



Current Method for Real Estate Sale's Tax Calculation

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Law No. 49 of September 17, 2009 also known as “fiscal adjustments” introduced concepts and fees that will considerably affect Panamanian Real Estate. We'll point out and comment for you the most relevant aspects of this newest tax amendment package.

The property sales taxes will be payable on a different basis. The 2% for property transfer tax will remain in full force; however, Law 49 modifies the method of payment of 10% taxed to the profit obtained when comparing the sale price and basic cost of the property. This tax will be payable through an “advance payment” consisting on the immediate 3% of the total value of the sale price or surveyed value (higher one taken in account) together with the 2% of the Property Transfer Tax.

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As previously mentioned, the 3% is an “advance payment” of the end-up payment that, in most of the cases, will exceed the amount corresponding to the Capital Gain 10% Tax. Afterwards, you should be able to request, reimbursement in cash or tax-credit to be applied in the future by means of a Sworn Declaration – showing the amount overpaid-.

Legal text was drafted in generic form, and in my opinion this creates serious concerns regarding the precise time frame for the reimbursement or credit request, the exact requirements/proceedings to be observed and the legal status of regular case-scenarios when buyers or sellers are foreigners who are not legally complied to pay national taxes.

Likewise, the Law does not take into consideration a special regulation for terms of Promissory Purchase Contracts that were signed before the validity of the new procedures. This will inevitably affect personal and corporative, if you are a contracting party on one of these property-related operations you must review



your figures carefully because you will surely pay a higher tax when completing the transfer of your promised property.

We have requested the General Direction of Income to clarify on the above-mentioned issues, in future reports you'll find further relevant aspects of Law 49, such as Property Tax on exonerated apartments and new criteria that will be observed on updates of surveyed property value. If any of these regulations affect you in any way or you have doubts regarding this article, feel free to contact us.



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