



# **TAX INCENTIVES FOR INVESTORS IN TOURISM COMPANIES**



## BACKGROUND

Through Law 80 of November 8, 2012, tax incentives were adopted in order to promote investment in tourism infrastructure in Panama. It was subject to amendments by Law 122 of December 31, 2019 specifically in Article 9 which promotes investment and financing for the development of new tourism projects or new stages and extensions of existing projects, in both cases located outside the District of Panama; by granting a tax credit equivalent to one hundred percent (100%) of the sums invested in the acquisition of bonds, shares and other financial instruments issued by Tourist Companies or Real Estate Investment Companies.

## REGULATION

Executive Decree 364 of July 23, 2020, by virtue of the foregoing, regulates some provisions regarding the recognition, accreditation and assignment of this tax credit.

For the recognition of the tax credit established in Article 9 of Law 80 of 2012, the First Acquirer investor must send the following documentation to the Payment, Registration and Transfer Agent of the Tourist Company or Real Estate Investment Company:

### A. DOCUMENTATION OF THE FIRST ACQUIRER:

1. Certification from the Brokerage House regarding your quality as First Acquirer Investor, which must include your general data and investment amount.
2. Sworn statement before a notary.



## **B. DOCUMENTATION OF THE TOURIST COMPANY OR REAL ESTATE INVESTMENT COMPANY**

1. Certification from the Superintendency of the Securities Market regarding the registration with this regulator of bonds, shares and other financial instruments issued by the Tourist Company or Investment Company.
2. Certification of the Stock Exchange in the Republic of Panama, of the list of stock bonds and other instruments issued by the Tourist Company or Real Estate Investment Company.
3. Certification issued in favor of the Tourism Company of the Tourism Authority of Panama, after its registration in the Tourism Registry, indicating that it is a new tourism project or the new stage of an existing project.
4. Certification from the Securities Market Superintendency regarding the Payment, Registration and Transfer Agent of the Tourist Company or Real Estate Investment Company that must be issued with (30) calendar days prior to the presentation of this documentation before the General Directorate of income.
5. Letter issued by the Payment, Registration and Transfer Agent.

## **ACCREDITATION**

Once accredited, the First Acquirer Investor may use the tax benefits provided that the conditions detailed below are met:

### **BENEFITS:**

- ▶ The investor who is the first purchaser of the bonds, shares and other financial instruments issued by the tourist company that issues the financial instrument will be granted a 100% tax credit.
- ▶ The tax credit may be used for a maximum period of 10 years.

### **TAX CONDITIONERS:**

- ▶ It can only be used from the second year after the investment has been made in the tourism company.
- ▶ The maximum usable value per year cannot exceed 50% of your income tax.
- ▶ The amount of tax credit used annually should not exceed 15% of the initial amount of the tax credit.
- ▶ It may be assigned for the whole or the unused portion.

## **REGULATORY CONDITIONERS:**

The bonds, stocks and other financial instruments that are the object of investment for the purposes of the tax credit must comply with the following:

- ▶ Be registered with the Superintendency of the Securities Market (SMV).
- ▶ Be listed on a Stock Exchange in the Republic of Panama.
- ▶ Be issued by companies that are registered in the National Tourism Registry, including Real Estate Investment Companies duly registered in the Superintendency of the Securities Market, in a Stock Exchange in the Republic of Panama and in the National Tourism Registry.
- ▶ The bonds or financial instruments issued by the tourist company must have a validity period of 5 years, without being able to be paid in advance.
- ▶ Companies will not be able to acquire their own bonds, stocks and other financial instruments.
- ▶ Tourism companies may not grant loans to the holders of said bonds, shares or financial instruments, nor may they make use of any other method of acquisition or payment for a minimum period of 5 years.





## ASSIGNMENT OF THE TAX CREDIT

Tax credits are independent of the bonds, shares and other financial instruments that originated them, therefore, **they may be assigned, traded or transferred in their entirety or for their unused portion, or their fractions.**

It is essential to mention that, in the cases of divisions, the total or partial assignment, with a deferred date, of the portion of the tax credit that the Investor First Acquirer will have the right to credit for a certain fiscal period will be allowed.

The assignments of these credits will not imply a transfer in the ownership of the bonds, shares, and other financial instruments that originated these credits.

## TAX AUDITS AND CONTROL

For these tax credits to be valid, a database of their assignments, divisions and consumptions will be created that must be managed and updated by the General Directorate of Revenue.

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