

Panama at a glance: New regulations in progress



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FATF recognizes Panama's progress in the fight against money laundering

Source: Newspaper La Estrella – June 2015



FATF recognizes a significant progress from Panama in the fight against money laundering.

The FATF for Latin America unanimously recognized the progress of Panama and updated the report they have been working on.

Panama is now in the final stage in the path towards eliminating the country from the grey list of the Financial Action Task Force, which has recognized a significant progress from the country in the prevention of money laundering as a result of organized crime, terrorism and other illegal activities, in compliance of the action plan established for that purpose.

This was announced by the Viceminister of Finance, Eyda Varela de Chinchilla, who leads the Panamanian delegation that participates in the plenary of the FATF taking place in Australia from June 21 to June 26, during which a report of the status of the action plan of Panama and its implementation was rendered.

Varela de Chinchilla highlighted that the team of Panama had the opportunity to hold a “face-to-face” meeting, where they provided details on the progress of the action plan and clarified concerns

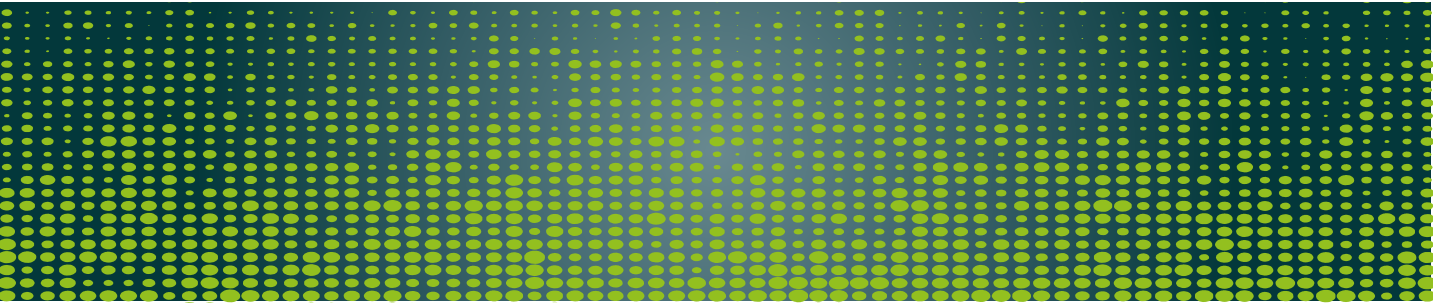
with the representatives of the FATF. In the “face-to-face” meeting that took place in April 28, 2015, the Law 23 for the Prevention of Money Laundering was presented, which had been approved the previous day by the Presidency of the Republic of Panama.

“The FATF Group for Latin America unanimously reviewed the progress of Panama and updated the report they had been working on, reflecting a larger progress in the official report which will be issued next Monday than on the original report, which indicates we are on the final stage”, said the viceminister.

Naming this a significant progress, Varela de Chinchilla sustained that the approval of the laws and the progress demonstrated in the implementation of them in three of the six areas with deficiencies, has allowed the FATF to recognize the compliance of the objectives of Panama and it is expected that when the stage of regulating and implementing the laws is concluded, the organism will define in the next plenary the approval of a site visit, which is the final standard requisite to culminate the deficiencies improvement process.

She mentioned, additionally, that Panama is in the final stage of concluding the acquisition of a new technological system for the Financial Analysis Unit (FAU), whose credit was approved this week in the National Assembly. With the implementation of this software on behalf of the FAU, Panama could improve the quality of its reports, a deficiency that was detected in the report of the International Monetary Fund in the evaluation of 2012.

The process of disclosure and consultation of the regulations with the different sectors related to the approved laws will be continued shortly in Panama. Panama has approved during the current administration seven legislations in regards to the prevention of money laundering. Among the ratified laws are Law 10 of March 31 of 2015, which modifies



and adds articles to the Penal Code, in matters related to the crime of money laundering and financing of terrorism; Law 34 of March 8 of 2015, on New Crimes Preceding Money Laundering, including Contraband; and the Law 11 of March 31 of 2015, on International Judicial Assistance in criminal matters, on behalf of the Public Ministry.

FINANCIAL TRANSPARENCY

Panama will present complaint before the European Commission

Source: Newspaper La Prensa – June 2015

Spain does not consider Panama a tax haven and requests amendment from the European Commission. The Government of Panama thinks the label of the European Commission is unfair and not objective, especially when the



country has tried to adopt international standards and has negotiated agreements with 30 countries in tax matters. La Prensa/Archive

Panama considered yesterday that it is “unfortunate” the position of the European Commission, which recently included Panama in a black list of tax havens because of allegedly not cooperating in the fight against fraud and tax evasion.

In a press release from the Ministry of Foreign Affairs, “the National Government strongly rejects the position adopted by the European Commission and demands the removal of our country from the list of non-cooperating countries, because of not being based on an objective assessment”. Additionally, the Chancellery will issue a formal

communication to the EC to express their unconformity and will hold a meeting with the diplomatic European representatives in Panama for that same purpose, confirmed to this paper Gian Castellero, advisor of the Chancellery.

Panama mentions that in the last years it has signed treaties to avoid double taxation and facilitate the exchange of tax information with several European countries, something that appears was not taken into account by the European organism.

From the EC they pointed out that to elaborate the list no analysis was conducted, rather a compilation of the lists of the tax havens of member countries. Nevertheless, in this exercise there were also mistakes because Spain appears among the countries that qualify Panama as a tax haven, when this is not the case, as expressed by the Spanish minister of Finance Cristóbal Montoro last week and confirmed the embassy of Spain in Panama.

A similar situation is taking place with Italy, country with which Panama has signed an agreement whose entry into force only depends on the ratification of the transalpine country.

The other nine countries that mention Panama in their lists are Bulgaria, Croatia, Estonia, Greece, Latvia, Lithuania, Poland, Slovenia, and Portugal. In this last case, there also exists an agreement to avoid double taxation, but the country has not updated their lists of tax havens due to internal procedures.

“For a country as Panama, which has made important efforts to cooperate in tax matters and adopt international standards, it is troublesome to appear in a list like this, mostly because it is not the product of an analysis of the circumstances of the country, rather an unscientific criteria”, defended Castellero.

The release of the black list is part of a strategy of the EC to fight tax evasion. The paradox is that the



current president of this organism, Jean-Claude Juncker, has been strongly questioned because he made secret tax agreements with multinational corporations so they could pay fewer taxes when he was acting as president of Luxemburg, country that does not appear in the list of tax havens.

Spain does not consider Panama a tax haven

As part of the tax action plan, the European Commission published recently a list of tax havens.

Source: Newspapers La Estrella and La Prensa – June 2015

Since the signing of a double taxation and exchange of information agreement, Spain does not consider Panama as a tax haven, contrary to what the recently published information by the European commission gathers.

The Embassy of Spain in Panama indicated this through a press release, which indicates that both countries subscribed a double taxation agreement with a provision on information exchange that was signed October 7th of 2010 and entered into force July 25th of 2011.

As part of their tax action plan, the European Commission published recently a list of tax havens. In this list the European Commission included Panama on the base of a compilation of the lists of the tax havens elaborated by the member countries of the European Union.

“Mistakenly and based on old information, the European Commission has affirmed that Spain is one of the European countries that consider Panama as a tax haven”, indicates the press release. Immediately it highlights, “that information is incorrect” and they expect the European Commission will rectify soon.

In the list of countries that Spain consider as tax havens is not Panama and this communication, according to the Embassy of Spain in Panama, was transmitted to the European Commission.

The embassy of the Kingdom of the Netherlands reacted to the recent report of the European Commission that included Panama in a black list of tax havens because of allegedly not cooperating in the fight against fraud and tax evasion.

Through a press release the embassy indicated it does not share the inclusion of Panama in the list. It adds that since 2011 the Kingdom of the Netherlands maintains a bilateral treaty with Panama on double taxation, which also contains provisions on information exchange, among other things, to fight money laundering. The information exchange between both countries to fight money laundering “is excellent”, indicates the release of the diplomatic office.

The Panamanian government considered it is “unfortunate” the position of the EC. “The National Government strongly rejects the position adopted by the European Commission and demands the removal of our country from the list of non-cooperating countries, because of not being based on an objective assessment” highlighted a press release of the Chancellery of the Republic.

Meanwhile, in the list of the European Commission appear 30 countries or territories considered as uncooperative in the fight against fraud and tax evasion, including Panama.