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Law 526 of 2026
Executive Decree No. 32
Applies from 1 January 2027

SELF-ASSESSMENT CHECKLIST

Panama Economic Substance 2027

Is your company in scope, and is it ready?

From fiscal periods beginning on or after 1 January 2027, certain Panamanian entities must demonstrate adequate economic substance to keep the current tax treatment of their foreign-source passive income. Use this checklist to identify your category and what you need in place before year-end.

1 Is the entity in scope?

Is it part of a multinational group?

Two or more entities linked by ownership or control and tax-resident in different jurisdictions. Companies, private interest foundations and trusts are included.

Yes | No

Does it receive foreign-source passive income?

Dividends and profit distributions, interest and other financial income, royalties and IP income, capital gains, and certain real estate and investment income.

Yes | No

Two "Yes" answers: the entity is in scope; continue to step 2. **Any "No":** the substance regime does not apply, and the entity remains under Panama's ordinary territorial rules. Regulated financial-sector entities and ship-operating entities registered under maritime legislation follow their own specific substance conditions.

2 Which category does it fall into?

CATEGORY A

Pure holding company

Main activity is holding equity participations, or holding real estate on a non-habitual basis.

Simplified regime → step 3B

CATEGORY B

Trading or service company

Active income from international trading, import/export or consultancy services, with no foreign-source passive income.

Not automatically in scope

CATEGORY C

Mixed-activity company

Active business combined with foreign-source passive income, such as dividends from a subsidiary or interest on group loans.

Passive part only → step 3A

Entities in scope that are not pure holding companies follow the **general regime (step 3A)**. Panama's territorial principle remains in place: the reform does not introduce a general 15% corporate income tax for all Panamanian companies.

15% If substance is not demonstrated, the relevant net taxable income may be taxed at 15%, subject to the legislation and available foreign tax credits. Substance must reflect genuine activities and functions, not merely formal arrangements.

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3 What must be in place?

3A · General regime

In-scope entities that are not pure holding companies

- [ ] At least two in-person board meetings a year held in Panama, with strategic decisions properly minuted
- [ ] Strategic decision-making kept in-house: it cannot be outsourced
- [ ] At least one qualified, remunerated person resident in Panama
- [ ] Documented physical premises in Panama
- [ ] Operating expenses in Panama proportionate to the entity's activities
- [ ] Any outsourced core activities performed in Panama, under a written agreement with appropriate monitoring

3B · Pure holding company

Simplified regime: proportionate local arrangement

- [ ] A qualified and remunerated Panama-resident director, administrator or local personnel
- [ ] Adequate premises in Panama, which may be owned, leased or shared
- [ ] Compliance with corporate, documentation and reporting obligations
- [ ] No involvement in subsidiaries' day-to-day decisions
- [ ] No financing of unrelated third parties and no regulated financial intermediation

> Board meetings in Panama and local operating expenditure are **not required** under the simplified regime. Breaching the last two points means losing the status.

4 Documentation and reporting

- [ ] Corporate records, agreements and expenditure evidence kept in Panama, in Spanish, for five years
- [ ] Board minutes, payroll, lease agreements and local expense receipts compiled in a substance file
- [ ] Substance information reported in the annual income tax return: for calendar-year entities, the first return affected is fiscal year 2027, filed in 2028

5 Key dates

28 May 2026
Law 526 enacted

2 Sep 2026
Executive Decree No. 32

31 Dec 2026
Complete your structure review

1 Jan 2027
Regime applies

2028
First return (FY2027)

→ How Brookfort can help

- Initial structure reviews and coordination of substance assessments
- Professional directors and corporate administration
- Registered office and coordination of local premises
- Organization of board meetings and corporate records
- Coordination of accounting, tax reporting and compliance
- Ongoing administration of your substance arrangement

Not sure which category applies?

Our team can review your Panamanian structure and coordinate the next steps with your legal and tax advisers.

Request a structure review

www.brookfort.com/contact · info@brookfort.com

This checklist is for general information only and does not constitute legal or tax advice. Brookfort Group does not provide tax or legal advice. The application of Law 526 of 2026 and Executive Decree No. 32 depends on each entity's circumstances, and regulatory interpretations may evolve. Obtain professional advice before implementing any structural or tax-related change.