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# Call Center Legislation Update

The call center legislation among other business regulations has been recently modified by the government of Panama to comply with international requirements related to fiscal transparency towards voiding Base erosion and profit shifting (BEPS) in practices such as “ring fencing”.

The call center modification has also succeeded in unifying the legislation in a single body, whereby all matters related to tax regulation, immigration and labor law were simplified which creates for current and new investors a sense of transparency.

Call Center License

The National Public services Authority (ASEP) remain as the authority in charge of evaluating, granting Call Center licenses and supervising the call center business activity.

Business Compliance

A call center business operation must comply with a minimum of requirements in order to maintain its operation license as well as the applicable tax incentives.

• Call center staff must be of no less than 5 employees.
• Business operation expenses should be performed in Panama and must represent 70% of the operation cost.
• Submit annual operation affidavit to the National Authority of Public Services (ASEP)
• Furnish Audit Financial statements to the National Authority of Public Services (ASEP)

The ASEP shall share this information with the tax authority as well.

Tax Regulations

A licensed call center in Panama are free of direct and indirect taxes, contributions, fares and other national tax rates but such benefit will not include the National Authority of Public Services (ASEP) fee or to comply with the following tax requirements:

a. 5% dividend tax, nevertheless a 2% complementary tax should de paid in the event of no dividend distribution in regards the activity related to the call center operation
b. Capital annual tax of 0.5% of companies declared capital with a minimum of US$ 100.00 and maximum of US$ 500.00.
c. Special Selective tax will apply to the purchase of some goods
d. Property Tax
e. To contribute to the “Special Interest Compensation Fund (FECI)” in any business loan excluding loans guaranteed with bank deposits.
f. Social Security contributions required to employer due to labor contractual relations.
g. As of January 1, 2019, a transfer pricing regime will apply to any existent or new call center in Panama including for related parties located in Panama or any local special free trade zone or other jurisdictions.

Immigration
The new call center law maintains the immigration benefits for call center investors and/or executives, such as:

a. Foreigners and dependents who invest no less than US$ 250K in the call center will be subject to apply for a permanent residency status before the National Immigration Service.
b. Foreigners hired by the call center as executive, technicians and/or expert will be subject to apply for a temporary residency status during the term of the labor contract.
c. A short-term visa is also feasible for business evaluation purpose

Labor Legislation
The new call center law maintains the labor special regulations and benefits, but it also creates a few modifications, such as:
New – Call Center business are required to create a Personnel Training Program duly coordinate with the Ministry of Labor Authorities.
New – The Ministry of Labor is bound to evaluate and approved in a expedite fashion a Call Center Performance and evaluation manual.
A special labor office has been created for the purpose of mediating any conflict between business owner and an employee of a Free trade zone registered company
An employee could be transferred to different departments or production lines, based on the company’s requirement
Employees could be laid off based on the market conditions (A formal and previous authorization from the Ministry of Labor is required to enforce this decision).
Production premium incentives, bonuses and gratifications are not considered salary.
A Call Center is entitled to decide the season or period that an employee should enjoy its vacation. This benefit also allows the employer to grant vacation for the full or partial company staff as well as the year season to allocate this labor benefit.
The overtime surcharge is a fixed rate of 25% of the salary per hour.
Employees working on their day off will be entitle to a 50% surcharge of the salary per hour and right to demand a substitute day off.

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