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OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council
To: Delegations
Subject: The EU list of non-cooperative jurisdictions for tax purposes

- Compilation of commitment letters received from jurisdictions

= Panama



República de Panamá
Ministerio de Economía y Finanzas
Despacho del Ministro

01 de diciembre de 2017
MEF-2017-73456

Fabrizia Lapecorella
General Secretariat of the Council
Chair of the Code of Conduct Group (Business Taxation)

Dear Ms. Lapecorella:

The government of Panama would like to follow up on our previous letter dated 16 of November 2017, with the intention to restate our firm commitment in collaborating with the international community in the fight against tax evasion and profit shifting.

Since October 2016, the Government of Panama has expressly committed with the Base Erosion Profit Shifting (BEPS) Inclusive Framework and endeavored to ensure that the applicable Panamanian special tax regimes are consistent with the standards set forth by the Forum of Harmful Tax Practices ("FHTP"). As you are aware, the Regional Headquarters Regime, the Panama Pacific Special Regime and the City of Knowledge-IP regime have already been reviewed by the FHTP and particular recommendations have been made. As reflected in the annexes that we kindly attached for your consideration in our previous letter, our country has already committed to addressing such recommendations. By means of this letter, we would like to again restate our firm commitment to address the recommendations made by the FHTP to the special regimes mentioned above, before the end of December 2018.

With regards to the Call Centers Regime, the Government of Panama has taken note of the concerns presented by the Code of Conduct Group and would like to restate our commitment towards amending such regime before the end of 2018. In this sense, we look forward to further discussions between our technical teams that could help to clarify the deficiencies detected by de COCG and to the results of the conversations between European Union with the Global Forum for Tax Transparency and Exchange of Information and the Inclusive Framework of BEPS.

In both situations described above, the Government of Panama has stipulated a timeframe that involves a consultation and drafting process of the amendments to take place during the first semester of 2018. In the first case, dealing with the regimes being revised by the FHTP, the consultations will take place with the Panamanian private sector and in the second case, dealing with the Call Centers regime, the consultations will also involve the technical team of the COCG, as stated above. The objective of our Government is to present the draft amendments for the National Assembly's approval in the second semester of 2018.

We would like to finalize reaffirming that the Government of Panama has been working swiftly and strongly in the past few years towards implementing the international tax transparency standards and collaborating in the fight against tax evasion and will continue to work towards this goal.

Best regards,


Dulcideo De La Guardia
Minister



22 de diciembre de 2017
MEF-2017-77725

MS. FABRIZIA LAPECORELLA

Chair of the Code of Conduct Group (Business Taxation)
General Secretariat of the Council
Rue de la Loi/Wetstraat 175 – B-1048
Brussels.-

Ref.: EU List of Non-Cooperative Jurisdictions on tax matters

Dear Ms. Lapecorella:

We acknowledge receipt of your communication dated 22 December 2017, in connection with the subject matter.

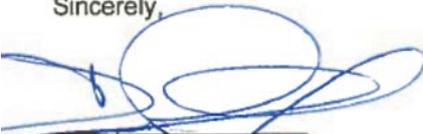
Firstly, please allow us to reiterate that the Republic of Panama is fully committed to meet any tax good governance standards being implemented by the international community.

While we now understand that the commitments made in our letters of 16 November and 1 December 2017, were not deemed sufficient by the Code of Conduct Group, it is still unfortunate that this resulted in Panama's inclusion in the EU list of non-cooperative jurisdictions for tax purposes as the scope of our commitment could have been easily clarified through a constructive dialogue in the spirit of international cooperation.

The inclusion of Panama in the EU list of non-cooperative jurisdictions on tax matters has had immediate adverse economic effect for Panama. Therefore, it is extremely important for us to be excluded from the list as soon as possible. To that effect, a clear expression of our reinstated commitment regarding our Call Centre Regime can be found in Annex 1 to this letter.

The Government of Panama is committed to starting a drafting and consultation process to amend the regime and decide upon the best applicable solution so that it is in place before 31st December 2018. The Government of Panama is also committed to continue working together with the COCG and provide the necessary updates regarding the status of this process.

Sincerely,


Dulcideo De La Guardia
Minister



CC.: SECRETARIAT DGG2B COGC Jurisdictions
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**ANNEX 1
 RESTATEMENT OF THE COMMITMENT
 OF THE REPUBLIC OF PANAMA**

Commitment	To implement the relevant changes to our call center regime by December 2018.
Alternative options (<i>Ring Fencing</i>)	<p>A. One option is to adopt new regulations to clarify that the tax treaty benefit of zero income tax rate granted to call centers is applicable to both foreign and local calls.</p> <p>B. The second option is to apply a preferential tax rate to both international and local calls, requiring an increase to the zero-tax regime enjoyed by the former.</p>
Treatment for existing call centers (<i>Grandfathering Mechanisms</i>)	We would introduce a grandfathering provision to expressly contemplate that the benefits under the current regime are not applied beyond 30 th June 2021.
Time Line	<ul style="list-style-type: none"> • Consultation process – January to February 2018 • Drafting of the new regulatory time frame – February – March <li style="padding-left: 20px;">Approval of the new regulation by the Cabinet of the Panamanian Government – April 2018 • Submission of the new regulations to the National Congress – April 2018 • Approval of the new regulations by the National Congress. July – September 2018. • Practical implementation – October – December 2018

