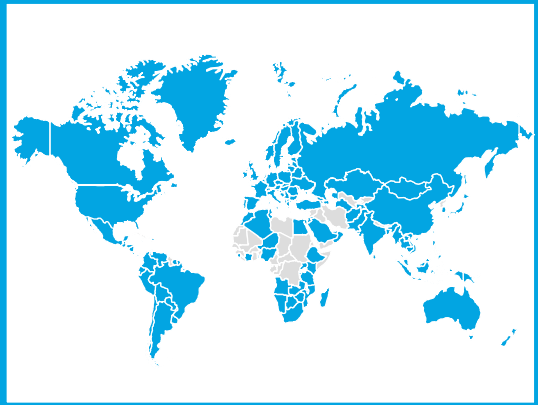


INPATRIATES

Panama

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

Individuals working in Panama for more than 183 days are considered to be tax residents. Individual income tax is assessed on employees through a withholding tax form reported to the Social Security Administration on a monthly basis.

Individuals are entitled to a basic deduction of US\$ 800 (on a joint tax return) and deductions for the following: mortgage interest (up to US\$ 15,000 per year); donations to a nonprofit organization (up to US\$ 50,000 per year) and political contributions (up to US\$ 10,000); individual contributions to individual retirement plans up to US\$ 15,000 per year that do not exceed 10% of gross income; payments made for medical and hospitalization insurance; and medical expenses incurred in Panama that were not covered by insurance. In order to make these deductions effective, individuals are required to file income tax returns on a yearly basis.

If the individual remain less than 183 days on the calendar year, they are taxed at the 15% preferential fixed rate on gross income with no right to deductions, plus educational tax at 2.75% and social security contribution.

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

Income Tax Rates

TAX RATE	
If net taxable income is:	Tax will be:
Up to US\$11,000	0.00
From US\$ 11,000 to US\$ 50,000	15% over the excess of US\$ 11,000 up to US\$ 50,000
Over US\$ 50,000	US\$ 5,850 for the first US\$ 50,000 and 25% over the excess.

SOCIAL SECURITY CONTRIBUTIONS

Social Securities Contributions in 2022

Mandatory registration with the Social Security Administration 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 employees at a rate of 9.75% on wages and other compensation paid, including compensation-in-kind, as defined by the Social Security Administration. There is no maximum limit on the taxable base for these contributions.

The employer's contribution portion is 12.25%.

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

In addition to income tax and social security contributions, salaries and wages are subject to Educational Tax. The Educational Tax is assessed at the rate of 1.25% for employee and 1.50% for employer, on salaries and wages paid. There is no maximum cap on the taxable basis for this tax. This tax is reported on a monthly basis using the social security payroll.

Registration/Formalities

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

Individuals who receive one wage, and its employer withholds its income tax, social security contributions and educational tax, will not be obliged to file a tax return.

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

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