

PANAMA at a glance:



FAFT publishes latest gray list. Panama not included

Panama remains out of the list of countries that have strategic deficiencies in compliance with the prevention of money laundering and the financing of terrorism (Gray List) of the Financial Action Task Force (FAFT), which was updated on February 2, after the plenary session held in Paris; however, another meeting will take place in June and that is when discussion on Panama's report will be made.

The country underwent an evaluation in recent months that required a series of measures, the main one being the creation of a law that criminalized tax evasion, which was approved only days after the meeting.

"At the February plenary meeting, GAFILAT (FAFT's Latin-American branch) delivered the technical compliance report" explained Panama's Minister of Economy and Finance, Eyda Varela de Chinchilla, and added that the discussion will take place at the June meeting, after the FAFT's face-to-face meeting with Panama.

Source: Alma Solís - Noticias de Panamá (February 2, 2019).



Panama's National Assembly members approve bill (Source: National Assembly).

National Assembly approves bill that penalizes tax evasion

Bill 591 that raises tax evasion to a criminal offense, and sets a precedent to money laundering activities, was approved on Tuesday in the National Assembly's third debate.

Through this initiative, a chapter called Crimes Against the National Treasure, is added to the Criminal Code, to adapt the legislation on fighting tax evasion and money laundering, which will punish taxpayers incurring in tax fraud of USD 300,000 and above, in a fiscal year.

The Minister of Economy and Finance, Eyda Varela de Chinchilla, explained that "we were one of the few countries in the world that did not have this international requirement, it's a law that is very kind and protects Panama's financial system".



She also emphasizes that in order for the penalty to be considered, there must be specific conducts that demonstrate that fraud was acted upon to defraud the Treasury.

Source: Nimay González - Telemetro (January 29, 2019).

OECD recognizes Panama's efforts to approve law that punishes tax evasion



OECD Headquarters (Source: OECD website).

Juan Carlos Varela, Panama's President, sanctioned the law that criminalizes tax evasion in Panama, while the Organization for Economic Cooperation and Development (OECD) expressed progress with this decision.

The Organization's Director of the Center for Fiscal Policy and Administration, Pascal Saint-Amans, acknowledged that the approval of Law 591, which defines tax evasion as a criminal offense, represents an important step in Panama's effort to fight fraud.

Intentional tax fraud in a fiscal year, starting at USD 300,000 will be punished by two to four years in prison.

"I am pleased to announce that the measure adopted by Panama will guarantee compliance with that part of the FAFT standard (although the details of the legislation are still subject to

review). We can see this as a new step taken by Panama in favor of transparency. A path that it undertook a couple years ago", said the head of the Paris-based agency, in a brief conversation. "We have a good relationship with Panama's authorities and we appreciate all the efforts made to move towards total transparency," he added.

Source: Victoria Isabel Cardiel C. - La Prensa (February 1st, 2019).

Varela calls the law that punishes tax evasion in Panama with jail, a "historical milestone"



(Source: EFE, February 2, 2019).

Panama's President, Juan Carlos Varela, on Thursday, signed the prison sentence law for tax evasion and labeled it as a "historical and necessary" step for his country, which fights against the image of a tax haven.

"Today I sanctioned the new legislation to criminalize tax evasion in Panama, an important step, historic and necessary to strengthen the transparency of our financial system," the president wrote on his Twitter account.

In a press release, the Ministry of Economy and Finance indicated that in 2012 Panama fulfilled with only 5 FATF recommendations, but that now, after a series of reforms, "it fulfills 34 of the 40 recommendations" of the Group.



He emphasized that the regulations "punish the great evader and will not have an impact on the majority of Panamanian taxpayers since only 81 legal persons fall into this range of taxable income (...) equal to or greater than 1.25 million dollars per year."

The Ministry of Economy and Finance also affirmed that with the law "the Public Prosecutor's Office will have the legal power to investigate the tax offense from other countries (...) something that the FATF expects from all the countries that observe its norms."

Source: EFE, through Panama Today (February 2, 2019).

Law 70 that penalizes tax evasion is published in the Official Gazette

This Friday, Law 70 of January 31st, 2019 was published in the Official Gazette, through which the Criminal Code is reformed and tax evasion is increased to a criminal offense and precedent to money laundering activity.

Through this law, which was sanctioned on Thursday by the President of the Republic, Juan Carlos Varela, Article 254-A is added to the Criminal Code, which states that: who, responsibly or through an interposed person, receives, possesses, deposits, negotiates, transfers or converts money, securities, assets and other financial resources, knowing that it comes from a crime against the National Treasury, with the purpose of hiding, concealing or concealing its illicit origin, or helping to evade the legal consequences of such punishable act, shall be punished with a penalty of two to four years in prison."

Source: Nimay González - Telemetro (February 1st, 2018).

Panamanian Economy will Rebound in 2019

For 2018, the economy is expected to grow 3.8% and in 2019 the increase could reach 5%, which would be determined by the activities of the Canal, transportation, mining and telecommunications.

The Indesa firm forecasts that Panama's economy in 2019 will increase its dynamism compared to 2018, since the activities related to the external part will register good performance.

Felipe Chapman, a partner of the firm, said to Prensa.com that "... dynamism is concentrated in sectors that are linked to the external sector, while the activities that the citizen perceives most, such as consumption, are going to have a more moderate behavior. Private consumption will only grow 0.6% in 2018 and 1.2% in 2019, rates lower than the 4.1% recorded in 2016."

Chapman added that "...Among the factors that may have a positive impact on growth forecasts are a greater impact than expected by the World Youth Day, the greater recovery of construction activity and the increase in tourism activity because of the expansion of the Tocumen Airport and the beginning of operations of the Amador Convention Center."

Source: The Panama Perspective - News From Panama (December 27, 2018).

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