Panama enacted Law No. 50 on 29 June 2017 (Law No. 50), which establishes a new incentive regime for maritime financing entities and maritime projects. Law No. 50 also modifies Article 708 of the Panamanian Fiscal Code.

Background

Law No. 50, published in the *Official Gazette* on 29 June 2017, creates a special regime for financing operations in the local and international maritime sector. Additionally, it grants tax, labor and migration incentives to companies that carry out such operations from Panama and projects financed by them.

Furthermore, Law No. 50 modifies provisions of Article 708 of the Panamanian Fiscal Code. Law No. 50 includes tax incentives and exemptions that may be granted for a term of 20 years counted from the law’s entry into force.

General overview

Law No. 50 establishes the types of entities authorized to offer, structure, or grant maritime financing from Panama (art. 3). Foreign or local individuals or legal entities with maritime financing business activity in Panama, as well as “fundable maritime projects,” as defined in the law, are eligible for the incentives and benefits in Law No. 50. To qualify for the benefits, the individual, entity or project must obtain certification as a maritime financing entity or maritime project (art. 4 and 5).
Law No. 50 establishes a 3% import tax and other fees that individuals or entities must pay on the importation into Panama of machinery, marine equipment, rolling industries, materials, tools and other necessary elements for the construction of ships or for the exclusive use of the shipyards (art. 6). Rolling industries include any machinery for transportation, such as cranes, hoists, winches or lift trucks used in the construction of ships or for the appropriate operation of the shipyard.

Additionally, Law No. 50 creates a special immigration regime and establishes the conditions under which a migration permit will be issued for workers of maritime financing entities or projects (art. 7). It establishes a special labor regime that offers incentives and limits the employment of a foreign workforce (art. 8).

Law No. 50 also modifies paragraph e of Article 708 of the Panamanian Fiscal Code by providing an exemption for profits derived from financing the construction and purchase of domestic merchant vessels duly registered in Panama (art. 22). In addition, Law No. 50 adds another paragraph to Article 708 of the Panamanian Fiscal Code to provide a tax exemption for income generated by companies undertaking operations in Panama, such as the construction of shipyards. It also allows a tax exemption for income from the interests and commissions on the issuance of vessel mortgages, and income derived from insurance or reinsurance policies over credits of the financing entities or fundable maritime projects (art. 23).

Further, Law No. 50 modifies Article 23 of Law No. 7 of 1990, regarding the taxability of income from local leasing, and Articles 4 and 18 of Law Decree No. 7 of 1998 to add an exemption from income tax on the leasing of merchant vessels, registered in Panama and engaged in international trade.

The new regime will enter into force six months after its enactment (i.e., 29 December 2017).

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