

18 May 2017

Global Tax Alert

News from Americas Tax Center

Panama further develops its legal framework to comply with automatic exchange of financial information under FATCA and CRS

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On 12 May 2017, Panama's Ministry of Finance issued Executive Decree 124 of 2017, which contains provisions for the automatic exchange of information under the *Foreign Account Tax Compliance Act* (FATCA) and Common Reporting Standard (CRS).

Background

On 24 October 2016, Panama enacted Law No. 47 of 2016, which ratifies the Intergovernmental Agreement between Panama and the United States, in order to comply with FATCA.

Subsequently, on 28 October 2016, Panama enacted Law No. 51 of 2016, which establishes a legal framework under which financial institutions must collect and report specific information to the Panamanian tax authority.¹

To comply with FATCA and the CRS, the Law requires financial institutions to perform due diligence procedures in accordance with Annex I of the Intergovernmental Agreement and, in the case of the CRS, with the regulations published by the Executive branch (i.e., the Executive Decree 124 of 2017).

Executive Decree 124 of 2017 (effective as of 12 May 2017)

The Executive Decree contains the following provisions that stakeholders should take into consideration:

- ▶ Due diligence provisions for preexisting accounts (i.e., maintained as of 30 June 2017) and new accounts (opened on or after 30 June 2017) for CRS purposes
 - ▶ IT format that financial institutions must follow to report information to the tax authority (i.e., XML Schema)
 - ▶ Registry of entities that qualify as a reporting financial institution (in the context of FATCA and CRS)
- ▶ Deadline for financial institutions to report information to the tax authority for both CRS and FATCA purposes:
 - For depository institutions and certain insurance companies: 30 June of the following calendar year to which the information pertains
 - For investment entities and custodial institutions: 30 July of the following calendar year to which the information pertains

A follow-up Tax Alert will be issued on any future regulations published by the Executive branch.

Endnote

1. See EY Global Tax Alert, [Panama establishes legal framework to comply with automatic exchange of financial information under FATCA and CRS](#), dated 16 November 2016.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Limited Corp., Panama City

- | | | |
|-----------------------|---------------|--|
| ▶ Luis Eduardo Ocando | +507 208 0144 | luis.ocando@pa.ey.com |
| ▶ Isabel Chiri | +507 208 0112 | isabel.chiri@pa.ey.com |

Ernst & Young, S.A., San José

- | | | |
|------------------------|----------------|--|
| ▶ Rafael Sayagues | +506 2208 9880 | rafael.sayagues@ey.com |
| ▶ Alexandre Barbellion | +506 2208 9841 | alexandre.barbellion@cr.ey.com |

Ernst & Young LLP, Latin American Business Center, New York

- | | | |
|------------------------|-----------------|--|
| ▶ Ana Mingramm | +1 212 773 9190 | ana.mingramm@ey.com |
| ▶ Enrique Perez Grovas | +1 212 773 1594 | enrique.perezgrovas@ey.com |
| ▶ Pablo Wejcman | +1 212 773 5129 | pablo.wejcman@ey.com |

Ernst & Young LLP (United Kingdom), Latin American Business Center, London

- | | | |
|----------------|------------------|--|
| ▶ Jose Padilla | +44 20 7760 9253 | jpadilla@uk.ey.com |
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EYG no. 03279-171Gbl

1508-1600216 NY
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