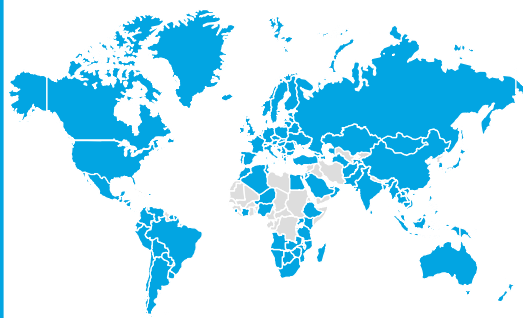


INPATRIATES

Panama

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

Individuals are subject to income tax on earnings arising in or derived from Panama (any office or employment thereof). Panama follows a territorial tax system; liability to tax is determined on source of income.

An assignee may remain on the payroll of the employer in their home country while on foreign assignment in Panama, as a preference to maintain their retirement benefits, etc., but will continue to pay social tax and pension contributions in Panama during his/her time in Panama. If this is the case, actual income tax withholding may continue.

REGISTRATION/FORMALITIES

A Taxpayer's ID is required in order to file a tax return. Social Security registration is also required.

INCOME TAX RATES

Income Bracket (USD)	Rate
Up to \$11,000	0%
From \$11,000 to US\$50,000	15% over the excess of \$11,000 up to \$50,000
Over \$50,000	\$5,850 for the first \$50,000 and 25% over the excess.

SOCIAL TAX RATES

Mandatory registration with the Social Security Agency applies to all employees, citizens or foreigners that provide services within Panama, regardless of the type of visa they have.

Social security tax is assessed on wages and other compensation paid, including benefits-in-kind, as defined by the Social Security Agency. There is no social security cap.

The employee's tax rate is 9.75%, while employers contribute at a rate of 12.25%.

Professional risk coverage is paid by the employer at a rate of 0.98% to 7%, depending on the activity of the company and the employee.

Salaries and wages are also subject to Educational Insurance Tax. The Educational Insurance Tax is assessed at the rate of 1.25% for the employee and 1.50% for the employer (no cap). This tax is reported on a monthly basis via payroll.

For further information and to register for future updates contact expat@bdo.global

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