

25 March 2020

Global Tax Alert

News from EY Americas Tax

Panamanian Government declares "State of National Emergency" due to spread of COVID-19

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In light of the World Health Organization's declaration of a pandemic due to the COVID-19 outbreak and, in response to the rapid spread of the virus among Panamanian citizens, the Cabinet of Ministers of Panama has issued Cabinet Resolution No. 11 of 13 March 2020, declaring a "state of national emergency." The purpose of the state of national emergency is to facilitate the ability to obtain resources and promote the actions that are necessary for dealing with the COVID-19 pandemic.

As a result of the state of emergency, several executive decrees have been issued. Specifically, Executive Decree No. 114 of 13 March 2020 imposes the following measures for three months:

1. Restricts the number of necessities that each individual can acquire
2. Establishes a maximum gross margin of 23% for the sale of cleaning and personal hygiene items listed in the decree
3. Imposes sanctions on economic agents (i.e., individuals or organizations with an influence on the economy) who fail to comply with the decree

Executive Decree No. 71 of 13 March 2020 temporarily modifies Article 159 of the Labor Code to adapt working hours according to the nature of the business to avoid further spread of COVID-19.

Additionally, Executive Decree No. 472 of 13 March 2020, establishes precautionary and sanitary measures to mitigate the spread of the virus. It suspends mass gathering activities, shipments, disembarkations of ships from risk areas, and official visits to and from other countries, among other things. The Executive Decree also eases the ability of workers to use sick leave if they are quarantined because of COVID-19.

In addition to those measures, the Government is evaluating the following measures:

- ▶ Establishing telework regulations
- ▶ Eliminating import tariffs for certain hygiene and cleaning products
- ▶ Establishing expedited mechanisms for obtaining the sanitary registries of certain imported hygiene and cleaning products
- ▶ Purchasing US\$20 million in meats and grains with the purpose of supporting national producers
- ▶ Easing tax obligations by deferring the payment of taxes for entities that do not carry out staff reductions
- ▶ Injecting US\$100 million in loans with the Inter-American Development Bank, for tourist cities to encourage tourism
- ▶ Contributing US\$1.252 billion to the Superintendency of Banks of Panama for the establishment of temporary measures that allow banking institutions to have more liquidity to stimulate credit facilities (e.g., lines of credit, loans) to support the private sector

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EYG no. 001422-20GbI

1508-1600216 NY
ED None

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