



A special investment regime to promote manufacturing services

After a difficult year for the economy, the national government has launched a special investment regime that could benefit your business.

Although the Panamanian economy is based on banking, legal, insurance, transportation and tourism services, there are other sectors that in recent years have begun to grow. One of them is the manufacturing industry, which has seen the potential that Panama offers and the facilities – the international banking center, the US dollar as currency, its infrastructure and international air hub, among others – added to the promotion the State has made to attract investment.

Within this last aspect we have the establishment of legal regimes that create incentives to attract investments, not only from large multinational companies, but also those small or medium-sized that have an international footprint. This is where we have the EMMA law and its regulations (the EMMA Regime), which offers attractive incentives, such as paying income tax at a rate of 5% (and not the general rate of 25%), the EMMA Visa (which

allows foreign personnel to be hired without limit to their number) and exemption from payment of dividend tax.

To put in perspective how this type of legal regime benefits our economy, let's take the example of Procter & Gamble (P&G), a company that has an SEM License (similar to the EMMA License). P&G has had to make a huge investment in Panama, directly, by having to invest in a space for its offices, as well as paying for professional services of lawyers, accountants, insurance companies and financial services, and indirectly, by moving hundreds of families to our country, each of which requires to rent (or buy) a house, grocery shopping, pay school fees, pay insurance, medical services, among others, many of which have been here 10 or 15 years and have Panama as their second country.

The main requirements

Although there are several requirements to meet, the main requirements for obtaining the EMMA License can be reduced to three: (1) have assets equal to or greater than 75 million dollars, (2) have companies that operate outside of Panama (foreign affiliates), and (3) that the

applicant company will dedicate itself exclusively to providing one or more of the SEM Services to one or more of its foreign affiliates.

Regarding the first main requirement (assets equal to or greater than 75 million), it can be concluded that the SEM Regime is only for those larger multinational companies. However, it is important to note that this requirement is waived in those cases where the applicant company was to provide services to a minimum of 3 subsidiaries. That is more affordable for several companies than having 75 million; It may be a small or medium-sized company, but with a certain international footprint.

Regarding the second main requirement (having foreign affiliates), it can be thought that this is limited to business groups that have a complex structure and are present in various parts of the world. However, it can also apply to a company that has two or three subsidiaries that have a presence in a neighboring country or in the region.

Finally, with respect to the third main requirement (to exclusively provide EMMA Services to one or more of its foreign affiliates), we must emphasize that among these are those of assembly, maintenance and repair of products, machinery and equipment; logistics services, such as warehousing, deployment and distribution center for components or parts; and product development, research or innovation services.



PANAMA SEEKS TO ATTRACT INVESTMENT IN THE MANUFACTURING INDUSTRY

The licensing process

Companies or multinationals that aspire to settle in Panama have to submit an application to the Technical Secretariat of Multinational Companies Headquarters in the Ministry of Commerce and Industries (MICI).

It is a standard form that they have prepared where they are asked to explain the company's data, which is the economic group, the EMMA Services, subsidiaries to which they would be provided, etc., and with which documents are provided complementary, among which we highlight: a copy of the articles of incorporation of the applicant company, and its amendments (if any); a declaration of intent to settle in Panama; a consolidated financial statement that evidences assets equal to or greater than 75 million (or, alternatively, a sworn statement indicating that services will be provided to 3 subsidiaries); a bank reference letter; a certification where the shareholders of the applying company are identified; an organization chart of the business group; and a PowerPoint presentation (PPT).

The interagency commission that reviews license applications generally meets once a month and reviews license applications on a case-by-case basis. The team of the SEM Technical Secretariat, before which the application and processing of the license is presented, is characterized by its professional and efficient attention, with which the process does not usually take more than two months, between when the application is presented. and its approval.

Consult your attorney

It is important to note that the application process for the EMMA License, as well as the processing of other licenses of this nature (such as the SEM License), must be done through a lawyer. Said lawyer should be able to advise your company in each step, from an analysis or preliminary opinion regarding the possibility that your company applies to the EMMA License, to the presentation of the form and the attention to any comments that the commission may have for the approval of the same.

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