

LAW 32 of April 5th, 2011

Whereby a special, complete and simplified regulation for the establishment and operation of duty free zones is created and other provisions are set forth

THE NATIONAL ASSEMBLY

DECREES:

Chapter I

General Provisions

Article 1. A special, complete and simplified regulation is created for the establishment and operation of duty free zones, so they may contribute to the country's development and the creation of jobs and generation of foreign currency and become part of the global economy of goods and services, to promote investments and propitiate scientific, technological, economic, cultural, educational and social development in the country.

Article 2. This Law shall be applied in the whole area of the duty free zone, to its promoters and operators as well as to all natural persons or corporations established within this zone in any of the following categories: manufacturing companies, assembly companies, finished or semi-finished product processing companies having a local added value, service companies, high technology companies, higher education centers, specialized centers for rendering health services, scientific research centers, logistic services companies, environmental services companies and general services companies.

Chapter II

Duty Free Zones National Commission

Article 3. The Duty Free Zones National Commission is created as an agency attached to the Ministry of Commerce and Industries and is in charge of advising the Executive Body in matters related to the regulation, promotion and development of Duty Free Zones.

Article 4. The Duty Free Zones National Commission is formed by:

1. The Minister of Commerce and Industries, who shall preside it, or whoever he shall so designate.
2. The Minister of Economy and Finance, or whoever he shall so designate.
3. The Minister of Labour and Social Development, or whoever he shall so designate
4. The Minister of Health or whoever he shall so designate.

5. The General Director of the National Customs Authority or whoever he shall so designate.
6. The General Director of the National Immigration Service or whoever he shall so designate.
7. The National Secretary of Science, Technology and Innovation or whoever he shall so designate.
8. A representative of the Panama Manufacturer's Association (in Spanish Sindicato de Industriales).
9. A representative of duty free zones promoter companies.

The representatives of the private sector shall be chosen by the Minister of Commerce and Industries, from lists of candidates presented by representatives of each one of these groups, for a period of three years. These representatives shall be freely appointed and removed from office.

Article 5. In order to carry out its duties, the National Commission of Duty Free Zones shall have a Technical Secretary's Office which shall operate under the National Directorate for the Promotion of Investments of the Vice-Ministry of Foreign Commerce.

The Technical Secretary's Office of the Commission shall attend all meetings held by it, and shall be entitled to speak at such meetings but shall not be entitled to vote.

Article 6. The Duty Free Zones National Commission shall have the following duties:

1. To recommend to the Executive Body the measures and actions which are necessary or convenient to establish, promote and develop duty free zones, as well as for the preparation of the national and foreign investment annual promotion plan in such areas.
2. To authorize the creation of duty free zones, with the prior approval of the Cabinet Council, in specific and duly defined areas in the territory of the Republic of Panama.
3. To approve or cancel licenses for the operation and development of duty free zones and the licenses of companies established therein.
4. To issue its By-Laws
5. To supervise strict compliance to this Law and to the rules and regulations issued in respect thereto.

Article 7. The Commission will hold regular meetings once a month, on the date determined by it, and will hold special meeting whenever called by its President, on his own initiative or by request of three or more of its members.

Article 8. The Technical Secretary's office of the National Commission of Duty Free Zones shall have the following duties:

1. To supervise the execution of the provisions set forth in this Law and its By-Laws.
2. To coordinate with Government agencies involved in the establishment and operation of duty free zones and the companies established therein, all matters pertaining to the compliance of the provisions of this Law and its By-Laws.
3. To inform the Executive Body, through the National Commission of Duty Free Zones, all matters pertaining to the achievements, advances, difficulties and needs concerning the regulation and development of duty free zones.
4. To prepare resolutions for approving and/or cancelling duty free zones operating licenses and those of companies established in these areas, with the prior consideration of the National Commission of Duty Free Zones.
5. To create official registries for duty free zones and for companies established in these areas and to keep them updated, including performance, business activities, labour and other statistics, based on inspections and audits which may be carried out through the Technical Secretary's Office or through third parties.
6. To attend to and support all initiatives for establishing, expanding, promoting and developing duty free zones and companies engaged in the production of goods and services.
7. To carry out all necessary actions in order to solve all problems, obstacles and/or situations with other government agencies which prevent, hinder or affect the operation and development of duty free zones.

Article 9. The National Commission of Duty Free Zones, with the prior approval of the Cabinet Council, is responsible for authorizing the creation of duty free zones in specific and duly defined areas in the Republic of Panama, pursuant to the requirements, conditions, advantages, incentives and provisions set forth in this Law and its regulation.

The National Commission of Duty Free Zones shall have a period of two months to authorize or reject a petition to establish a duty free zone, as of the time of filing of the documents required to such effect. The Cabinet Council shall have a period of one month to issue a decision with respect thereto.

Article 10. Every petition or transaction to be filed or carried out before government agencies by promoters and/or operators or companies established in duty free zones, must be made through the Technical Secretary's Office of the National Commission of Duty Free Zones.

Chapter III

Duty Free Zones and its Promoters or Operators

Article 11. Duty free zones are defined as duty free trade areas, having specific boundaries and containing all the infrastructure, facilities, buildings, systems and support services, as well as all the operating organization and the management as may be necessary so that companies from different parts of the world, engaged in the production of goods, services, high technology, scientific research, higher education, logistic services, environmental services, health services and general services may become established therein.

The immediate object of duty free zones is to provide the best operating efficiency and comparative advantage conditions in order to to guarantee, for companies established therein, a high degree of competitiveness in international markets.

Article 12. Duty free zones may be:

1. *Private*. These are duty free zones where investors are natural persons or corporations, domestic or foreign. Their establishment, operation and management is under the power and responsibility of their owners, under the rules and principles of free enterprise and private property and other provisions set forth by the laws of the Republic of Panama.
2. *State owned*. These are duty free zones where the sole investor is the Government. Their establishment, development, operation and management shall be in charge of a Government agency or a private operator, who is granted a management contract pursuant to the legal provisions in force.
3. *Mixed*. These are duty free zones which ownership is shared between the Government and national or foreign investors. Their development, operation and management shall be in charge of a Government agency or of a private company.

Article 13. For the effects of this Law, the following definitions shall have the following meanings:

1. *Duty free zone operator*. A natural person or corporation, private or public, domestic or foreign, assuming the responsibility for the direction, management, operation and supervision of the whole operation of the duty free zone and responsible for guaranteeing maximum efficiency in its operation, so its users have the best conditions to achieve high levels of competitiveness.
2. *Promoter of duty free zones*. A natural person or corporation, private or public, domestic or foreign, who conceives or acquires an idea and transforms it into a feasible project, who invests and contacts investors to contribute capital funds, and purchase or leases parcels of land, who negotiates with banks to obtain loans, who organizes, manages or hires

specialized services for international markets and attracts clients, who defines and approves the organization and administrative and operational systems according to which the duty free zone will operate, and who directs or supervises the execution of the work performed, among other activities.

The same individual or corporation who acts as promoter may also act as operator.

Article 14. The responsibility for establishing, developing and operating a duty free zone is mainly focused in promoting and operating the free zone. These duties may be exercised simultaneously or individually by the duty free zone promoter and operator.

Article 15. The development of duty free zones authorized by the Law includes the following activities:

1. To develop and build office buildings, factories, warehouses, buildings to be used for services and complementary activities and any infrastructure which is necessary and convenient to develop duty free zones, for its own use or to sell or lease to third parties established within these duty free zones.

2. To sell or lease parcels of land to individuals or corporations, domestic or foreign, which will become established in such duty free zones in order to carry out any of the business activities authorized by the Law.

3. To build, promote and develop training and technical teaching centers, medical assistance centers, sports activities centers and recreational centers, as well as the establishment of public and personal services for the benefit of duty free zone users and workers and including the transportation of people and cargo.

4. To install and operate systems to produce and provide gas, water, sewage systems, electricity, telecommunications and telematic (electronic) means, local and international, for treating sewage waters, garbage disposal and industrial waste, security and other systems required for operating duty free zones, coordinating in advance with the relevant public agencies.

In the design and execution of these works, building regulations and specifications set forth in the public systems will be applied, in order to facilitate interconnections as may be necessary, except in cases where the facilities and systems require high-technology which is not used in the public systems.

5. To develop housing projects, hotels, hospitals, international teaching centers and housing facilities for executive and technical personnel and their families, who work or engage in business activities in such duty free zones.

6. To build and/or operate, directly, or to subcontract the operation of airports, ports, docks, drydocks, places to dock or unload, roads, streets, stations and railways or routes to load and unload land cargo under the regulations in force and in coordination with relevant government institutions.

It is understood that the development of these activities must be subject to the relevant legal provisions in force.

Article 16. Duty free zones established whenever this Law comes into effect, must have at least two (2) hectares of land for their development.

However, the promoter who has a project measuring less than two (2) hectares of land to develop a duty free zone may file an exemption petition before the National Commission of Duty Free Zones where he must support the technical and economic criteria justifying such petition.

Article 17. The Duty Free Zone License is created. Every individual or corporation, domestic or foreign, interested in becoming a promoter and/or operator of a duty free zone must obtain this License which shall be granted by the National Commission of Duty Free Zones.

Article 18. The Official Duty Free Zone Registry is hereby created, which is part of, and shall operate in the Technical Secretary's Office of this Commission.

Article 19. In order to obtain a Duty Free Zone License, the applicant must file:

1. A formal application printed in paper, with all necessary stamps attached, and stating the general characteristics of the individual or corporation, addressed to the National Commission of Duty Free Zones, through the Technical Secretary's Office. In case of a corporation, this application must be filed through an Attorney.
2. Authenticated copy of the Personal Identity Card or Passport, in case of an individual, and in the case of a corporation, the Certificate of Incorporation and Good Standing Certificate, together with the officers, directors, Resident Agent and Legal Representative.
3. Bank references and of local or foreign companies of renowned solvency.
4. Certification of the stockholders or partners of the corporation, signed by the Secretary or Treasurer thereof. If the stockholders or partners are corporations, this certification extends to the names of the individuals who own the shares or quotas of the corporation.
5. Good standing certificate issued to the applicant.
6. Card size digital photograph of the applicant or its Legal Representative.

7. A study including the following information:

- a. Description of the objects, activities, structure, organization and services to be rendered by the duty free zone.
- b. Surface and location of the duty free zone.
- c. Property title or lease contract (for the land).
- d. Initial investment and future investments projects.
- e. Preliminary financial forecasts
- f. Proposed time schedule for the execution of the project.
- g. Authorization of the Ministry of Housing for the use of the land and respective zoning.

Article 20. Once the Duty Free Zone License is granted, the promoter undertakes to:

1. Invest in the development of the duty free zone, a sum of money which is not less than two hundred and fifty thousand Balboas (B/250,000.00), as appears in the resolution granted the establishment of the duty free zone.
2. To begin, within a time period not exceeding one year, the investment referred to in number 1 above, counted as of its registration in the Duty Free Zone Official Registry.
3. To hire Panamanian workers, with the exception of foreign experts, technicians and trustworthy personnel as may be necessary to develop the relevant activity, always complying with the provisions of the Labour Code.
4. To develop technical training programs to train Panamanian workers.
5. To present an annual report of its activities before the National Commission of Duty Free Zones, as well as any change or amendment to its Certificate of Incorporation, including changes in stockholders, of shares issued to bearer or as registered shares.
6. To file annually, a certificate issued by a Certified Public Accountant verifying the sums invested.
7. To comply with the provisions of this Law and the terms according to which the License was granted.
8. To comply with the rules in force regarding the protection and preservation of the environment, as well as the rules and regulations on city-planning and development, except such as due to their obsolescence or incompatibility with the designs and high technology used in duty free areas, are counterproductive and affect the efficiency and operating dynamics thereof.

Article 21. The License granted to duty free zones promoters is permanent, but may be revoked or cancelled, pursuant to the provisions of Chapter VI of this Law.

Article 22. Government or municipally owned parcels of land, which are leased or granted in concession for the establishment and development of duty free zones may not be sold nor transferred and will revert to the Nation or relevant municipality in the event the project is cancelled or the duty free zone stops operating as such.

In the event the Duty Free Zone operator's license is cancelled, all permanent infrastructure such as streets, drainage systems, sidewalks, paths, illumination and similar properties, will also revert to the Nation.

Article 23. Duty free zones may be established anywhere in the country, provided their activities do not cause devastating nor irreversible effects to the ecosystem of the area where they are established nor violate legal provisions in force nor the rights of third parties.

Chapter IV

Companies Established within Duty Free Zones

Article 24. Individuals or corporations, domestic or foreign, may become established in duty free zones, which engage in the production of goods, services, logistics services, higher education, scientific research, high technology, environmental services and any other activity authorized by the Cabinet Council in the following categories:

1. *Higher Learning Center.* A high quality teaching center for imparting broad general culture, for training professionals in the different fields of research and human activities, scientific, technical and cultural extension, as well as highly professional and counseling services.
2. *Scientific Research Center.* A center which specializes in scientific research and fundamental and applied technology activities, involving innovation in any of the fields where it is developed.
3. *Specialized center to render health services.* A facility, within a duty free zone, where surgeries or specialized ambulatory procedures are carried out, for attending health problems of duty free zone workers or of locals or foreigners, in which proceedings surgical techniques are implemented or specialized procedures where innovative processes are adopted or applied.
4. *High-technology companies.* Companies engaged in the production of high-technology goods and services with a high aggregate value, as hardware, software, supplies and centers for processing and housing data (data center) protected by industrial property rules.
5. *Assembling companies.* Companies engaged in manufacturing finished or semi-finished goods, by joining raw materials and semi-finished parts.

6. *Companies which process finished or semi-finished products.* Companies engaged in receiving finished or semi-finished products, parts, components, accessories and/or parts, liquid or solid, to be subject to tropicalization procedures or treatments, modification, repair, cleaning, quality assurance tests, calibration, homologation, analysis, purification, painting, application of anti-corrosive agents, packaging, crating, crushing, recycling and all kinds of manual or mechanic, physical or chemical process in order to obtain a certain good.

7. *Service Companies.* Companies engaged in rendering services to users abroad, in other duty free zones or within the same duty free zone.

In the category of services rendered abroad, are included all International services commonly known as offshore transactions, covering international marketing and commercialization, insurances, reinsurances, banking, finance, auditing, management, brokerage, accounting, diamond exchange and exchanges for other precious stones, consulting and similar activities. Likewise, all services related to telecommunications and computers for capturing, processing, housing and transmission of data, as well as electronic commercial services and the organization, management and operation of data bases.

In the category of services rendered to users in other duty free zones or within the same zone, are included all technical support services, maintenance and repair of equipment, machinery, furniture, buildings, facilities, vessels and airplanes, transport, management and storage of cargo, security services, as well as administrative, accounting and consulting services and other services which internally are necessary to speed up and carry out, with efficiency, operations to produce goods and services.

8. *Environmental services company.* Companies engaged in the prevention and control of environmental pollution and ecologic tourism, which contributes to sustainable development.

9. *General services companies.* Companies engaged in rendering personal services to workers or visitors requiring this service and rendered in the duty free zone, such as restaurants, laundries, drugstores, beauty parlours, gyms, banks and others of an analogous nature.

10. *Logistics services companies.* Those which sole object is to facilitate goods and services in reaching their different clients, without being sold by the individual furnishing the service, including the transportation, storage, handling or manipulation of the goods or services, handling of the information and the logistics and foreign commerce advice.

The branch offices of foreign companies established in the Republic of Panama may become established in the duty free zone under this category.

11. *Manufacturing companies.* Companies engaged in manufacturing goods, by transforming raw materials and semi-finished products, including those of agricultural, cattle, forestry and marine origin.

Individuals or corporations which will engage in any one or more of the activities included in this article must have a license or authorization to engage in such activity, issued by the competent authority or regulating body.

The importation of finished products and subsequent re-exportation without any processing implying a local added value is not allowed in the duty free zone.

Article 25. Individuals or corporations, domestic or foreign, established in the duty free zones in order to engage in the production of goods, services, high-technology, logistic services, scientific research, environmental services and higher learning may, according to the nature of their activities, introduce, store, exhibit, pack, unpack, manufacture, process, produce, investigate, set up, assemble, refine, distill, grind, pulverize, liquify, put together, cut, benefit, purify, mix, transform, repair, prove, modify, clean, analyze, destroy, crush, recycle, package, pack, market, finance, insure, manage, purchase, sell, exchange and manipulate all kinds of goods, products, raw materials, components, packaging material and packages and other commercial effects, with the exception of those damaging or which have a negative effect in the local and worldwide ecology or specifically forbidden by the laws of the Republic of Panama.

Likewise, they may produce, create, develop, perfect, and render all kinds of services as may be necessary so that such companies may carry out highly competitive business activities in the global market economy, as well as all such activities pertaining to such companies and not specifically forbidden by the Law.

Article 26. The License for Companies Established in Duty Free Zones is created, which shall be approved by the National Commission of Duty Free Zones within a maximum time period of ninety days. Once the company obtains such license, it must be registered at the Official Registry of Companies Established in Duty Free Zones, which is part of the Technical Secretary's Office of this Commission.

Individuals or corporations applying for a License for Companies Established in Duty Free Zones must comply, in advance, with all requirements set forth by the competent authority for the activities to be carried out within the scope set forth by legal provisions and rules in force.

Article 27. In order to obtain a License and register in the Official Registry of Companies Established in Duty Free Zones, referred to in the preceding article, the companies must file the following documents:

1. A Power of Attorney granted to a practising Attorney for filing the relevant application.

2. An application printed in paper with all necessary stamps attached, containing the names and last names, nationality, Personal Identity Card number or Passport number of the Applicant, email, telephone number and domicile, in case of a natural person, and in case of a corporation its name and the name of the country under which it was organized, as well as the general characteristics, email, telephone number and domicile of its Legal Representative and Resident Agent.

3. A study containing the following information:

- a. Activity of goods or services to be developed or rendered.
- b. Origin and details of the raw materials, materials, supplies, equipment, machinery, accessories and others to be used.
- c. Number of permanent jobs to be created.
- d. Initial investment and forecasts for future investments
- c. Project implementation schedule

4. Authenticated copy of the Personal Identity Card or Passport, in the event of a natural person, or in the event of a corporation, a copy of the Certificate of Incorporation and any amendments thereto, including the details of its registration at the Public Registry Office, as well as recent certificates evidencing the date of its organization, officers, directors, Legal Representative and Resident Agent.

5. Good standing certificate of the Republic of Panama issued to the applicant.

6. Card size digital photograph of the applicant or legal representative.

7. Sole Contributor's Registration issued by the Ministry of Economy and Finance.

8. Certificate in simple paper with all necessary stamps attached, indicating the amount of capital invested, issued by a Certified Public Accountant.

9. Certificate of the stockholders or partners of the corporation, signed by the Secretary or Treasurer thereof. If the stockholders or partners are corporations, this certification extends to the names of the individuals who own the shares or quotas of the corporation.

10. Certificate issued by the duty free zone promoter, indicating that the applicant has been authorized to become established in such area.

11. Any other requirement included in the By-Laws.

Article 28. Companies authorized to become established in the duty free zones are bound to:

1. Invest in their activities a sum of money which is not less than the capital set forth in the application.

2. Begin investing within a time period not exceeding one (1) year, as of the date of registration in the Official Registry of Companies Established in Duty Free Zones.
3. Begin operating within a time period not exceeding two (2) years, as of the date of registration in the relevant Registry, except in the case where the nature of the activity requires a longer period of time.
4. To hire Panamanian workers with the exception of foreign experts, technicians and trustworthy personnel, as may be necessary to develop the business activity.
5. To offer Panamanian workers technical training facilities related to their area of expertise and related activities.
6. To comply with laws in force or to be proclaimed regarding the recovery and protection of the environment, control and elimination of pollution, preservation of green and marine areas, hygienic and safety measures at work and provisions decreed for protecting plant and animal life.
7. Annually send the National Commission of Duty Free Zones, a statistic report with the following information: employments, investments carried out, amount and type of goods or services produced and raw materials used and main destination markets.

Article 29. The registration of a company in the Official Registry of Companies Established in the Duty Free Zones is ordered by means of a resolution issued by the Technical Secretary's Office, with the approval of the National Commission of Duty Free Zones. This resolution confers upon the holder, as of its date of issue, the right to enjoy the benefits and incentives set forth in this Law. A duly authenticated copy of this resolution shall be delivered to the corresponding company.

The resolutions issued, pursuant to the provisions of this article, must be published in the Official Bulletin of the Industrial Property Registry Division of the Ministry of Commerce and Industries.

Article 30. Companies established in duty free zones may transfer temporarily raw materials and semi finished goods to companies located outside of these duty free zones to be subject to a manufacturing, assembly, processing or treatment process. The exit of these raw materials or products from the duty free zone will not cause any import taxes or assessments during a maximum time period of six (6) months, which may be extended for a like period of time, upon request. If the re-entry of such products into the duty free zone is not recorded, in their original condition or transformed into a finished good or with the added value whereby its exit was allowed, the responsible company must pay the corresponding import taxes and assessments, without prejudice to the sanctions imposed by the National Commission of Duty Free Zones, pursuant to the provisions of Chapter VI of this Law.

The National Customs Authority shall have control of this mechanism, by means of the merchandise dispatch system with secured payment, by a simplified registry system of entries and exits, according to the customs procedures in force.

Chapter V

Fiscal System for Duty Free Zones

Article 31. Every activity, operation, transaction, procedure and transfer of real and personal property, purchase of equipment and construction materials, raw materials, machinery, tools, accessories, raw materials, supplies and every property or service required for its operations, made by companies established within duty free zones, shall be exempted from every direct or indirect tax, contributions, assessments, duties and encumbrances in the Republic of Panama. They are also exempted from paying taxes for the operating license.

The promoter and companies established within duty free zones must keep accounting records and documents clearly reflecting their operations, both those exempted and not exempted from taxes.

Article 32. Companies benefitting from the duty free zones system, with the exception of the provisions of the preceding article, are subject to the payment of:

1. Income taxes and taxes on the transfer of personal property and the rendering of services on local leasing and subleasing operations.

Duty free zone promoters shall be exempt from paying these taxes.

2. A 5% tax on dividends, independently of their source of origin, and will only pay 2% of the complementary tax, in the event there is no distribution of profits.

3. Annual tax, 1% of the capital of the company, with a minimum of One hundred Balboas (B/100.00), and a maximum of Fifty thousand Balboas (B/.50,000.00).

4. Tax on consumption of certain property and services.

5. Special Interest Clearing Fund, with the exception of loans guaranteed by means of bank deposits.

6. Contributions derived from the work relationships between employers and employees and the benefit payments set forth by Social Security laws.

Article 33. Service companies, logistics service companies, high technology companies, scientific research centers, higher learning centers, general service companies, centers which specialize in rendering health services and environmental service companies are

exempt from paying income taxes on their operations abroad and on operations amongst themselves. Domestic operations, destined for the territory of the Republic of Panama of these companies and centers established in duty free zones, shall be subject to payment of income taxes and other taxes pursuant to fiscal laws in force.

Article 34. Duty free zones are free enterprise zones, and consequently service rates and product prices shall be determined by each company rendering such services or producing such goods pursuant to the rules of supply and demand, considering the competitiveness required to participate successfully in the international market, where duty free zones belong.

Article 35. Ships and airplanes entering and exiting duty free zones shall be subject to national and international controls which regulate such matters, to applicable fiscal laws and to the formalities set forth in this Law.

Article 36. When the goods produced in duty free zones or those introduced therein are imported into the fiscal territory of the Republic of Panama, they will pay customs tariffs or duties only on the value of the raw materials and foreign components incorporated into the product, taking as basis the tariff for the final product. For these effects, the importer must file the particulars of the raw materials-product sheet, previously verified and approved by the National Customs Authority.

Article 37. Companies established in duty free zones will not benefit from the Certificate of Promotion of Agroexports nor from any other fiscal benefit different from the those set forth in this Law.

Chapter VI

Cancellation of Licenses and Registries

Article 38. Default in the performance of the obligations referring to the amounts and timeframes of the investment to be made, as well as default in the other provisions of this Law and its By-Laws, by the promoter or the companies established in the duty free zones, may cause the cancellation of the license and the relevant registry, unless it is proven that the default was due to Act of God or force majeure.

Article 39. In the event of default in the provisions of this Law, without prejudice to the provisions of the preceding paragraph, the following shall be done:

1. A written warning will be given to the promoter or the company established in the duty free zone and a time period of ninety (90) calendar days will be given to correct the anomaly.

2. In the event the promoter or the company established within the duty free zone does not correct the anomaly, a fine will be imposed for up to One hundred thousand Balboas (B/.100,000.00), taking into account the seriousness of the fault, the recurrence and the magnitude of the damages and injury caused to third parties.

3. If the problem is not solved definitively, the license and registry will both be cancelled.

Article 40. The cancellation of the License for Duty Free Zones Promoters which are private does not imply a transfer of the property to the Government. Upon cancellation of the License, the Duty Free National Commission may designate an auditor whenever so required, who shall have the following responsibilities:

1. Strive for the continuity of the efficient and competitive operation of the duty free zone.

2. Sell, by public auction, and at market prices, tangible and non tangible assets of the promoter in the duty free zone. This procedure will guarantee the payment of debts owed, compliance with financial obligations and payment of work related benefit payments which could be owed and strive for the operating integrity of the duty free zone.

3. To hand over to the promoter the funds resulting from the above mentioned sale, once the relevant costs are deducted therefrom.

Article 41. Every individual or corporation interested in purchasing a duty free zone area, which is being sold due to cancellation of its license or because its owner or owners so desire, must have to comply in advance with all requirements and procedures to acquire the Duty Free Zone License.

Article 42. All provisions and procedures set forth in the articles preceding this Chapter are also applicable to companies established in the duty free zones.

Chapter VII

Special Immigration Regulation

Article 43. Foreigners who can prove they have invested an amount not less than Two hundred and fifty thousand Balboas (B/250,000.00) from abroad, into a company duly authorized as duty free zones promoter or in companies established in duty free zones, is entitled to request a Permanent Resident Permit as Investor in Duty Free Zones.

The duty free zone investor may decide to obtain a permanent residence, after two years, with the exception of cases where Immigration laws, special laws and agreements set forth different time periods. In addition, he must furnish a Good Standing Certificate from the Republic of Panama, of the company and the applicant.

Article 44. Foreigners hired as trustworthy personnel, executives, experts and/technicians, by companies authorized as duty free zone promoters or operators or by companies established in duty free zones, shall be entitled to request a Temporary Residence Permit, valid for the duration of their contract. This permit shall be subject to the provisions of the Code of Labour.

Article 45. Temporary Permits for Special Policies are created as:

1. Teacher in a Higher Learning Center in a Duty Free Zone.
2. Student in a Higher Learning Center in a Duty Free Zone.
3. Researcher in a Scientific Investigation Center or in a Higher Learning Center in a Duty Free Zone.

Article 46. Foreigners who desire to come to the Republic of Panama to evaluate possibilities for investing or to make transactions or businesses in duty free zones may apply for a Short Stay Visa for Businessmen and Investors.

Short Stay Visas for Businessmen and Investors for such foreigners will be valid for nine months, by previously filing the requirements set forth by immigration laws of the Republic of Panama.

Article 47. Dependants of individuals applying for or holding the visas indicated in the preceding articles shall be entitled to apply for the following permits:

1. Permanent Resident Dependants. This covers the spouse, children under 18 years of age, family members with disabilities and parents who are dependant on a 2 year temporary resident or a permanent resident or citizen.

Children older than eighteen years of age until twenty five years of age may be claimed as dependants, provided they study regularly and are economically dependent on the resident or citizen.

The resident or citizen, verifying he/she has the guardianship or the custody of a minor, may claim same as a dependant.

2. Temporary Resident for Family Regrouping. This includes the spouse, children under eighteen years of age and parents of the temporary resident.

Children older than eighteen years of age until twenty five years of age may be claimed as dependants, provided they study regularly and are economically dependent on the temporary resident.

The temporary resident verifying he/she has the guardianship or the custody of a minor, may claim same as a dependant.

Article 48. Foreigners who are granted a Permanent Residence Permit as Duty Free Zone Investors shall enjoy the following benefits:

1. Temporary residence for a time period of two years.
2. Permanent residence, with the right to a Personal Identity Card, once the temporary residence term has elapsed.
3. The right to have Panamanian citizenship by naturalization, pursuant to number 1, Article 10 of the Constitution.

Article 49. The benefits set forth in this Law shall be automatically cancelled if an investor withdraws, transfers or in any manner loses his investment. The Technical Secretary's Office of the National Commission of Duty Free Zones will annually report to the National Immigration Service the names of investors whose benefits must be cancelled.

Article 50. Requests for Permanent or Temporary Resident Permits, referred to in this Chapter, shall be filed before the National Immigration Service, through the Secretary's Office of the National Commission of Duty Free Zones.

Article 51. A foreigner who obtains a Short Stay Visa through a Consulate in Panama, must present himself before the National Immigration Service within a time period of fifteen days following his entry into the country, to be duly registered.

Article 52. All permits corresponding to this Chapter include the right to multiple exits and entries, valid for the duration of the relevant permit.

Article 53. The Executive Body, by means of an executive decree, shall establish special requirements and procedures for each type of permit corresponding to this Chapter.

Chapter VIII

Special Work Related Provisions Applicable to Duty Free Zones

Article 54. Promoters, operators and companies operating in duty free zones, shall establish, in coordination with the Ministry of Labour and Social Development and the National Institute for Professional Training and Teaching for Human Development, functional training and improvement courses for workers rendering their services therein.

Article 55. The Ministry of Labour and Social Development shall establish a special department to supervise the improvement of workers in the duty free zones, regarding both the nature of the work itself as well as occupational safety.

In order to solve any collective conflicts which may arise in duty free zones, the conciliation procedures set forth in Chapter IV, Title III of the Third Volume of the Code of Labour shall be applied.

In the event of individual conflicts, the conciliation procedures set forth in the Regulations of the Ministry of Labour and Social Development and in Law 53 of 1975 shall be applied.

Once the conciliation is finished, workers or their relevant organization may exercise their right to go on strike, in which case the provisions of the Code of Labour shall apply, including the classification of the strike, which shall be tried according to ordinary labour laws and the procedure shall be as determined in the labour laws.

Article 56. The Ministry of Labour and Social Development shall handle quickly all systems and regulations for technical and professional evaluations referred to in Number 16, Letter A, Article 213 of the Code of Labour, duly documented by means of scientific studies on performance.

If upon termination of the sixty (60) calendar day term, the authorities from the Ministry of Labour and Social Development have not answered the relevant petition, the system or regulation shall be considered as legally approved and the employer may apply same immediately.

Once the system or regulation has been approved, the employer must display same permanently in a visible area in each one of its establishments.

Article 57. The employer may rotate the employee in different production lines or transfer him/her from a production line to another, from time to time, according to the needs of the company, provided the work conditions of the employee are not diminished.

Article 58. Promoters, operators and companies established in duty free zones must pay the legal minimum wage to its workers for their services. Salaries must be paid in time periods not exceeding fifteen days.

In addition to the legal minimum wage, promoters, operators and companies established in duty free zones may establish, in order to increase the performance and productivity of workers, systems for paying salaries through participation in the profits, production bonuses, performance incentives, bonuses, rewards, donations or others. It is hereby understood that such incentives or others may not exceed 50% of the basic salary and are exempt from payment of the Education Insurance and the Social Security deductions.

Article 59. Fluctuations in markets which result in considerable losses of the sales volume is considered as a justified cause allowing the employer to end the labour relationship, in addition to the conditions set forth in Letter C, Article 213 of the Code of Labour.

The employer must request the administrative authorities of the Ministry of Labour a prior authorization, evidencing the relevant cause, pursuant to the provisions of the Code of Labour.

Article 60. Production premiums, bonuses and rewards shall not be considered as salaries or stipends for the effects of Article 91, Law 51 of 2005.

Article 61. The employer may determine in advance the time period when the employee will have vacations, combining as best as possible the interests of the company and those of the employee, pursuant to the cycles of operation of the company.

For this effect, the employer may decide that all or part of the personnel will go on vacation at certain periods of time in the year, even if the employee is not entitled to vacation time. The vacation time determined as indicated immediately before, shall be compensated with like working days. The employer may divide in two equal parts, as maximum, the annual vacations for his workers.

Article 62. The common rules included in the Code of Labor, in Law 1, 1986 and in the special laws which do not contradict the provisions of this Law shall apply to labor relations of companies established in duty free zones.

Article 63. The parties will determine freely the weekly day of rest and how it will be used, whether on fixed or rotating days. Work done on the weekly day of rest shall have a 50% surcharge, without prejudice of the right to enjoy another day of rest.

Article 64. In order to promote more employment, promoters, operators and companies established in duty free zones shall try to establish, in coordination with the Ministry of Labor and Social Development, certain work schedules in order to avoid, to the extent possible, regular staff from working extra hours, by substituting them with new personnel.

In any case, extra time shall not exceed three (3) hours a day and shall have a 25% surcharge.

Chapter IX

Additional Provisions

Article 65. The name of Chapter IV of Law 19, 2001 shall read as follows:

Chapter IV

Duty Free Zones

Article 66. Article 23 of Law 19, 2001 shall read as follows:

Article 23. A special, complete and simplified system is created for the establishment and operation of a duty free zone in the District of Barú, that will help in creating jobs and generate foreign currency for the country and will become part of the global economy, as set forth by the Law, which establishes a special, complete and simplified system for the establishment and operation of a duty free zones.

Article 67. Article 2 of Law 54 2001 shall read as follows:

Article 2. Individuals or corporations having a concession from the Public Services Authority for rendering call center services for commercial use and for export may enjoy the benefits granted by the Law establishing a special, complete and simplified system for the establishment and operation of duty free zones. These benefits shall only be applicable for the installation and operation of the call center services for commercial use.

Article 68. Article 16 of Law 36, 2007 shall read as follows:

Article 16. The Cabinet Council may authorize, in any part of the territory of the Republic of Panama, the establishment of special areas designated for the development of the movie and audiovisual industry, such as movie studios and others related thereto, which shall be entitled to the benefits granted in the special, complete and simplified system for the establishment and operation of duty free zones.

Chapter X

Final Provisions

Article 69. The Ministry of Commerce and Industries shall establish a single handling system or sole cashier to handle all procedures which promoters and/or operators and companies established in the duty free zones must carry out.

Article 70. Individuals or corporations having a concession from the National Authority of Public Services to render call center services for commercial use (call centers) for international calls shall be exempt from paying local direct and indirect taxes, contributions, assessments, rights and encumbrances and shall enjoy the benefits granted by this Law with respect to the business activity carried out, with the exception of the tax collected by the National Authority of Public Services.

For such effects, such individuals or corporations must file, before the Technical Secretary's Office of the National Commission of Duty Free Zones, the requirements set forth in the relevant regulations.

The Technical Secretary's Office of the National Commission of Duty Free Zones must incorporate into the Duty Free Zones Official Registry, the information regarding the Official Registry, granted by Law 25 of 1992, of the international call center services for commercial use (call centers), in force at the time this Law came into effect.

71. The Executive Body, through the National Customs Authority, will adopt administrative measures and regulations as it may deem convenient, in order to control, supervise and oversee, permanently, the entry, exit and movement of merchandise, individuals and means of transportation, as well as to prevent, investigate and punish customs violations in duty free zones, complying with the principles of law.

Every natural person or corporation which, through contracts, concessions, contracts-laws, licenses, or any other manner, obtains or has obtained control, management or authorization to operate or establish duty free zones shall be bound to engage the services of the Customs Supervision and Control Special Service and create a guarantee for the amount equivalent to one month for every year the service is engaged.

All expenses caused by the operation of the customs offices within the duty free zones will be paid in full by the promoter of the duty free zone. For the payment of these expenses and relevant arrangements, the promoter has to coordinate with the National Customs Authority.

Article 72. Domestic and municipal authorities must maintain public order, provide security and public health, protect the environment, supervise garbage collection, treatment of sewage waters and other measures in duty free zones, pursuant to the laws of the Republic of Panama.

Expenses caused from protection of the environment, treatment of garbage and sewage waters and any other expenses shall be paid by the companies established within such duty free areas, as determined by the National Commission of Duty Free Zones.

Article 73. The import and export of merchandise which is harmful to the environment, human or animal health or against the preservation of plants or those which attempt against the security of the Government and the financial economic system and others determined by special regulations or laws will not be allowed.

The Executive Body shall determine which merchandise to be imported or exported will be forbidden. It may also determine which merchandise, by its nature, is restricted or controlled for entry or exit from duty free zones.

Article 74. Promoters, operators and companies established in Export Processing Zones, as set forth in Law 25, 1992, shall be subject to the special, complete and simplified regulations for duty free zones established in this Law.

The Technical Secretary's Office of the National Duty Free Zones Commission must update the information regarding all licenses and official registries which are valid at the time this Law enters into effect.

Article 75. The Executive Body shall assign an appropriate annual budget for the efficient and effective operation and application of this Law and the promotion, inspection and supervision of the duty free zones.

Article 76. The regulations set forth by this Law are not applicable to any other duty free zone, with the exception of the cases specifically set forth therein.

Article 77. This Law shall be innacted by the Executive Body.

Article 78. This law modifies the numbers of Chapter IV and article 23 of Law 19 of May 4th 2001, article 2 of Law 54 of October 25th, 2001 and article 16 of Law 36 of July 19th, of 2007, and eliminates article 12 of Law 8 of April 30th 1981, Law 25 of November 30th, 1992, and Executive Decree 28 of May 19th, 1993 and Decree Law 3 of January 7th 1997.

Article 79. This Law shall become effective as of its date of proclamation, with the exception of numbers 1,2,3,4 and 5 of Article 32, which shall become effective on January 1st, 2016.

BE IT PUBLISHED AND EXECUTED.

Project 276 of 2011, approved in third debate at the Justo Arosemena Palace, Panama City, on the 30th day of the month of March, 2011.

The President
(sgd) JM Molina
José Muñoz Molina

The Secretary General
(sgd.) W Quintero
Wigberto E. Quintero G.

NATIONAL EXECUTIVE BODY, PRESIDENCY OF THE REPUBLIC.
PANAMA, REPUBLIC OF PANAMA, APRIL 5TH, 2011.

(sgd). Ricardo M B
RICARDO MARTINELLI BERROCAL
PRESIDENT OF THE REPUBLIC

(sgd.) Roberto Henríquez
ROBERTO HENRÍQUEZ
MINISTER OF COMMERCE AND INDUSTRIES