



Panama Real Estate Taxes

January 1, 2007

Real Estate Transfer Tax

Transfer tax must be paid by seller at the moment of transfer of the property.

A 2% real estate transfer tax is levied on the transfer of real estate based either upon (1) the sale price stated in the official purchase/sale document (sale contract) or (2) upon the official property value, which ever is higher.

The taxpayer may choose to pay either (1) the 2% real estate transfer tax over the greater of the purchase price of the property or the official property value, increased by 5% per year of tenancy, or (2) to pay income tax at a 10% rate based upon the assessment value plus a 10% increase for each year of tenancy. If the taxpayer chooses this second option, no further taxes on capital gains on the transaction are levied.

Sale of a new residential property is exempt from this tax if the buyer uses it as a personal residency.

The real estate transfer tax can be offset as a direct credit against the income tax levied on a capital gain arising from the sale, if any.

Income on capital gains resulting from the sale of real estate is taxed in full and on a separate basis regardless of whether the company or the individual had a net taxable income or a net operating loss.

Real Estate or Property Tax

All land and real estate improvements thereon located in Panama are subject to real estate taxes.

Real Estate tax is appraised by an agency of the Ministry of Economics and Finance. It must be paid according to the official assesment value, which is usually the declared value on the sale document.

The maximum annual percentage of assessment is 2.10% which is based upon two items: (a) over the value of the land, and (b) over the declared value of the improvements built.

The taxable base will depend upon the total value of the land plus all improvements. Real estate transactions at prices of more than the appraisal value will automatically increase the value of said properties for tax purposes. Certain properties and improvements thereon are exempt or can obtain exemptions from real estate taxes according to special incentive tax laws.

Real Estate Properties with assessed official values of less than US\$30,000.00 are exempt from taxes. Real estate taxes have priority over all incumberances on the property.

Taxes can be paid in three installments, namely by April 30th, August 31st, and December 31st.

A tax clearance certificate must be obtained before any real estate transaction can be completed and will be required by the Panamanian Public Registry Office for any transaction regarding the property.

For more information, please contact

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