

REPUBLIC OF PANAMA
LAW No.8
(June 14, 1994)

“Where by tourist activities are promoted in the Republic of Panama”

THE PANAMA LEGISLATIVE ASSEMBLY
DECREES:

CHAPTER I
OBJETIVES AND DEFINITIONS

Article 1: The objective of this law is to establish a simple, prompt, and rational process to develop tourism activities in the Republic of Panama; grant incentives and benefits to persons engaging in tourist activities; adopt the necessary mechanisms for the public and private sectors to join and coordinate their efforts in the area of tourism; and promote tourism in Panama.

Article 2: The Executive Branch, through the Panama Government Tourism, shall assist the private sector by facilitating and expediting the required processing to establish and develop the tourist activities covered by this Law through the Executive Branch, other units of the Government of Panama and municipalities.

Article 3: Tourism is hereby declared a public service industry, and one of national interest.

^{*(1)} **Article 4:** For the effects of Law No.8 of 14 June 1994, tourist supply will be understood as the activities carried out by the following enterprises:

^{*(1)} Modified by the Decree Law No.4 (February 10, 1998)

Hotel: An establishment whose entire structure is devoted to public lodging and which is built and furnished especially to permanently provide its guests, in exchange for a fee, lodging, restaurant, and other facilities such as a reception desk, lobby, public telephone, and daily cleaning of its rooms and other installations.

Investments made for golf and tennis courts, saunas, gymnasiums, discotheques, restaurants, and all other activities that are linked to hotel investment will be eligible for the incentives provided under Law No.8, of June 14, 1994.

Motel: An establishment for the lodging of tourist, located in rural areas or close to beaches or highways, and which are aimed at providing motorists room and board in exchange for a fee.

Apart-Hotel: A building equipped with the necessary furnishings to be rented to national foreign tourists, and which offers daily cleaning services and individual cooking facilities so that guests can prepare their own meals.

Cabin or Bungalow: A group of individual wellings aimed at providing in rural areas and at beaches, seaside resorts, and other sites devoted to ecological tourism.

Time-Share: This arrangement allows the owner or co-owners of a structure used for the public lodging of tourists to subject it to a contract management system by which different persons obtain the right to use the structure in different periods of the year.

Horizontal Property for use by Tourist: A building where each residential unit is acquired by a different owner, as long as the entire building is aimed at providing the service of public lodging for tourists by means of a hotel-type management arrangement.

Camping sites: An area destined for the exploitation of ecological tourism and which is equipped with toilets, potable water, and first aid equipment.

Theme Park: In which a certain theme or themes are developed within a defined area, with an easily identifiable theme that can cover any topic from history to fantasy to the world of the future.

Family-run Hostel: A tourist facility operated by an individual or family alongside the rooms or house of the owners. There are small establishments that offer personalized service and regional home-style cooking, and whose design closely resembles the architectural style that is popular in the area.

Inn: A lodging facility located at a tourist site for the use of travelers, and where guests attend to themselves as far as food and other services are concerned.

Convention Center: A facility adequately equipped to hold conferences; meetings; or technological, cultural, and tourist events; where clerical and simultaneous interpreting services into several languages are available, and several events may be held concurrently.

CHAPTER II TOURIST ACTIVITIES

Article 5: The incentives and benefits provided under this Law are available to natural persons or companies engaged in tourist activities as defined herein, who are registered at the National Registry of Tourism (Registro Nacional de Turismo).

*⁽²⁾ **Article 6:** Rescinas.

Article 7: The right to claim benefits under this Law is recognized upon registration of a company at the National Registry of Tourism (Registro Nacional de Turismo), and the issuance of a certification by the Panama Government Tourism Bureau (Instituto Panameño de Turismo-IPAT), specifying the rights and duties of the party entitled to such benefits.

CHAPTER III INCENTIVES AND BENEFITS

*⁽³⁾ **Article 8:** For the purpose of encouraging investment in new projects and activities to offer tourist facilities, the following tax incentives are granted to natural persons or companies covered by the provisions of this Law:

- a) Complete exoneration for a twenty-year (20) period of the import tax due on the introduction of materials, equipment, fixtures, furnishings, and vessels and automotive

vehicles with a minimum capacity of eight passengers. The Panama Government Tourist Bureau must have declared the latter as indispensable for the normal development of the tourist activity. The exonerated material must be used in the construction and the equipment, fixtures, and furnishings in the equipping, of the public lodging establishments. This incentive will be granted if these materials are not produced in the country or are not produced in a large enough amount, of good enough quality, or at a similar price. Likewise, any equipment that the company imports to contribute to energy savings efforts or to provide safety in the project area will be exonerated.

- b)** In the case of ecological tourism, the exonerated material will be allowed for wheel drive vehicles with a minimum capacity of five (5) passengers.
- c)** A twenty (20) years exonerated material from real property tax, starting on the date of registration of the company at the National Registry of Tourism (Registro Nacional de Turismo). This exonerated material shall cover all real property owned by the company, provided it is used in its entirety for tourist activities.
- d)** Exonerated material from any tax or assessment on its capital.
- e)** Exonerated material from wharfage or any fee for landing on piers, airports, or heliports owned, built, or repaired by the company. The Government of Panama may use these facilities free of charge.
- f)** Exemption from payment of income tax on any interest earned by creditors in operations for investing in public lodging establishments.

⁽²⁾ Modified by the Decree Law No.4 (February 19, 1998)

⁽³⁾ Modified by the Decree Law No.4 (February 19, 1998)

g) An annual rate of ten per cent (10%) shall be for allowed real property depreciation, not including the cost of the land.

A. Investment in Historic Landmarks:

The following incentives are granted for the activities contemplated in Article 6, 5 of this Law located within Historic Landmarks, for which the National Institute of Culture (Instituto Nacional de Cultura-INAC) authorizes the construction of projects with a minimum investment of one hundred thousand dollars (US\$100,000.00), not including the cost of the land.

a) A ten (10) years exoneration from real property tax on the land, and thirty (30) years exoneration for improvements to real property.

b) Exoneration from income tax on the company 's profits during the first five (5) years of operation of the appropriate commercial activity. After this period expires, the company may deduct any losses as expenses during the first three (3) fiscal years following the fiscal year in which such losses were sustained.

c) A one time exoneration from import duties on any equipment and materials used in construction, remodeling, and furnishing, provided such items are not produced locally in sufficient quantity or of the proper quality, and that they are not for sale to the general public.

Article 9: A natural person or company may treat as fax deductible any investment it makes in the restoration, maintenance, or lighting of Historic Landmarks, municipal parks, national parks, or public site; also, any investment made in tourist promotion or education

considered by the Ministry of Finance and Treasury in coordination with IPAT; as activities that encourage the development of tourism.

^{*(4)} **Article 10:** Companies that are exclusively devoted to operating tourist reception activities in the Republic of Panama will be granted the exoneration of import tax on land and sea automotive vehicles that are used exclusively for tourist activities, as long as these vehicles have been declared as indispensable for the adequate development of the tourist activity by the Panama Government Tourist Bureau. These vehicles must bear, permanently and in a clearly visible location, an identifying symbol that will be regulated by the Panama Government Tourism Bureau. These vehicles may be sold once the corresponding tax has been paid.

Article 11: Natural persons or companies providing mass transportation to tourists at airports, piers, and hotels are exonerated from import duties on automotive vehicles exclusively destined to tourist activities, as approved by IPAT.

^{*(5)} **Article 12: Rescinas**

Article 13: Any enterprise that undertakes within the national territory activities related to the filming of feature length films or television series to be exhibited internationally in movie theaters or over television; the filming of videos and the holding of artistic or sporting events or activities of an international nature that are transmitted before, during, or

^{*(4)} Modified by the Decree Law No.4 (of February 10, 1998)

^{*(5)} Modified by the Decree Law No.4 (of February 10, 1998)

toward the closing of the event, any information or images that will promote tourism in the Republic of Panama, will enjoy the following benefits:

1. Total exoneration of the payment of income tax on the profits from said event, except when the tax paid in Panama is considered as fiscal credit in their respective countries.
2. Total exoneration of any national tax that should be levied on the event or activity.
3. Temporary exoneration of import tax, contributions, encumbrances, duties, or fees of any type or denomination that should be levied on the introduction of equipment, tools, spare parts, and technical material that the communications company introduces for the transmission to other countries, as well as all the material that is used during the event, which must be re-exported once the activity has concluded.
4. Exoneration of income tax on national and foreign athletes and artists who participate in these events or activities.

^{*(6)} **Article 14:** To the effects of Law 8, June 14, 1994, all imported tourist-related advertising material should be tax exempted if it for distribution free-of-charge. Tourist-related advertising material are understood also the brochures and pamphlets not having paid commercial advertising.

^{*(7)} **Article 15:** Rescinas.

^{*(6)} Modified by the Decree Law No.4 (of February 10, 1998)

^{*(7)} Modified by the Decree Law No.4 (of February 10, 1998)

^{*(8)} **Article 16:** The following fiscal incentives will be granted for the construction, equipping, and operation of convention centers, theme parks, zoos, marinas, and centers for research info and interpretation of the nation's natural and cultural heritage:

1. A three (3) years exoneration from import duties on materials and equipment used in their construction and furnishing, provided such items are not for sale, are not produced locally, and are considered by IPAT as important for the development of such activities.
2. A ten (10) years depreciation for real property.
3. A twenty (20) years exoneration from real property tax.

Article 17: At the request of IPAT, the Panama Cabinet Council may declare as Tourist Development Zones of National Interest those areas that meet the requirements as special tourist development zone, who meet the established minimum investment, shall enjoy the following tax incentives:

1. A twenty (20) years full exoneration from the payment of real property tax on the land or any improvements owned and being used for tourist development activities.
2. A fifteen (15) years full exoneration from the payment of income tax on the company's activities.
3. A twenty (20) years full exoneration import duties, contributions, or taxes, as well as the sales tax (**ITBM tax**) on the imported materials, equipment, furniture, accessories, and spare parts used to construct, renovate, and furnish their establishments, provided such items are not produced locally, or are not produced in sufficient quantity or of the proper quality.

^{*(8)} Modified by the Decree Law No.4 (of February 10, 1998)

For the purposes of this law the term “equipment” is understood to mean vehicles with a minimum capacity of 8 passengers, aircraft, helicopters, minimum capacity of 8 passengers, aircraft, helicopters, motorboats, ships, or sports supplies used exclusively for tourist activities.

4. A twenty (20) years exoneration from duties, contributions, taxes, or fees on the use to piers or airports built by the company. The Government of Panama may use these facilities free of charges, according to the appropriated regulations.
5. A twenty (20) years exoneration from the payment of income tax in interest earned by creditors from operations for investing in the tourist activity being conducted.

Article 18: Any public tourist lodging company or restaurant not covered by the above articles, but solely engaged in a tourist activity; outside the metropolitan area according to this law shall have the operation of being entitled to a Tourism Employment Certificate (Certificado de Empleo al Turismo-CET) issued its name, equivalent to twenty-one and a half per cent (21.5%) of the gross monthly payroll as of the promulgation of this law, provided this gross monthly payroll does not exceed four hundred dollars (US\$400.00).

In the case of restaurants, this option shall be for a period of three (3) years.

Article 19: CET's as contemplated in this Law, shall be issued in Panamanian currency by the Ministry of Finance and Treasury, and may be applied to the payment of income, dividend, complementary, real property, or sales taxes, as well as import duties.

These are nominal certificates transferable by endorsement. They are exempt from all types of taxes, and may not earn interest.

Article 20: To be entitled to CET's, companies must meet all the requirements set forth in this Law. CET's may be used six (6) months after their date of issue, but not within the same year of issue. They shall be valid for a period of three (3) years from their issue date.

Article 21: Wages of foreign employees, or those for any employment period of less than twelve (12) months may not be included in the payroll for the purposes of calculating the CET's established herein.

Payroll control procedures shall be established.

Article 22: Natural persons or companies engaged in tourist activities may use their vehicles to transport their own materials, furniture, or equipment. They may also provide tourist transportation service to their facilities, and to and from airports and seaports.

Article 23: In order to encourage investment and financing for the development of the tourist industry and the construction of hotels outside the metropolitan area, public tourist lodging companies may issue nominal tourist investment instruments until January 1st, 2000.

The following incentive is granted to investors in these instruments who are not connected directly or indirectly with public tourist lodging, are not the result of the division of a company into several companies, or affiliates or subsidiaries of tourist companies.

For income tax purposes, fifty per cent (50%) of the amounts invested by natural persons or companies in the purchase of bonds, shares of stock, or other nominal instruments issued

by tourist companies may be considered as deductible expenses. The Ministry of Finance and Treasury (Ministerio de Hacienda y Tesoro) shall regulate the application of this article.

Companies registered with the National Tourism Registry (Registro Nacional de Turismo) must register any bonds, shares of stock, or other financial instruments with Panama's National Securities Commission, and must issue them within the first three (3) years from its registration.

A company issuing such bonds, shares of stock, or other nominal instruments may not redeem them in any manner whatsoever for at least ten (10) years. Any bonds or instruments issued by a tourist company shall be valid for a minimum period of ten (10) years, and may not be redeemed earlier. These companies may not purchase their own shares of stock, contributions, or convertible bonds, and may not be redeemed earlier. These companies may not purchase their own shares of stock, contributions, or convertible bonds, and may not grant loans to the holders of any such bonds, shares of stock, or nominal instruments; nor may they make use of any other mode for the purchase or payment of said financial instruments for a minimum period of ten (10) years.

Article 24: Tourist yachts calling at ports in the Republic of Panama whose stay does not exceed ninety (90) days are exonerated from the payment of any and all types of the usual charges, taxes, or service fees upon arrival or anchorage.

Customs authorities may only perform their routine inspection duties. No processing of documents by these agencies shall be required. The Executive Branch shall regulate his provision.

CHAPTER IV NATIONAL TOURISM REGISTRY

Article 25: The National Tourism Registry (Registro Nacional de Turismo) is hereby established under IPAT Natural persons or companies wishing to be covered by this tourism incentive regime must register in this Registry.

Article 26: Applicants must complete a registration form obtainable from IPAT for a fee of ten dollars (US\$10.00), with the following information.

1. Applicant's name and surname, nationality, and personal identification number or passport number. If the applicant is a company, its business name, the country where it is chartered, and its Panama Public Registry (Registro Publico) registration entry data, as well as the name address of its legal representative.
2. The applicant's domicile or address.
3. A detailed and precise description of the tourist activity, the applicant is conducting or will conduct. In the case of a tourist project with an initial investment of more than three hundred thousand dollars (US\$300,000.00), a feasibility study, and the drawings and technical studies required for and justifying the project must be submitted with the application.
4. The amount of the investment the applicant has made or proposes to make.
5. The number of jobs it proposes to generate.
6. Any additional information required by IPAT, according to the nature of the proposed tourist activity, as needed to evaluate the merits of the application.

Article 27: The registration form must be submitted with a copy of the personal identity card, or passport of the legal representative, if a company. In the latter case, a certification issued by the Public Registry (Registro Publico) must also be submitted stating that the company is a registered and valid one, the name of its Board members, its officers and legal representative, the amount of its capital and its term of duration.

Article 28: The Board of Directors of IPAT is the only body in charge of approving the registration of companies in the National Tourism Registry (Registro Nacional de Turismo) and issuing certifications to that effect, stating the date in which the company was registered at the National Tourism Registry and that it is thus entitled to benefits under this Law. The General Manager of IPAT shall sign these certifications.

Article 29: Upon receipt of the registration form with the required information and documentation, IPAT has a period of not more than sixty (60) calendar days to study the technical, economic, legal and tourism aspects of the proposed project; and upon approval, to register the company in the National Tourism Registry and issue a certification stating the date of registration of the company in the National Tourism Registry, and that it is thus entitled to benefits under this Law.

Project involving National or Historic Landmarks or wildlife reserves under the National Institute of Culture (Instituto Nacional de Cultura-INAC) or the National Institute of Renewable Resources (Instituto Nacional de Recursos Renovables - ANAM) require a resolution issued within thirty (30) calendar days, counted as of the date of receipt of the project documents.

CHAPTER V DUTIES

Article 30: Any party seeking benefits under this Law has the following duties:

1. Actually make the investment in the proposed tourist activities, as shown on its application, and maintain such an investment throughout the period stipulated in this Law.
2. Start the construction, remodeling, refurbishing, or restoration of the real property for the proposed tourist activities within a period of not more than six (6) months counted as of the date of registration in the National Tourism Registry, unless a longer period is required because of the nature of the tourist activity, as determined by IPAT.
3. Start rendering tourist services within a period of not more than three (3) years counted as of the date of registration, unless a longer period is required because of the nature of the tourist activity, as determined by IPAT.
4. Conduct tourist activities according to the regulations issued by IPAT.
5. Keep an accurate record of the exonerated items available for the competent officials of the Ministry of Finance and Treasury, the Ministry of Commerce and Industries, and IPAT.
6. Post a performance bond in the name of IPAT and the Office of the Comptroller General of the Republic, in an amount equivalent to one per cent (1%) of the amount invested. In no case may this bond be in excess of three hundred thousand dollars (US\$300,000.00).

7. Comply with the ratio established in the Labor Code for hiring Panamanian citizens, except for the experts and skilled technicians deemed necessary, for which authorization by the competent Panamanian authorities is required.
8. Provide technical training to Panamanian citizens and maintain scholarships to train them abroad, if such training is not available at local industrial establishments or schools.
9. Waive all rights to file claims through diplomatic channels in the event of differences or conflicts with the Republic of Panama. Submit said differences to the jurisdiction of Panamanian tribunals.

CHAPTER VI PENALTIES

Article 31: Noncompliance with the duties described in Article 30 of this Law shall cause the revocation of the registration and forfeiture of the bond, unless it is proven that this noncompliance was due to force major or a fortuitous event.

The revocation of a registration in the National Tourism Registry may be ordered by ordered by means of a resolution issued by the Board of Directors of IPAT, as notified to the concerned party. Nonetheless, any parties that consider themselves affected may file and appeal with the same authority for reconsideration. The period to make this appeal is of five (5) working days counted as of the notice of the resolution revoking the registration.

Article 32: Any items imported under this Law may not be sold or transferred without first paying the corresponding taxes or assessments, calculated on the basis of the value of the property at the time of its sale or transfer.

The sale or transfer of imported items between the companies covered by the provisions of this Law only requires the approval of the Ministry of Finance and Treasury (Ministerio de Hacienda y Tesoro).

Except as provided in this article, any person importing items exonerated under this Law, and selling, leasing, transferring, disposing of or otherwise giving them a use other than that for which the exoneration was granted shall be punished with a fine equivalent to three times the amount of the import duty due at the time of the sale, lease, transfer, or disposal of the items.

Article 33: Violators of the provisions of this Law shall be punished with a fine equivalent to five (5) times the amount of the benefit claimed, and the revocation of any benefit to which they had been entitled, in addition to any other penalties under the Law.

CHAPTER VI CONCESSIONS FOR TOURIST DEVELOPMENT

Article 34: As recommended by the Board of Directors of IPAT and ⁽¹⁾ *subject to ratification by the Public Finance, Economic Planning and Policy Committee of the Legislative Assembly of the Republic of Panama*). The Executive Branch is authorized to grant for tourist use in accordance with IPAT Master Plan, without affecting any

preexisting rights, periods of up to twenty (20) years, concessions for islands Government owned lands, lands requiring fills, and areas for the construction of marinas and piers that the Government may decide to devote to public tourist activity.

Article 35: Notwithstanding the provisions of the above article, any concession contracts may be made for a period of up to forty (40) years in the case of projects whose investment amount, economic impact and job generating potential require a longer contract term in the judgement of the boards or Directors of IPAT by means of a justified resolution ⁽¹²⁾ *duly rafted by the Public finance, Economic Planning and Policy of the Legislative Assembly of the Republic of Panama* whit the exemption of concession of reverted property under the jurisdiction of the Interoceanic Region Authority, which in this case is the organization in charges of granting the appropriate concessions.

Article 36: Noncompliance with the period established for a concession to develop authorized tourist activities that authorized should cause the revocation of the concession. It is understood that in this case any improvement built in the area shall become property of the Government at no cost to it, not with standing any penalties applicable under the Law.

Article 37: The following is required to apply for a concession:

1. Submission of the project budget, its technical specifications, and the appropriate project schedule;
2. Proof of payment of the required fees;

⁽¹⁾ Inconstitucional declared, according to the Supreme Court of Justice dated May 30, 1995

⁽²⁾ Inconstitucional declared, according to the Supreme Court of Justice dated May 30, 1995.

3. A description of the type of services to be rendered, and their benefits to users,
4. Certifications establishing the financial means and source of the applicant's resources.
5. The applicant's experience in similar projects.

The agency responsible for granting a concession shall provide continuous inspection service in all stages of the project, in order to ensure proper compliance with the terms of the concession.

Article 38: Concessionaires or their subcontracts, as the case may be, shall comply with the approved project schedule until completion of the project. Noncompliance of the schedule or the approved technical specifications may cause the administrative revocation of the contract, forfeiture of the performance bond posted, and revocation of all rights under the concession contract.

Article 39: Prior to declaring them as finally awarded, any concessions granted under this Law, including their terms shall be published in local newspapers for a period of fifteen (15) consecutive days.

CHAPTER VIII FINAL PROVISIONS

Article 40: **The** Government shall consider native Indian territories as tourist development zones, and shall promote native and rural cultures and traditions as tourist attractions.

Article 41: (Transitory) Any applications for contracts with the Government of Panama being processed on the date this Law is promulgated may continue with the procedure established in Cabinet Decree No. 102 of June 20, 1972, for the purpose of obtaining the benefits set forth in that Decree, which shall remain in force only for such purposes.

Article 42: (Transitory). Any contracts for the operation of tourist activities in force on the date of promulgation of this Law are valid until the expiration of their respective terms. Nonetheless, if a concessionaire wishes to make additional investments, it must apply for incentives under this Law and meet its requirements.

Article 43: This Law supersedes Law Decree No. 26 of September 27, 1967 as amended by Law No.81 of December 22, 1976; Cabinet Decree No.77 of March 18, 1971; Cabinet Decree No. 102 of June 20, 1972 and any legal provisions and regulations contrary to it

Article 44: This Law shall become effective upon its promulgation.

^{*(9)} **Article 45:** The fiscal incentives contemplated in Law No. 8 of 1994 and modified by this Law Decree will be in force until December 31, 2005 in areas that have not been declared as a Zone of National Interest for the Promotion of Tourism and until December 31, 2015 in areas that have been declared a Zone of National Interest for the Promotion of Tourism.

FOR NOTIFICATION AND PUBLICATION.

Issued in the city of Panama, on May 10, 1994.

THE PRESIDENT,
(Signed)
Arturo Vallarino
THE SECRETARY GENERAL
(Signed)
Ruben Arosemena Valdes.

NATIONAL EXECUTIVE BRANCH - OFFICE OF THE PRESIDENT OF THE
REPUBLIC. - PANAMA, REPUBLIC OF PANAMA, JUNE 14, 1994.

(Signed)
GUILLERMO FORD BOYD
Acting the President of the Republic of Panama

(Signed)
RICARDO FABREGA
Minister of Commerce and Industries.

^{*(9)} Modified by the Decree Law No.4 (of February 10, 1998)

**EXECUTIVE DECREE NUMBER No.73
of the 8Th. of April of 1995**

Government Journal No.22,762, of April 12, 1995

Which regulates Law No.8 of the June 14th, of 1994

**THE PRESIDENT OF THE REPUBLIC,
in use of his Legal Faculties:**

CONSIDERING:

That it is beneficial for the Country to foment the Tourism Activity, be it in a national as in an international level, procuring the tourism and economic development of the Country, through the promotion of investments.

That it concerns the Executive Branch through the Ministry of Finance and Treasury, the regulation of the dispositions of Law No.8, of the 14 of June of 1994, by which the tourism activities are promoted in the Republic of Panama.

That it becomes necessary to develop the above-mentioned legal except, and to also establish the procedures of the respective inscription, control and supervision.

DECREES

GENERAL PRINCIPLES

Article 1: The Tourism Activity comprehends the tourism offer in order to stimulate the permanence of the tourist in the Country and the foment of tourism; and also the promotion and development to the effects of the increment of foreign visitors, diversification of the tourism offer and the investments in tourism activities.

Article 2: Every natural or juridical person may realize tourism enterprise activities, such as boarding, filming, consumption of beverages and food, amusement and/or entertainment, transportation, forums and conventions.

Article 3: The person that wills the development of tourism activities in the country must present to the Panama Government Tourism Bureau, the documents that complement and reason the respective petition that will include among others:

1. Power and petition through a format, of the classification and category of the enterprise, in accordance with the activity to be developed.
2. To present the plans, programs, technical or scientific studies that the petition merits, certificates or certifications, registers, or sanitary, health, environmental, ecological, engineering civil, security historic and cultural permits, and also any other essential requisite inherent to the nature and condition of the activity to be developed.
3. Any additional information that, in accordance with the nature of the proposed tourism activity, is required by the Panama Government tourism Bureau, if and when it is deemed necessary for the evaluation of the merits of the petition.

Article 4: The fulfillment of the conditions and requisites established in the Law this Decree, grants a right to the inscription in the National Registry of Tourism that credits said person as a title holder or with the rights to the exemptions and benefits that the Law determines, in an expedite manner.

Article 5: In fulfillment of the objectives of the Law, the Panama Government Tourism Bureau will designate the administrative unit of liaison and coordination for the acknowledgment, control and obtainment of the benefits and exemption.

OF THE TOURISM OFFER

Article 6: Comprised in the activities of tourism offer and foment of internal tourism are the enterprises dedicated to the boarding, food services, transport meetings and entertainment of the tourist.

Article 7: The acknowledgment and legal classification of the constructions of/or boarding, feeding, meetings and/or entertainment, will be done by the Panama Government Tourism Bureau in compliance with the national and/or international nomenclature adopted by Panama, previous complement and evaluation of the conditions and requisites inherent to the activity and said classification.

OF THE PROMOTION AND TOURISM DEVELOPMENT

Article 8: The enterprises of promotion and tourism development, as well as those of diversification of the tourism offer, such as those of construction, rehabilitation and operations destined to the boarding of tourist of visitors, of convention centers, transport, food services and other mentioned enterprises in Article 6 of Law No.8 of 1994, will be recognized and classified by the Panama Government Tourism Bureau.

Article 9: In every case that a goods or property be pretended for the use destination in the development of tourism enterprises, they must be credited as such it be the case:

- a) Date of construction.
- b) Description and structural, physical, environmental, sanitary conditions, and others that in judgment of the Panama Government Tourism Bureau and deemed necessary for the classification of said bona goods or property for the use or destination of the enterprise, its category and legal classification.
- c) Certificate of navigation and of security for the transport of persons.
- d) Physical situation of the goods and property or where it is going to be utilized.
- e) Certificate by a Certified Public Accountant in reference to all that concerns the depreciation of the principal asset, its annexes or improvements, reparations and accessories.

Article 10: The Panama Government Tourism Bureau is authorized to deny or revoke any classification or category, because of obsolescence, deficiencies, in the construction or because of the lack of qualified competence of a certificate with respect to the physical and functional conditions of the assets.

Article 11: The Panama Government Tourism Bureau May adopt those dispositions, requisites, norms and technical or scientific principle of National Institutions or of recognize International Organism or of professional unions, for the identification, classification and category of goods or property, that are destined or will be destined to the development of tourism activities.

OF THE COORDINATION AND CONTROL

Article 12: The Panama Government Tourism Bureau through the administrative unit that is determined by its organic structure will have the following attributions:

- a) To coordinate with the public and private entities, the measures and expedite controls for the reconnaissance, acceptance and instant fulfillment of the granted benefits.
- b) To care for the total fulfillment of the exoneration, benefits, and obligations, proceeding from this legislation.
- c) To inform the respective legal authorities in relation to the undue use of the benefit incentives, and exoneration, sanctions annulments and the expiration of the exoneration.
- d) Custody and official registrar of the National Registry of Tourism.
- e) To issue the certificates, identification documents of tourism exoneration's and authentication's.
- f) To receive the documents of petition of acknowledgment of tourism enterprises, evaluate, study them and recommend to the Board of Directors what is proceeding.

- g) To inform the respective authorities of the assets, goods or property, that is affected by the exoneration and the timetables of the same, their modifications in regards to the proprietor or beneficiary, extensions or any modification.
- h) To acknowledge the denouncements, investigations and supervision destined to the fulfillment of Law No.8 of 1994, and also to recommend to the Board of Director, the sanctions that could arise for infractions of said afore mentioned Law.
- i) To serve as Office of the Secretariat for the proceedings or reconnaissance of the exoneration's, their control and supervision, without detriment of the legal competence of their public entities.
- j) To compile information and data of tourism characteristics, ecological, environmental and others that are of interest for the development of tourism activities.
- k) } Other functions that the Board of Directors of the Panama Government Tourism Bureau entrusts it.

OF THE PROCEEDING AND RECOINNASSANCE

Article 13: The natural and juridical persons that resort to the regime of incentives established by Law No.8 of 1994, must proceed in conformity with article 26 and 27, and to that effect comply with the obligations that are imposed in article 30 of the afore cited excerpt.

To those effects, The Panama Government Tourism Bureau will prepare and give to the interested person, the format of petition of inscription in conformity to the classification and tourist enterprise that the interested party will develop.

Together with this format, the interested party, will accompany the plans programs, technical or scientific studies that the petition merit, certifications, registries, or sanitary permits, health, environmental, ecological, engineering, civil security, historical and cultural, and any other requisite essential and inherent to the nature and condition of the activity to be developed.

Article 14: Once the aported proofs have been analyzed, and effected those other investigations necessary for the decision, the Panama Government Tourism Bureau will grant a Resolution where it will recognize the enterprise, its classification and/or tourism category, will order its inscription in the National Registry of Tourism, the order of inscription of the marginal in the inscriptions of the Public Registry and grant the certifications and documents of identification of fiscal benefits due to the classification.

Article 15: Against the Resolution that denies the acknowledgment of the tourist enterprise and its inscription in the National Registry of Tourism, the interested party may intercede the resources and proceedings that are establishment by Law No.135 of 1943, modified by Law No.33 of 1946.

Article 16: The National Registry of Tourism will be the Registry in which in an official manner, the natural and juridical persons that have complied with requisites and conditions established in articles 26 and 27 of Law No.8 of 1994, shall be registered.

Article 17: The inscription in the National Registry of Tourism will consist in the transcription of the Resolution granted by the Board of Directors of the Panama Government Tourism Bureau that rights, benefits, incentives to which they are entitled, the assets that are affected to this legislation and the due term of exoneration.

OF THE EFFECTS OF THE REGISTRY

Article 18: The inscription will permit:

- a) That the natural or juridical person that credit their inscription in the National Registry of Tourism, petition the exemptions and other benefits that are established by Law.
- b) That the proceeding or passage be expedite in those cases of boarding, setting sail out of port, unboarding, dockage, mooring, stay, transport, except that other documents have to be presented by the same, required by the authorities of migration and police.
- c) The immediate recognition of the exemption of the property taxes, revenue and commercial license, for which effects, the sole notification of the Panama Government Tourism Bureau to the respective authorities in reference to the identification, situation and condition of the exempted good, will be suffice.

Article 19 the certificates and documents of identifications of benefits or incentives that are issued must be annually renovated without any cost the beneficiary.

Article 20: The vessels and vehicles favored with the recognized exemptions in favor of the registered enterprise, must be identified in a doubtless manner, in the respective certificates where they are to be of use.

Article 21. For the immobile objects of exemptions, in reason of being destined to the development of the tourism activities, will have a marginal in the respective inscription, where they appear registered in the Public Registry to the effects of publicity of the limitation of the exemption benefit of the registered person in the National Registry of Tourism.

^{*(10)} **Article 22:** The Panama Government Tourism Bureau shall take the adequate steps to have control on exempted importation of real property, vessels and their transferring. To the effect, said public institution shall appoint inspectors assigned to the National Registry of Tourism, to verify everything pertaining to the inspection and supervision of the equipment and materials subject to tariff exemption”.

Article 23: Law No.8, of 1994 will only grant to the activities and to the persons expressly determinate the incentives.

^{*(11)} **Article 24:** To the effect of the benefits referred to in Law No.8 of 1994, it shall be only taken into consideration new investment conducted from the date this Law comes into force.

^{*(10)} Modified by the Executive Decree No.197A (of October 6, 1995)

^{*(11)} Modified by the Executive Decree No.197A (of October 6, 1995)

In any case, the new investments conducted in accordance with the above-cited Law, and the investments conducted previous to the law, shall be duly verified and registered separately, with the National Registry of Tourism.

To determine the rights or benefits contemplated as incentives in Law of 1994, the taxpayer shall itemize separately the investment made previous the Law entered into effect, and the investment made after the law entered into.

In order to determine the incentive the taxpayer is entitled to, the following shall proceed:

- a) According to the resulting amount duly verified.
- b) If not possible, then establishing the amount based upon a proportion of the invested amounts from the time the Law enacted, and the total amount of the investment, when the investor's accounting does not permit to keep investments separated.

In order to determine the fiscal benefit related to the income tax, the proportion of the new investment shall be used against the total invested, and said percentage shall be applied to the taxable income corresponding to the fiscal period.

OF THE INCENTIVES

Article 25: In conformity with Chapter III of Law No.8 of 1994, and attending to the specific considerations of each tax, the tourism enterprises will have in accordance with each case, a right to the following benefits and incentives:

1. Boarding Service of Public Tourism:

- a) **Exemption of the following taxes:**

a.1 Import tax, contribution, lien or rights of any denomination or class that falls on the import of the goods described in article No. 8 of Law No. 8 of 1994, for twenty (20) years.

a.2 Real Estate Tax for twenty (20) years.

a.3 Taxes or lien on the capital for the term of the development of the activity.

a.4 Taxes of dockage and rates of landing in docks, airports or heliports of this property constructed or rehabilitated by the enterprise, for the term of the development of the activity.

b) Exemption of the Revenue, Tax, caused by the interests that the creditors receive in this type of activities.

c) A rate of ten per cent (10%) of depreciation of the immobile assets, per years, is permitted, excluding the value of the property lot.

A. Investments in the Historical Monuments Complexes.

a) Situated in the Historic Monumental Complex.

a.1.1. Real Estate Taxes for ten (10) years in regards to the terrain and thirty (30) years for the improvements.

a.1.2. Internal Revenue Tax during the first five (5) years of the activity, and starting from said moment, for the next five (5) years, the loss suffered may be deducted as expenses during the following three (3) fiscal excersices next to the fiscal period in which said losses occurred.

a.1.3. Import Tax for only once, of the equipment and materials to which article No.8 of Law No.8 of 1994 refers to.

b. Restoration, maintenance and illumination of the Historical Monuments

Complex to which article No.9 of Law No.8 of 1994, refers to.

b.1 The total deductibility of the amount invested recognized.

3. Enterprises of Receptive Tourism

Exoneration of the Import Tax every three (3) years, of the goods referred to in article 10 of Law No. 8 of 1994.

4. Service of Collective Transport of Tourism

Exoneration of the Import Tax, of the vehicles referred to in article 11 of Law No.8, of 1994.

5. Restaurants, discotheques and nightclubs.

Exoneration of the Import Tax for three (3) years, of the goods describes in article 12 of Law No.8 of 1994.

6. Filming of movies, motion pictures, artistic or sport events to which article 13 of Law No.8 of 1994, refers.

a. Exoneration of the following taxes.

A.1 Internal Revenue Tax of the gains of the event, except when the tax paid in Panama, is considered a fiscal credit in the country from where the enterprise proceeds.

A.2 Any national tax that regulates the event.

a.3 Import Tax of the goods described in article 13 of Law No.8 of 1994.

a.4 Revenue Tax of the sportsperson and national and foreign artists that participate in the events.

7. Operation of vessels and airplanes registered in foreign countries.

- a. Exemption of the Internal Revenue Tax, which will be adjusted in accordance with the principles of reciprocity.

8. Construction, accessory equipment, accesses infrastructure, rehabilitation and operations of Convention Centers recreational parks, zoos, specialized centers in tourism, ecotourism and marine facilities.

a. Exemption of the following taxes:

a.1 Import Tax for three (3) years of the goods and materials that are described in article 16 Law No. 8 of 1994.

a.2 Property Taxes on the Improvements for twenty (20) years.

b. The depreciation of the property is recognized for ten (10) years.

9. National Interest Tourism Development Zones.

a. Exemption of the following taxes:

a.1 Property Taxes on the land and improvements, for twenty (29) years.

a.2 Internal Revenue Tax for fifteen (15) years.

a.3 Import Tax, contribution or lien and sales tax (ITBM) for twenty (20) years, of the goods and materials described in article 17 of Law No. 8, of 1994.

a.4 Taxes, contributions, lien or rights of any type or denomination that could apply over the use of twenty (20) years.

b. The exoneration of the Revenue Tax caused by the interests that are drawn by the creditors in tourism operations, for the duration of twenty (20) years.

10. Investments

- a. Fifty percent (50%) of the sums invested by natural or juridical persons in the purchase of bonds stock and other nominative instruments issued by the tourism enterprise are deductible.

11. Tourist Yachts that visit the Ports of Panama and their stay does not exceed ninety (90) days.

- a. Exemption of the payment of any type of liens taxes and services in concept of arrival and anchoring.

12. Exemption of the Import Tax of all tourism advertising material that is freely distributed.

Article 26: The certificates of Employment for Tourism referred to in Article 18 of Law No.8 of 1994, will be of useful for the payment of the revenue tax, dividend complementary, property, import and sales Tax (ITBM) and may be utilized after six (6) months of their issuance, if and when they are not used in the fiscal year in which they were issued.

OF THE CERTIFICATE OF EMPLOYMENT FOR TOURISM

Article 27: Provided that the Tourism Enterprises of public boarding or restaurants that develop the tourism activity outside the metropolitan area and not resort to the benefits noted in article 25 of this Decree, such enterprises may receive a **CERTIFICATE OF EMPLOYMENT FOR TOURISM**, in favor of the same.

In the case of Restaurants, this option will have a time limit of three (3) years.

Article 28: The Certificate of Employment for Tourism referred to in the afore mentioned article, will be for an equivalent of twenty one and a half percent (21.5%) of the monthly gross value of the employment generated since the 15th of June of 1994. If and when said gross monthly salary does not surpass Four Hundred Dollars (US\$400.00)-

Paragraph 1: To the effects of this Decree, it will be understood as gross salary the remuneration that the worker receives from his employer as a consequence of his personal work, including the amounts that are received as overtime labor, the commissions and other variable sums different of the fees, pre-layoffs, travel expenses, Christmas bonus and gifts, different to the obligatory XIII month.

Paragraph 2: To the effects of this incentive, it will be considered Generated Employment when:

1. The labor relation is over twelve month for each employment created and that it represents an increase of employment in relation to the number of employment of the twelve (12) immediate preceding months.
2. When the persons employed are Panamanians.

Article 29: The natural or juridical persons that decide to abide by what is established in article No.18 of Law No.8 of 1994, must present annually to the Panama Government Tourism Bureau:

1. A sworn declaration stating that they only resort to the option of receiving a Certificate of Employment or Tourism, previous compliance with what is established in article 18 Law No.8 of 1994.
2. Certificate by a Certified Public Accountant where the monthly salary paid by the employer in the corresponding period, are stated, with the number of the Personal Identify Card and Social Security number of the worker, the starting date of the labor relation and of its termination, should that be the case, and also, the highest level of employment maintain by the employer in the immediate twelve (12) months that proceeds such request.

Present the Certified pay roll by the Social Security Office, where all the preceding information is started.
3. The Panama Government Tourism Bureau will send to the revenue department, an evaluation report so that based in such information, the department proceeds to issue the Certificates within a time limit of not more than sixty (60) days.

In case the request is denied, the interested party may make use of the resources mentioned in Law 135 or 1943 modified by Law 33 of 1946.

OF THE DIRECT INVESTMENT

Article 30: To be a creditor of the incentives and benefits established in the Law, the persons that realize the tourism activities that are hereby described, must fulfill a minimal investment in the new undertakings and in the activities destined to offer tourist facilities, such as follows:

1. When the activity consist in the construction, rehabilitation, restoration, remodeling and expansion of property, for commercial or residential use, that are within a Historical Monuments Complex, where these types of activities are realized, the minimum investment required, will be of US\$100,000.00.
2. When the activity consist in the construction, equipment, rehabilitation and efficient development, establishments or public boarding, noted in numeral 1 of article 6 of Law No. 8 of 1994, the required minimum investment, will be: a) US\$300,000.00 in the metropolitan area, and b) US\$50,000.00 in the Countryside.
3. When the activity consist in the services of restaurants, discotheques and nightclubs that are declared of tourist interest by the Panama Government Tourism Bureau, the required minimum investment will be of:
 - a) **US\$12,000.00 in metropolitan area and**
 - b) **US\$20,000.00 in the rest of the Country.**

Paragraph: In all the cases, the value of the land will be excluded from the invested sum. In the cases of lodgings and family hostels, the Panama Government Tourist Bureau will establish the minimum investment.

Article 31: The investment made must be maintained for the limit of the given exemptions. For said effect these persons must present to the Panama Government Tourism Bureau, not later than the 31st of March of the following fiscal year, a comparative annual report of their present financial situation, in relation to the period in which the original investment is reflected, duly countersigned by a Certified Public Accountant.

The lack of compliance of the presentation, of such report, will suspend the issuance of the certificates that must be made, in regards of the tourist activity that is taking place.

OF INDIRECT INVESTMENT

Article 32: The persons that carry out investment in the purchase of bonds, stock and other financial instruments registered by the Securities Commission issued in a nominative manner by tourist enterprises of public lodging, must reflect as expenditure in the Revenue Declaration of the year in which it is presented, the 50% percent of the total invested amount. This deduction may not be included in any subsequent period.

Only the deductions herewith established would be recognized to the enterprises that comply with the following requisites:

- 1.** The issuing enterprise must be an enterprise of public boarding, and the product of the emission must be destined to the financing of hotel facilities outside of the metropolitan area as it is defined by literal p) article 50 of the present regulation.
- 2.** The enterprise that issues the titles must not be an affiliate, subsidiary, be part of a unity or economic group, not be a consequence of the fractionating of the enterprising various juridical entities in which the issuing society has an effective control or in its administration.
- 3.** The acquisition of titles must be of enterprises of public boarding within three (3) years of being registered in the National Registry of Tourism, beginning from the date of the issuance of the titles, values or stock the issuing society.
- 4.** The issuing society will abide with all the other requisites and conditions mentioned in article 23 of Law 8 of 1994.

Article 33: In order to solicit of the granting of the a concession of lands and realize landfilling in lands property of the State, with the finality of developing tourist projects, the person interested will present to the Panama Government Tourism Bureau, the corresponding petition, directed to the Minister of Finance and Treasury.

In understood that these areas will be of public access if and when it complies with the norms and regulations of security, maintenance, good customs and commercial norms that implement the tourist activity for the good development of the project.

Article 34: It will correspond to the Minister of Finance and Treasury previous a favorable concept of the Board of Directors or Panama Government Tourism Bureau ^{*(1)} *ratified by the Commission of Public Finance, Planning and Economic Policy of the Assembly*, subscription of the necessary documents for the granting of the concession.

Article 35: The Panama Government Tourism Bureau, may receive directly from natural or juridical persons, petitions of concessions for developing tourist projects, in those areas not yet identified as susceptible of tourism development by this Institution. This petition will be evaluated by this Institution, in conformity with the procedures establish in article 41 of this Regulation.

Article 36: The areas of Tourist Exploitation identifies by the Panama Government Tourism Bureau, in the master plans of this Institution, that are susceptible of concessions,

^{*(1)} Inconstitutional declared, according to the Supreme Court of Justice dated May 30, 1995.

must be published in a recognized daily newspaper of national circulation, for a period of seven (7) days.

Article 37: The petition must contain:

- a) Name and general information of their petitioner and the budget assigned to the works.
- b) Technical specifications that are adjusted to the official plan of proposed tourist development for the area, which must comprise: Period of the concession and solicited area, aspects, concerning to the administration services that will be offered and marketing of the project, workers that are stemmed required for the execution and program of maintenance of the undertaking, which must cover from the beginning of the operation until the end of the concession and tentative plans.
- c) Workprogram which achievement will be obligatory for the concessionaire.
- d) Proof of security of payments of indemnizations should it be necessary.
- e) Economic, study, documents that credit the financial capability and explanation of the proceedings of the resources of the offerent.
- f) National or International experience of the offerent in the management and administration of national tourism projects.

Article 38: On being received the petition by the Panama Government Tourism Bureau it will proceed to evaluate its compatibility with that is precepted in Chapter VII or Law No.8 of the 14 of June of 1994. To said effect:

- a) Petition to the Ministry of Housing of/the compatibilities of the appointed uses with the norms of urban development.

- b) In case of landfillings, to petition the National Port Authority if, within its plans of ports development, it is foreseen the realization of any port undertaking by said Public Institution in the mentioned area.
- c) If the works to be realized in the area which concession is petitioned, includes public roads, the concept of the Ministry of Public Works, must also, equally be obtained, in reference to the required technical aspects for the construction of said public roads.
- d) The Technical Department of the Panama Government Tourism Bureau, will elaborate the corresponding report, for the consideration of the Board of Directors, accompanied by all the antecedents of the petition of concession for the decision of the Board of Directors of the Panama Government Tourism Bureau.
- e) During the elaboration of the report, the Technical Department of the Panama Government Tourism Bureau will obtain the information that it deems pertinent on behalf of the Solicitor and of the Public Entities, which must give their collaboration to the Panama Government Tourism Bureau.

CONCESSION AND EXECUTION OF THE WORKS

Article 39: The project that is executed through the system of concession must pay to the State a rate of monthly rent which will be determined by the financial method of the present value, where the sums of the monthly rates are furnished with the present discount in regards to the amount of the evaluation of said terrenes on the data of the concession. To calculate the discount factors, the **LIBOR RATE** of up to six- (6) month, fifteen (15) days before the signing of the contract of concession, increased in two (2) percentage points.

The **LIBOR RATE** will be submitted by the **NATIONAL BANK OF PANAMA**, the payments will be made effective at the beginning of the date of the initiation of the Commercial Operation of the undertaking.

Article 40: Once the Request of Tourism Concessions is duly evaluated by the Board of Directors of the Panama Government Tourism Bureau, it will send its opinion and all the petition file containing of the same to the Ministry of Finance and Treasury, ^{*(2)} ***with the purpose that both entities in coordination, present such request before the commission of Public, Planing and Economic Policy of the Legislative Assembly.***

Article 41: Once the approval ^{*(3)} ***of the Commission of Public Finance, Planing and Economic Policy of the Assembly*** is received, the Ministry of Finance and Treasury will proceed to publish an announcement in a newspaper of recognized national circulation of the period of (15) days, starting the granting of the concession.

Article 42: The Contract of Concession must contain the following:

- a) The name, nationality, address and general data of the concessionaire.
- b) The object of the concession, characteristics and general plan to be realized.
- c) Budget assigned to the undertaking, its technical specifications and the workprogram.
- d) Maintenance plan of the project.
- e) The limit of the area.
- f) The general and special conditions of the concession and the rights and obligation of the parties, including payment obligation of the indemnizations, should be necessary.

^{*(2)} Unconstitutional declared, according to the Supreme Court of Justice dated May 30, 1995.

^{*(3)} Unconstitutional declared, according to the Supreme Court of Justice dated May 30, 1995

- g) Timetable of the starting date of the works which has to be adjusted to the dispositions of numeral 2 of article 30 of Law No.8 of 1994, and also the date of termination of such work.
- h) The statement that the public roads that are built in the area given in concessions are property of common use, and the obligation to transfer it to the States, free of cost.
- i) Identification of the guaranties consigned by the concessionaire, which is fixed in one percent (1%) of the work to be done.
- j) The right of the concessionaire to realize improvements on property of States or landfills.
- k) The rent rate of the concessions.
- l) The causes of administrative resolutions of the contract of concession, in conformity with Law No.8 of June 1994 and article 68 of the Fiscal Code.
- m) The Ministry of Finance and Treasury, may include in the contracts of concessions of land properties of the State, usual conditions and those others that it considers convenient, if and when it does not go against the public interest, to the juridical ordainment of the privileges and prerogatives of the State, Which may not be objects of limitations, negotiations or renunciations by such Ministry.

Article 43: No covenant will be made concerning the profit, rent, administration or total or partial use of the area and goods object of the concession, different to the ones that at the time of the concession, were approved. To make any modification in the construction, administration, maintenance marketing or commercial management of the work developed through this system of concession, a written authorization by the Ministry of Finance and

Treasury will be required, previous consultation with have a term of seven (7) days to manifest its opinion. Notwithstanding the afore mentioned, the improvements already made may be inscribed in the Public Registry for the given term of the concession.

This improvements may be lined with mortgage and antichresis if the entity that grants the financing should require, with the exception that when the term of the contract of concession is terminated, the improvements will become property of the State, without the existence of any obligation for it, in regards to the concessionaire or its creditors.

In case of not accomplishing the concessionaire its obligations to the State or of its obligations to the financial entity, said entity may assume the rights the concession, if and when, it abides with all the obligations originally contracted by the concessionaire in terms of the development of the tourism activity, marketing, maintenance of the work, guaranties and any others that are specified in the contract of concession and in Law No. 8 of the 14 of June of 1994, all of these, without the prejudice of the right that the State has in declaring the resolution of the concession for the unfulfilling of the financial entity and to apply the required sanctions.

Article 44: The concessionaire will have a right to be given additional time for the term of the execution of the work, for any of the following causes:

- a) Delay on the part of the concessionaire, in the use of the land where the work will be done, for causes that may not be attributed to the same.
- b) Duly proven delay due to lack of supplies and raw materials not attributed to the concessionaire, unforeseen cases of force major that do not exceed six (6) months.

- c) In case of delay for the execution of works realization of land fillings that represent additional budgets for the execution of the works.
- d) The suspension of the works on the part of any government authority for the period of the duration of the suspension.
- e) Duly proved delays by the public sector, in reference to the granting of the incentives and benefits conferred by Law No.8, of 1994, or of any other required authorization for the forthright execution of the work on the part of the municipalities or other administrative authorities.

Article 45: The Ministry of Finance and Treasury and the Panama Government Tourist Bureau, will carry out the inspections that they consider pertinent to determine the fulfillment of the assumed obligations and the realization, by the concessionaire, of the work of tourism development, the maintenance of the same and the program of marketing, stating the anomalies that are found, for their corrections.

Article 46: In case the Panama Government Tourism Bureau detects unfulfillment by the concessionaire, it will notify the Ministry of Finance and Treasury, so that the corresponding Resolution in conformity with the established procedures by the administrative laws in force is issued.

Article 47: When the concessionaire revokes the concession due to lack of fulfillment, the guarantee bond will be transferred in favor of the States.

Article 48: Upon the termination of the concession, the State may grant a new concession for the exploration of the tourism activity, in which case the original concessionaire enterprises will have priority if it should comply with the demands and report its interest to the State not less than three (3) years before the end of such term, with due explanation of the reasons in which such petition is based.

Article 49: All enterprise that asks for its inscription in the National Registry of Tourism base in the dispositions of Laws No.8 of the 14 June of 1994 and of the present Regulations, for the development of tourism activities in protected wilderness areas, must comply with the norms that for said effects, the National Institute of Natural Renewable Resources establishes, included a study of environmental impact.

Article 50: For the development of tourism projects in non protected areas all the enterprises that petition their inscription in the National Registry of Tourism, must comply in accordance with the characteristics of the project, for the protection of the natural environment with the following norms:

1. Maintenance and cleaning of the surrounding area of the project are indicating the Action Plan.
2. To avoid activities that provokes erosion.
3. To avoid the sedimentation and destruction of dunes.
4. Treatment of sewage and solid wastes, indicating the Action Plan
5. Protection of flora and animal wildlife, indicating the Action Plan that may include resfoestation with native species.

6. Treatment of construction wastes, indicating Action Plan.
7. The protection of reefs and swamps, avoiding the capture, commercializing and extraction of live or dead specimens, of these marine ecosystems.
8. Avoid the emission of toxins during the physical construction of the project.
9. Avoid the spill of toxins by sea transport, vehicles and other types of oil spills.

Any other mechanism established by the authorities in charge of the protection of the environment in general. In order to enforce the afore mentioned dispositions, the Panama Government Tourism Bureau and the National Institute of Renewable Natural Resources will carry out periodic inspection and with due coordination, and may consult the Technical Council of the National Institute of Renewable Natural Resources in case of doubt.

Article 51: To the effects of this legislation, it is understood that:

A. ESTABLISHMENTS OF PUBLIC LODGINS:

Are those that constitute a total tourism structure that conforms and independent ensemble wheres in a permanent manner are provided the services of lodging, food, and other complimentary services on demand by the tourist?

Establishment of public lodgings is the followings:

1. **HOTELS:** Are the principal way of lodging for tourists.
2. **MOTELS:** Are establishments located on the side of the roads or tourists corridors and in particular out of the urban centers (located in rural areas). They basically depend on lodging tourists that arrive in automobiles.
3. **PENSION:** Are establishments that permanently offer a limited number of rooms.

4. FAMILY INNS (HOSTALS): Are small establishments of permanent public tourists lodgings, with characteristics of a pension that emphasize the hospitality and own values of the region and/or country; operated by an individual, family or association that resides next to the rooms or houses, that are in service of the tourist public lodging. It must be located in an eminent tourist site and consistent with the popular or historic architecture of the area.

5. APARTHOTELS (APARTMENT-HOTELS): Are habitational units, of the furnished apartment type, that offer the complete permanent service of public lodging for tourists.

6. CABINS: Homogeneous group of individual furnished units, with independent entrance for each one, generally located in beaches, rivers, lakes and mountains. Its architecture must be preferably consistent with the natural environment and in accordance with the own creativity of the projector and the tourism enterprise.

7. DEN: Are establishments of the shelt type, or rustic aspect, and accommodations whose installations, besides hotel type rooms may be occupied with plural numbers of litters or berths, with external bathrooms. They function in a permanent manner or by predetermined seasons.

***⁽¹²⁾ “8” TOURIST REGIMEN OF HORIZONTAL PROPERTY:** The edification subject to horizontal-property regulation are those where each living unit is owned by a different owner, and where the edification is exclusively to offer permanently, the service of public lodging for tourists.

⁽¹²⁾ Modified by the Executive Decree No.197A (October 6, 1995)

***⁽¹³⁾ “9” SYSTEM OF SHARED TIME:** Is the system whereby the owner of a real property, previous execution of a contract with the administrator, converts the property in a public lodging for tourists, and where the lease acquires, by a predetermined period of years, the right to use enjoy said property that shall be located in leisure areas, beaches, tourist centers for vacation, or in any other area with tourist attractive.

A. CAMPING SITES: Are limited wide open spaces, duly equipped with basic installations, dedicated to providing the visitors the services of camping or spending the night, be it in camping tents or mobile homes and trailers. They could be located in sites of tourist attractions (beaches, lakes, and mountains).

B. RECEPTIVE TOURISM AGENCIES:

The denomination of RECEPTIVE TOURISM AGENCIES, are those enterprises that carry out activities of intermediaries between travelers and the suppliers of the tourist services in the Republic of Panama, that are going to be used by tourists.

C. TOURIST TRANSPORTSERVICES OF PASSENGER:

It is denominated, Tourist Passenger Transport, the exclusive service of permanently paid transportation that is offered to the travelers in a collective or selective manner, from airports docks and hotels, with general and particular characteristic previously established to satisfy a existing demand.

MODES:

⁽¹³⁾ Modified by the Executive Decree No.197A (October 6, 1995)

1. TOURISM LAND TRANSPORT SERVICE: It is the exclusive lands transport for tourist, with a minimum capacity of five (5) passengers.

2. MARITIME TOURISM TRANSPORT SERVICE: It is the exclusive service of transportation, through maritime or aquatic transport, for tourists, with minimum capacity of eight- (8) passengers.⁰

3. AERIAL TOURISM TRANSPORT SERVICE:

It is the exclusive transport service, through aeronautical transportation, for tourist, with a minimum capacity of four (4) passengers.

^{*(14)} **Rescinas.**

E. DISCOTHEQUE: It is the commercial establishment destined exclusively to the offering of the service of entertainment and/or amusement, with an area or dance floor, music and the selling of local and foreign beverages.

F. NIGHTCLUBS: Are the establishments that offer the services of amusement and relaxation through the presentations of shows and artistic varieties and the selling of local and foreign.

^{*(15)} **G. SPECIALIZED TOURISM CENTERS:** It is composed by an autonomous group of facilitate visitors the practice of activities purely recreational and tourist-related.

^{*(16)} **H. RECREATIONAL PARKS:** Are the areas offering the visitor save and sound leisure enjoyment and are open permanently or by season, having green areas to practice recreate activities and outdoor sports.

^{*(14)} Modified by the Decree Law No.4 (February 10, 1998)

^{*(15)} Modified by the Executive Decree No.197A (October 6, 1995)

I. THEME PARKS: Are recreational areas whose installations are designed and constructed for the presentation of one or various specific themes, be they historic, social, cultural, technological, scientific or naturalistic, that in the judgment of the Panama Government Tourism Bureau, contribute to the development of an attraction, center or tourist zone.

Generally in its installations and operation, visual, acoustics, physical and mechanical effects are used, offering an attractive experience, to the visitors, through the time and space, which produces the sensation of transfer from reality to fantasy.

J. ZOOM: It is a specialized center whose main end is the exhibit of wild animals and/or domestic ones, natives of the country or of different countries, in specially designed facilities for them, where visitors are offered programs as well as educational, scientific trips, of conscientization and conservation of the nature.

^{*(17)}**“K” SPECIALIZED CENTERS IN ECOTURISM:** Are composed by an autonomous group of specialized tourism, with facilities located in a natural zone or area destined to the paid **ECOTOURISM**, individually or collectively, for recreational and naturalist activities, by the enjoyment of the flora and fauna.

L. CONVENTIONS CENTERS: Are the adequate and duly equipped installation for the realizations of conferences, meetings and events in a massive or selective form with

^{*(16)} Modified by the Executive Decree No.197A (October 6, 1995)

^{*(17)} Modified by the Executive Decree No.197A (October 6, 1995)

office equipment in accordance with the technological advances, equipment to carry out simultaneous events.

M. MARINE COMPLEX: Is the commercial activity that consists of a group of installations through which are offered to national or foreign recreational and sport vessels, port facilities and tourists services for a fee, and which may become sporting stations with facilities for tourist lodgings, food services and complimentary services, introduced as an integral part of the same.

N. CENTER OF PROMOTION AND TOURISM CAPACITATION: They are educational centers approved by the Ministry of Education, oriented to capacitate professional technicians in the tourist area, if and when the academic programs have been approved by the Panama Government Tourism Bureau.

O. TOURISM DEVELOPMENT ZONES OF NATIONAL INTEREST: Are the areas designated by the Cabinet, in request by the Panama Government Tourism Bureau, that hold special conditions for tourist attraction, but do not have the basic infrastructure for the development of the tourist activity.

P. TOURIST: All natural persons not resident in the Republic, that visits the Country, for a time not longer that three months, with the exclusive end of recreation, observation or study, and the Panamanians and other residents in the Country that travel with the

purpose of health, recreation or resting to other places of the National Territory, different than the one of his residency.

Q. METROPOLITAN AREA: Considered as Metropolitan Areas the Districts of Panama, Colon, San Miguelito, Arraijan and Chorrera.

R. FRACTIONING OF ENTERPRISES (CORPORATIONS): For the effects of what is established in article 23 of Law No.8 of 1994, it is considered that there exist a fractionating (division) of an enterprise (corporation) when the same that is considered as a unit or economic entity, has been divided in a manner that the diverse elements units or establishments that integrate it and that concur to the production or commercialization of goods or to the rendering of services, constitute themselves in two or more enterprises, but that are under one direction or common administration.

S. AFFILIATED CORPORATIONS: To the effects of what is established in article 23 of Law No.8 of 1994, considered as affiliated corporations, those that present the following characteristics:

- Are controlled by one shareholder.
- Are controlled by one physical or juridical person, whom is propiortor of more than 20% of the issued stock with the right to vote.

L. SUBSIDIARIES: For the effects of what is established in article 23 of Law No.8 of 1994, considered subsidiary corporations controlled directly by and other or indirectly through one or more intermediaries.

M.DOCUMENT OF IDENTIFICATION OF TOURIST INCENTIVES: It is one credential of the bearer that credits him for the usage or benefits of those incentives or exoneration that are specified in the reserve of the document.

OF THE REQUISITES

Article 52: Until the Board of Directors of the Panama Government Tourism Bureau does not established other parameters for the classification or categories of the localities destined to the tourist activities, the following requisites will be in force:

A. ESTABLISHMENTS OF PUBLIC LODGINS:

1. HOTELS: They must contain the following minimum requisites:

- ⁽¹⁸⁾ **a) Rescinas.**
- b)** To have daily cleaning service in the rooms and its dependencies.
- c)** The service of food and beverages services in accordance to its classification.
- d)** To have laundry service.
- e)** To have a reception area, administration, vestibule and sitting room.

***⁽¹⁹⁾ f) Rescinas.**

- g)** The rooms must have a complete bathroom (shower, toilet, lavatory and mirror on top of the same and closed.
- h)** All the rooms must have a telephone system.
- i)** Every room must have a parking area, in accordance with its location.
- j)** Have service of potable water.
- k)** Comply with the laws, regulations and control and supervisory measures of the Panama Government Tourism Bureau.

For the hotels that are to be located in protected or ecological areas, the following requisites are established:

- a)** They will be located the adjacent zones of the national parks, protected areas of nature and ecological reservations.
- b)** They must have minimum of ten (10) rooms or twenty (20) available beds. In areas in which the capacity of cargo permits it, it may have a maximum of thirty (30) rooms or sixty (60) beds. The capacity of cargo in the protected areas must be determinate through a study of environmental impact evaluated by the National Institute of Renewable Natural Resources.
- c)** They must have basic infrastructure, first aid services, and safety and communications system.
- d)** It must have a specialized transportation system (no contaminants where possible), maritime and land (animal) transport, when necessary.
- e)** Must offer food and beverages services.

⁽¹⁹⁾ Modified by the Executive Decree No.197A (October 6,1995)

- f)** The architecture must be consonant and in harmony with the traditions and construction customs of the area, and utilize in every possible manner the local materials, and include in the design and architecture plan that shows the surrounding view, and integrate in a harmonious manner the ensemble, through open spaces that have paths or walkways, preferably with roofs over them, within the perimeter of the project. The guestrooms and construction in general must not have more than two floors, including the lobby.
- g)** It must include ecotourist activities with specialized bilingual guidance through Travel Agencies or authorized guides, environmental education through the proper means, adventure tourism where