

# Mobility: Immigration alert

May 2023



## Panama

### Further changes introduced to work permit regulations

#### Executive summary

On 13 May 2023, the Panamanian authorities will implement Executive Decree No. 6 (ED 6), which will introduce further changes to the country's work permit regulations. ED 6 will replace [Executive Decree No. 4](#) (ED 4), which was implemented in March 2023.

#### Background

On 2 March 2023, the Panamanian authorities implemented ED 4, which amended Articles 17, 18 and 19 of the Labor Code and went into effect on 1 April 2023. ED 4 introduced six new categories of work permits (i.e., Local Workforce, Labor Code Quotas, Special Laws, Humanitarian Protection, Special Conditions and Temporary Workers) and regulations governing the issuance of these permits. The Panamanian authorities approved ED 6 on 13 April 2023.

#### Changes to work permit regulations

Effective 13 May 2023, the following changes will go into effect:

- ▶ **New category.** A new category of work permits, called Work Permits established through Special Economic and Investment Policies, will be introduced. These permits will be available to:
  - ▶ Nationals of countries that maintain friendly economic and investment relations with Panama (i.e., "friendly nations")
  - ▶ Foreign nationals who hold Panamanian permanent resident permits under the category of qualified investors (i.e., individuals who make a bank deposit

of USD 750,000, or more or invest USD 300,000 or more in real estate, for at least five years)

- ▶ Foreign nationals who hold "economic solvency" status (i.e., individuals who make a bank deposit of USD 300,000 or more, or invest USD 300,000 or more in real estate, for at least three years)
- ▶ Foreign nationals who qualify under special categories (e.g., investors in the Colón Free Zone, City of Knowledge, Panama Pacific Area or other Free Zones)
- ▶ **Local Workforce.** Pursuant to ED 6, foreign nationals who hold valid Indefinite Work Permits under the "friendly nations" category will be considered local labor with respect to companies' payroll and will not be subject to quotas (e.g., of 10% or 50%).
- ▶ **Special Laws.** ED 6 will eliminate the requirement introduced under ED 4 for foreign nationals to obtain a work permit if they are middle or senior managers in companies licensed under the Multinational Company Headquarters (SEM) or Multinational Companies Rendering Manufacturing Services (EMMA) schemes. ED 6 also removes the restrictions on the types of work permits that dependents of these individuals can obtain.
- ▶ **Special Conditions.** The following changes will go into effect for this category:
  - ▶ Work permits will be available to citizens of "friendly nations" for employment purposes (as opposed to investment).

- ▶ Work permits will be available to self-employed individuals who generate income in Panama.
- ▶ Legal entities that seek to sponsor employees will no longer be able to submit work permit applications on their behalf, and employees will be required to file applications as individuals. Applicants will be required to obtain a Notice of Operations from the Ministry of Commerce and Industry prior to filing a work permit application.

### Business visitors

Effective 13 May 2023, company executives who visit the country for up to 15 days and do not generate income locally will not be required to notify the Ministry of Labor of their arrival. However, the notification requirement will apply to certain business visitors (e.g., traveling agents, administrators and international auditors) who enter the country for up to 15 days and do not generate income locally, and foreign nationals who conduct activities in Panama pursuant to product or service warranties.

### Impact on employers

The new regulations are expected to increase Panamanian companies' access to foreign skilled labor. Companies may consider these changes in light of their current hiring and onboarding policies to ensure compliance with the new requirements.

### Key steps

EY will continue to monitor these developments. Should you have any questions, we encourage you to contact one of our immigration professionals.

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