

Certificate of Tax Residence in Panama

Tax Residency is an essential concept within the scope of International Tax Law since its accreditation delimits the exercise of the tax authority of one or more states, determining the place in which a taxpayer will be taxed based on their income.

Under our legislation, Article 762-N of the Fiscal Code establishes the concept of Tax Residence applicable to natural and legal entities who seek to prove their status as tax residents of the Republic of Panama. This accreditation is granted using a Certificate of Tax Residence, which must be requested before the General Directorate of Income (“DGI”) for a specific period or year by submitting an application statement and supporting documentation based on the national legislation governing the matter.

Natural persons may be accredited as fiscal residents of Panama if they remain in the national territory for more than one hundred eighty-three (183) days, consecutive or alternate, in the budgetary year requested or immediately preceding. Likewise, those persons who maintain their permanent housing within the requested period will be considered tax residents. Regarding this last point, it is essential to emphasize that in addition to maintaining a home available, the applicant will have to demonstrate that he has a personal link with it, keeping his center of vital interests in Panama, which may be familiar or economic nature.

On the other hand, legal entities duly registered in the Public Registry and with material means of administration and decision in Panama may be accredited as tax residents of Panama. We point out that the fact that the Board of Directors of a company holds meetings and makes decisions in the national territory does not mean that it maintains material means of administration and decision in Panama; therefore,



within the application, it will be necessary to indicate the commercial or support activity carried out by the company from the national territory and, in addition, to demonstrate that it maintains offices and staff established in our country.

Tax Residency Certificates are not renewable documents, so each requested year is analyzed independently of another. Likewise, you can apply for the Certificate for general use or to apply the benefits established in the Conventions to Avoid Double Taxation ratified by the Republic of Panama. Finally, it is important to note that the mere presence of the application statement and supporting documentation does not imply approval of its issuance since the DGI has the authority to verify the information provided to confirm, according to its criteria, if the applicant meets the definition of tax resident established by our legislation.