



Serviap Global

Panama Country Facts 2025



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Panama Country Facts

Because of its geographic location at the crossroads of the Pacific and Atlantic oceans and between North and South America, Panama is known as the “Hub of the Americas.”

Panama is the home of the Panama Canal, with ports on both oceans. Panamanian business, and the social climate, is heavily influenced by North American and Latin American cultures. Its diversified economy — largely focused on banking, trading, logistics, and tourism — has increased its role in the global marketplace.

Currently, the country emphasizes promoting education, with increasing participation of women in secondary and higher education, furthering the growing potential for a skilled and educated workforce.

1.- The Economy

Panama has a stable government with a dollarized economy. It is democratic and actively seeks foreign investment, offering attractive low inflation rates, no currency exchange risk, and a competitive tax environment.

Panama’s economy is primarily based on its service sector. This includes the Canal, banking, tourism, logistics, activities in the Colón Free Trade Zone (CFZ), insurance, container ports, and the ship registry. Additionally, Panama has become a growing hub for regional headquarters of multinational corporations.

2.- The Importance of Small and Medium-sized Companies

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One of the significant characteristics of a flourishing economy is the success and growth of small and medium enterprises (SMEs). In Panama, more than 90% of businesses are classified as micro, small, or medium-sized enterprises, playing a key role in employment generation and innovation.

3.- Population Characteristics

Panama is a nation with a population of about 4.5 million people. The average age is 30 years, and the literacy rate is over 95%.

Panamanians are proud of their multicultural identity and their country’s strategic importance in global trade. National pride runs deep, and relations with foreigners, particularly Americans, are generally positive.

4.- Economic Opportunities

Panama has one of the fastest-growing economies in Latin America and dedicates substantial funding to social programs. Expanding a business beyond the U.S. borders is warmly welcomed.

Its strong economy, low taxation, entrepreneurial opportunities, low barriers to entry, and stable government make Panama an exceptional choice. Panama also offers numerous investment incentives, particularly within the Colon Free Trade Zone and through special regimes designed to attract multinational corporations.

5.- Key Sectors of the National Economy

- **Foreign Trade** : Panama is mainly export-oriented and highly dependent on trade. The country also has one of the world’s largest merchant shipping fleets. The Colón Free Zone is the second largest free trade zone in the world after Hong Kong, demonstrating the country’s openness to international trade.
- **Agriculture**: Agriculture plays a smaller role compared to services, but it remains important in rural regions. Products include bananas, coffee, sugar, and seafood. Major foreign corporations continue to hold land and production facilities in the country.
- **Services**: The service industry is the largest sector in Panama. Transport — especially the Panama Canal — is the government’s chief source of revenue. Financial services are another key pillar. In recent years, Panama has been working to improve transparency and compliance with international standards, moving away from its past tax haven reputation. Insurance is also a significant industry, with mandatory auto insurance required for all vehicle owners.

Human Talent

English-language courses and higher education represent the best prospects for Panamanian students within the study-abroad market. Approximately 85% of managerial positions are filled by candidates who studied abroad.

The most in-demand fields of study for Panamanian students in the U.S. and abroad are business administration, management, finance, banking, marketing, logistics, and engineering.

6.- Prominent Cities for Business

- **Panama City**: This is the economic and financial center of the country. The city’s economy is heavily weighted toward banking, tourism, commerce, and logistics. The Panama Canal helped the city establish itself as a prime location for offshore banking, tax planning, and multinational headquarters.
- **San Miguelito**: The second-largest city with around 340,000 people. It benefits from its proximity to Panama City and strong transport links. The city is an important urban and residential area with emerging commercial activity.
- **Juan Díaz**: Juan Díaz is one of the centers of manufacturing in Panama, including food processing, textiles, paper, wood products, and other industries. It is also an important education and commercial hub.





7.- Technological Ecosystem

Panama has been called the region’s “Technology Hub” due to its strong wireless growth and advanced telecommunications infrastructure. It has long been recognized as a regional telecommunications and connectivity hub.

Panama’s robust infrastructure has kept it at the forefront of technology, initially with landlines and later with widespread mobile and broadband internet services. Today, the country also offers competitive data center facilities and serves as a strategic hub for international submarine fiber optic cables.

8.- Facilities for Foreign Investment

Incorporating a company and launching a new international venture is simpler in Panama than in most countries in the region. Income obtained outside the country is tax-exempt.

Panama is unique in allowing businesses to be registered in approximately two weeks, with no requirement for physical presence in the country during or after incorporation.

By establishing an offshore company in Panama, investors can create holding structures to protect assets, real estate, and reduce future liability. Additionally, Panama offers special regimes such as Multinational Headquarters (SEM) and Special Economic Areas to attract foreign corporations.

9.- Business Culture in Panama

Meetings

Always confirm meeting times in advance, as schedules may change on short notice. Punctuality is expected, though small talk often precedes the official start of a meeting.

Gestures and Body Language

Maintaining eye contact is considered a sign of interest and integrity. Loud behavior, profanity, or drawing negative attention to oneself is seen as impolite. Pointing at others with the index finger should be avoided.

Gifts

Giving gifts to Panamanian business associates is generally discouraged. Instead, it is customary to send a thank-you note within a few days of the meeting or social event.

10.- Panama Gastronomy: Regional and Traditional Cuisines

A typical Panamanian meal includes meat, fresh vegetables, rice, and beans.

Due to its location between two oceans, seafood plays a central role in Panamanian cuisine. Ceviche, prepared from raw seafood cured with citrus juice and served cold, is especially popular.

Traditional dishes are mild in flavor. Common ingredients include corn, plantains, yucca, beef, chicken, seafood, and pork. Other favorites are sancocho (a traditional chicken soup), ropa vieja (shredded beef), and tamales wrapped in banana leaves.



General Highlights

Year	2025
Country	Panama
Capital	Panama City
Num. States / Province	10 provinces and 5 indigenous regions
Principal Cities	Panama City, San Miguelito, Colón
Language	Spanish
Local Currency	Balboa (PAB) & U.S. dollar (USD)
Major Religion	Christianity
Date Format	DD/MM/YYYY
Thousands Separator Format	999,999,999.99
Country Dial Code	507
Time Zone	GMT-5
Population	4,500,000 (est. 2024)
Border Countries	Costa Rica & Colombia
Continental surface	75,517 km ²
Fiscal Year	January 1 to December 31
VAT %	7% (standard)
Minimum Wage	Between USD 326 and USD 971 per month (varies by sector and region, 2024)
Taxpayer Identification Number Name in the country	RUC (Registro Único de Contribuyentes)
Current President	José Raúl Mulino (since July 2024)

1. Laws and Agencies that Regulate Labor Relationships

A business must register with the Ministry of Commerce and Industries, the Public Registry, the Ministry of Economy and Finance, the Social Security Fund (CSS), and the General Directorate of Revenues.

Laws	Brief Description
Constitution of Panama	With the ultimate purpose to strengthen the Nation. This includes the guarantee of freedom, ensuring democracy and institutional stability, exalting human dignity, promoting social justice, maintaining general welfare, and invoking the protection of God.
Labor Code	Labor and employment in Panama is governed by the Labor Code, adopted through Cabinet Decree No. 152 of March 1971, reformed by Law No. 44 of August 1995, and subsequent amendments. It specifies norms to regulate labor.
Tax Code	Article 694 of the Panamanian Fiscal Code establishes that Income Tax applies to taxable income produced from any source within Panamanian territory, or considered as such under the law.

2. Key Tax and Labor Authorities

Topic	Description
Labor Code	Governs labor relations and establishes the norms to regulate employment.
Labor Contracts in Panama	Definite term: Cannot exceed 1 year, except for services requiring special preparation, which may extend to 3 years. Indefinite term: Employment relationship without defining an end date.
Contracts Signed	Contracts must be in writing and signed in 3 copies: one for the Ministry of Labor and Workforce Development, one for the employer, and one for the employee.
Probation	Maximum of 3 months.
The International Labor Organization	Panama has been a member since 1919.
Work Hours	8 hours per day, 48 hours per week. Workers under 16 years are limited to a 36-hour week.

Basic Requirements

A contract must contain:

- Name, nationality, age, sex, marital status, domicile, and ID card number of the parties.
- Dependents living with the worker.
- Determination of agreed work or services.
- Workplace where service will be rendered.
- Duration of the contract (fixed, indefinite, or specific).
- Workday schedule.
- Salary, form, date, and place of payment.
- Place/date of contract conclusion.
- Signatures of the parties.

3. Payroll

Legal Benefits in Panama

Concept	Description
Minimum Wage	Varies by region and sector: from USD 326 to USD 971.28 per month (2024 rates).
Wages	Paid monthly in USD.
Overtime	- Maximum: 3 hrs/day, 9 hrs/week. - Beyond 48 hrs/week: paid with a surcharge. - Daytime overtime (6:00 a.m. – 6:00 p.m.): 125% of salary. - Night overtime (6:00 p.m. – 6:00 a.m.) or on holidays/rest days: 150%. - Overtime at night plus holiday: 175%.
Christmas Salary (13th month)	Paid in three equal parts: April 15, August 15, and December 15 (equivalent to one month’s salary per year).
Workers’ Compensation	Covers all workplace accidents and illness, administered by the Social Security Fund (CSS). Employers contribute 0.98% – 5.6% depending on industry risk.
Vacations (PTO)	30 days of paid leave after 12 months of continuous employment.
Maternity Leave	14 weeks: 6 weeks before and 8 weeks after delivery. Paid by social security if the employee has contributed at least 9 months before the 7th month of pregnancy; otherwise, the employer pays. Can be extended for multiple birth or pregnancy complications with medical certification.

Concept	Description
Paternity Leave	3 days paid leave after birth, compensated by the employer.
Adoption Leave (Mothers)	28 days of paid leave.
Foster Child Leave (Mothers)	26 weeks of maternity leave when adopting a child under 3 years. Paid by social security. Foster mothers are protected from dismissal for up to 2 years from the placement date.
Foster Child Leave (Fathers)	Fathers adopting children under 3 years are entitled to 14 days of paid leave and protected from dismissal for up to 2 years from the placement date.

Employers Contribution or Labor Cost

Payroll taxes (employer contributions):

- Social Security (CSS): 12.25%
- Education contribution: 1.50%
- Professional Risk (Workers’ Compensation): 0.98% – 5.67% (depending on job risk)

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Employee contributions:

- Social Security (CSS): 9.75%
- Education contribution: 1.25%

Annual Taxable Income (Individual Income Tax – Residents)

Over this amount	Not over this amount	Tax % on Excess
Up to USD 11,000	—	Exempt (0%)
USD 11,001	USD 50,000	15%
USD 50,001 and over	—	25%

Corporate Tax Rates

- General corporate income tax: 25% (applies to most companies).
- Banks and financial institutions: 30%.
- Free Trade Zones (Colon, SEM Regime, Panama Pacifico): Special reduced rates and exemptions may apply.



4. Disability

The Social Security Fund (CSS) includes coverage for Professional Risks. The purpose of this program is to compensate employees for damages due to occupational diseases or accidents resulting from risks to which workers are exposed, in line with the employer’s obligations under the Labor Code.

Types of Disabilities Covered by Social Security (CSS):

- Temporary Disability: Caused by illness or accident, where the employee is unable to work for a certain period but is expected to recover.
- Partial Permanent Disability: Where the employee suffers permanent loss of working capacity, but can still work in a reduced capacity.
- Total Permanent Disability: Complete loss of ability to perform any work.
- Occupational Disability: Illness or accident directly related to the work environment.

Sick Leave (Paid Sick Days):

- Employees are entitled to sick leave with pay.
- The Social Security Fund pays 70% of the employee’s average wage from the 4th day of illness onwards (if the worker has at least 9 months of contributions in the last 15 months).
- The employer pays the first 3 days of sick leave at 100% of the employee’s salary.
- Maximum coverage: 26 weeks, extendable up to 52 weeks if recovery is expected.

5. Public Holidays

The Labor Code provides for the following official public holidays observed in Panama:

Date	Holiday Name
1 January	New Year’s Day
9 January	Martyrs’ Day
Tuesday before Ash Wednesday	Carnival Tuesday
Friday before Easter	Good Friday
1 may 2025	Labor Day
3 November	Separation Day
5 November	Colón Day
10 November	Primer Grito de Independencia de La Villa de Los Santos
28 November	Independence Day
8 December	Mother’s Day & Feast of the Immaculate Conception
25 December	Christmas Day

Migration in Panama

Work Permits & Visas

Foreign nationals must obtain authorization to work in Panama. The main categories are:

- Short-Term Work Permits: Granted for temporary projects or specific assignments (usually up to 9 months).
- Temporary Work Permits: Issued for foreign workers under specific categories such as:
 - 10% Rule: Companies may employ foreign workers up to 10% of their total workforce.
 - 15% Rule: Applies to specialized technical staff.
- Special categories for trusted positions, executives, or workers under international agreements.
- Permanent Work Permits: Granted after prolonged residence and employment in Panama, typically following 10 years of temporary permits, or under special regimes (e.g., SEM – Multinational Headquarters).

Residence Permits

Foreign workers often apply for residence permits in parallel with their work authorization:

- Temporary Residence Permit: Linked to the duration of the employment contract or assignment.
- Permanent Residence Permit: Granted after 5 years of continuous residence, or earlier under special programs.

Special Migration Categories

- Friendly Nations Visa: Available to nationals from over 50 countries (including the U.S., most of Latin America, and the EU). It allows applicants to obtain permanent residency more easily if they establish economic or professional ties in Panama.
- Qualified Investor Visa: Grants permanent residency within 30 days for those investing at least USD 300,000 in real estate, fixed deposits, or Panamanian companies.
- Pensionado Visa: For retirees with a lifetime pension of at least USD 1,000 per month, offering permanent residency and significant discounts on services.
- Multinational Headquarters (SEM) Visa: Special regime for employees of companies operating under the SEM license, with tax and migratory benefits.

Employer Responsibilities

- Employers must ensure foreign workers have valid work permits before starting employment.
- Contracts must be registered with the Ministry of Labor (MITRADEL).
- Non-compliance may result in fines and cancellation of the employment relationship.





6. Termination

In Panama, any termination must be in writing and must follow the laws outlined in the Panamanian Labor Code. This varies according to the employment agreement and collective bargaining agreement in effect and is based on the type of contract and the reason for termination.

Type of Termination	Brief Description
Justified Dismissal	Classified into 3 categories: • Disciplinary • Of a non-attributable nature • Economic
Unjustified Dismissal	When proven, the employee is entitled to severance pay based on their seniority and salary. Severance is calculated on the wages received during the last 6 months or the last 30 days, whichever is more favorable to the employee.
Voluntary Resignation	Resignation without just cause is a right workers have, but it must be presented in writing to the employer 15 days in advance. No severance pay is owed.

Other Forms of Compensation upon Termination

- Employees who resign voluntarily are not entitled to severance pay.
- Notice Periods (Pre-Notice): For indefinite-term contracts, neither party may terminate without giving prior notice (except as provided in Articles 81 & 84 of the Labor Code). Notice must follow these rules:
 - a. Up to 1 year of service: 30 days notice.
 - b. More than 1 year up to 5 years: 45 days notice.
 - c. More than 5 years up to 10 years: 60 days notice.
 - d. More than 10 years: 90 days notice.

Severance Pay

In the event of dismissal without just cause (with or without notice), the employer must pay:

Length of Employment	Severance Calculation
0 – 30+ years	15 days of wages for each year of service or fraction of six months, in addition to any unpaid benefits.

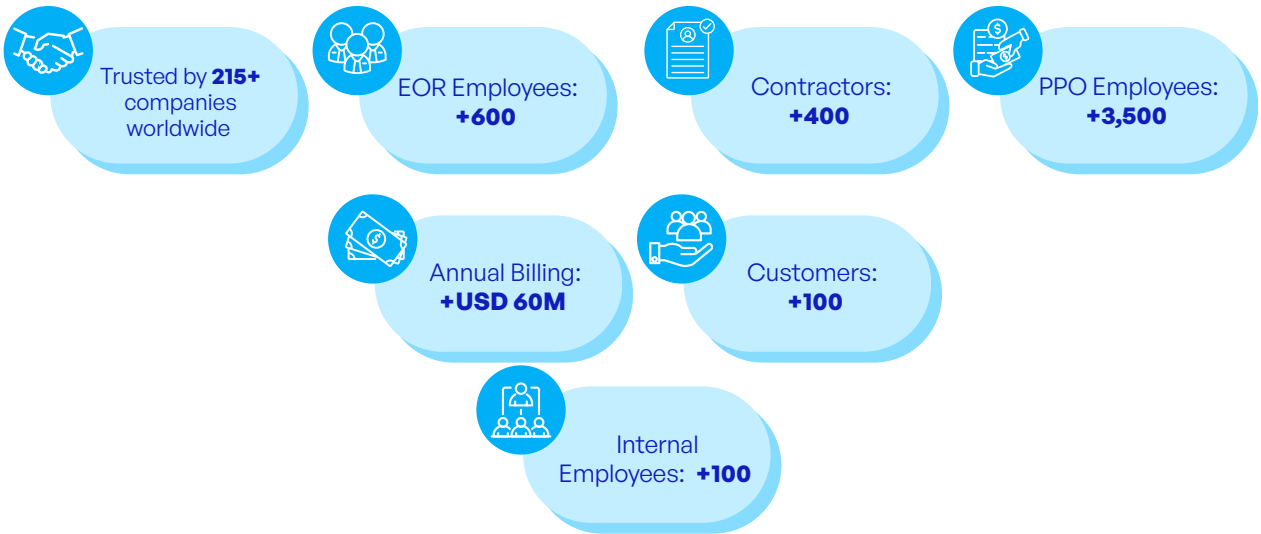
A man in profile is seated at a desk, working on a laptop. The background is a blurred office environment with a large screen displaying a grid of video call participants. The entire image has a blue color overlay.

How Serviap Global Supports Your Expansion

Who we are?

Serviap Global, headquartered in Mexico City, brings over 25 years of local HR expertise and **15 years as a global Employer of Record (EOR) leader.**

With teams across the Americas, Europe, and Asia, we help companies build international teams without the complexity of foreign entities or regulations.



Our Solutions

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At Serviap Global, we provide comprehensive HR and workforce solutions to help companies expand and manage teams anywhere in the world.



How We Help You Hire and Onboard Talent

At Serviap Global, we simplify your international hiring process by managing every step , from contract creation to onboardin, ensuring full legal compliance in each country.

Below is an overview of our standard onboarding process for new hires, whether local or foreign:

Step	Description	Estimated Timeframe
1. Validate Onboarding Data	We verify candidate information and prepare the Service Order for client review.	2 business days
2. Formalize Service Order & Payment	The process begins once the Service Order is signed and advance payment is received.	2 business days (depending on client response)
3. Create Onboarding Documents	Draft job offer and employment contract.	1-2 business days
4. Send Documents to Candidate	Deliver approved documents to the candidate.	1 business day
5. Candidate Response	Candidate reviews, signs, and provides personal documentation.	2-4 business days
6. Confirm Acceptance & Finalize Onboarding	Receive signed documents and complete onboarding.	1 business day

Please note: timelines may vary depending on country-specific requirements such as background checks, pre-employment medical exams, or visa processing.

Why partner with us?

- **15+ Years of Expertise:** Proven track record in global expansions across 180+ countries.
- **LATAM Specialists:** Deep local knowledge for seamless hiring in high-growth regions.
- **Full Compliance & Agility:** Handle regulations so you can focus on business growth.
- **Human-Centered Support:** Multilingual team provides personalized, responsive service.
- **Cost-Effective Solutions:** Save on setup and operations with tailored, scalable plans.
- **All-in-One Platform:** Serviap Hub for total control and visibility.
- **Client-Driven Success:** 4.7/5 satisfaction, trusted by 215+ companies.
- **Value Differential:** Unlike competitors, we combine tech with human expertise for faster, more reliable global expansion.

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Serviap Global



serviapgroup.com



sales@serviapgroup.com



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+52 55 8008 7616