed until January 1st, 2021, except for articles already in effect since the publication of Law 76 of 2019.

Draft Law 78 has been approved in the third debate, but sanctioning by the President of Panama is still pending. Once sanctioned, it will be published in the Official Gazette and shall be in effect the day after its publication.

Please contact us if you require assitance regarding this and other legal matters.

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