

Doing Business 2011

Panama

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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**Doing Business 2011
Business Reforms**

Doing Business 2011 : Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Panama. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011 : Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

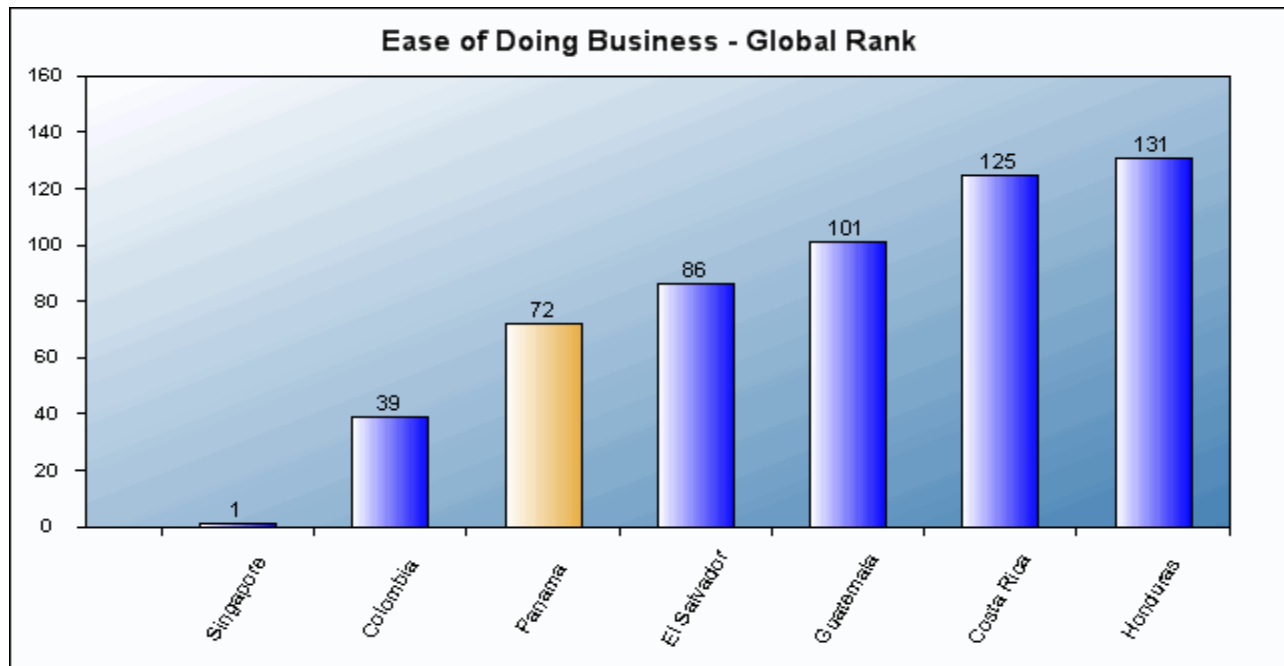
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Panama is ranked 72 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Panama - Compared to global good practice economy as well as selected economies:



Panama's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	72
Starting a Business	23
Dealing with Construction Permits	66
Registering Property	113
Getting Credit	32
Protecting Investors	109
Paying Taxes	175
Trading Across Borders	11
Enforcing Contracts	119
Closing a Business	78

Summary of Indicators - Panama

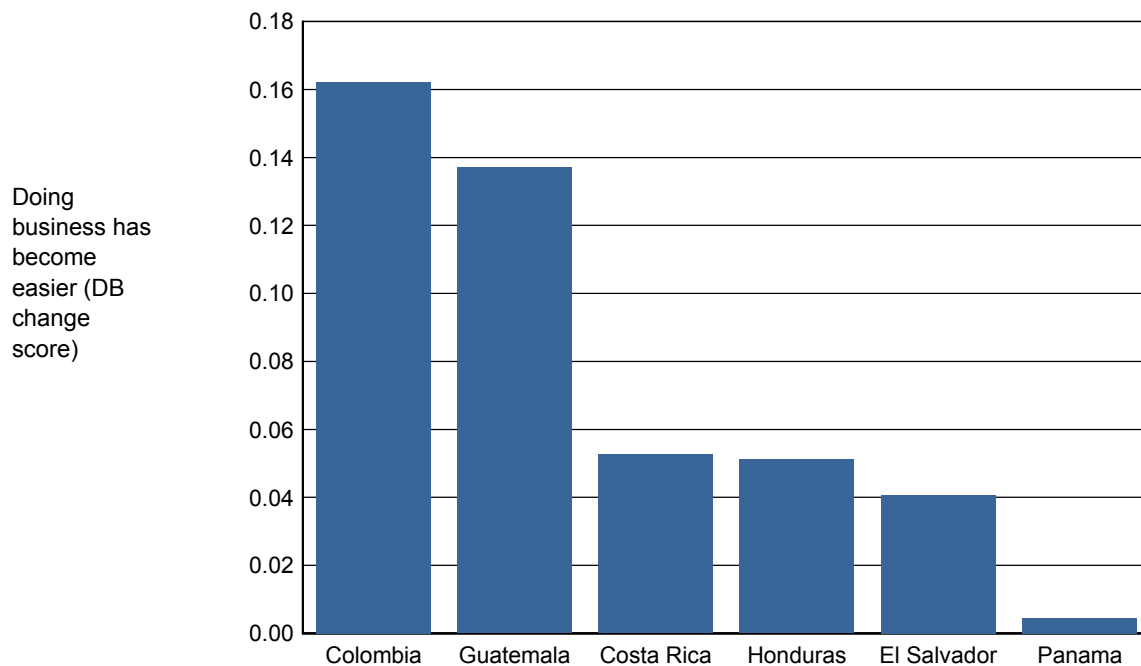
Starting a Business	Procedures (number)	6
	Time (days)	9
	Cost (% of income per capita)	10.3
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	20
	Time (days)	116
	Cost (% of income per capita)	99.1
Registering Property	Procedures (number)	8
	Time (days)	32
	Cost (% of property value)	5.4
Getting Credit	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	31.9
Protecting Investors	Extent of disclosure index (0-10)	1
	Extent of director liability index (0-10)	4
	Ease of shareholder suits index (0-10)	9
	Strength of investor protection index (0-10)	4.7
Paying Taxes	Payments (number per year)	62
	Time (hours per year)	482
	Profit tax (%)	17.0
	Labor tax and contributions (%)	22.6
	Other taxes (%)	10.5
	Total tax rate (% profit)	50.1
Trading Across Borders	Documents to export (number)	3
	Time to export (days)	9
	Cost to export (US\$ per container)	765
	Documents to import (number)	4
	Time to import (days)	9
	Cost to import (US\$ per container)	915

Enforcing Contracts	Procedures (number)	31
	Time (days)	686
	Cost (% of claim)	50.0
Closing a Business	Recovery rate (cents on the dollar)	32.4
	Time (years)	2.5
	Cost (% of estate)	18

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

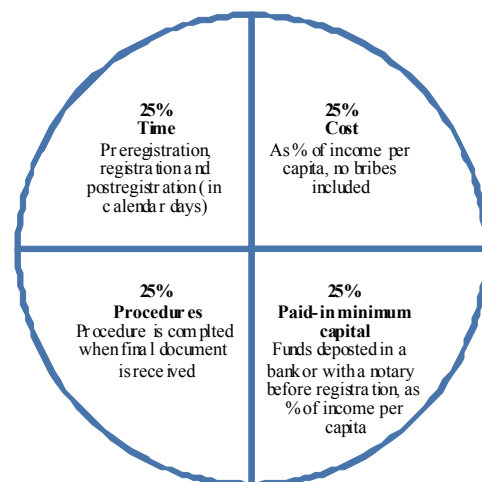
- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running

Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

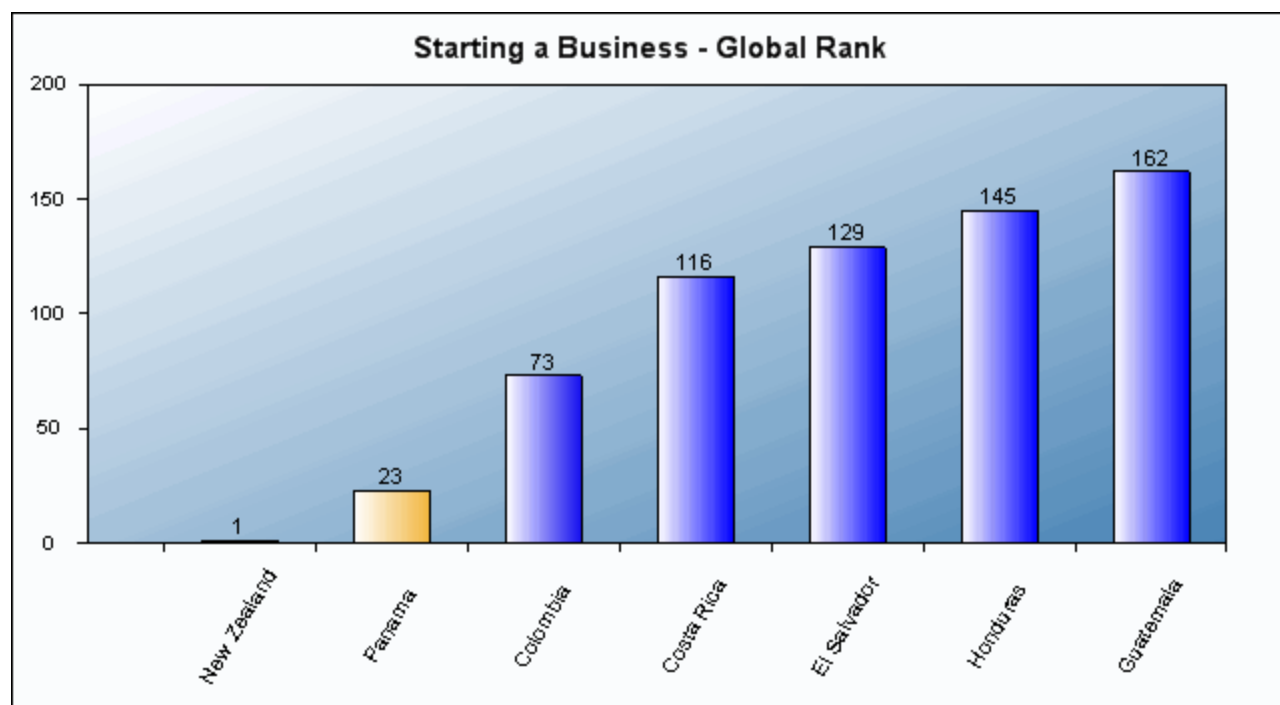
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Panama is ranked 23 overall for Starting a Business.

Ranking of Panama in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Panama compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Panama	6	9	10.3	0.0

<i>Comparator Economies</i>				
Colombia	9	14	14.7	0.0
Costa Rica	12	60	10.5	0.0
El Salvador	8	17	45.0	3.0
Guatemala	12	37	49.1	24.2
Honduras	13	14	47.2	17.5

* The following economies are also good practice economies for :

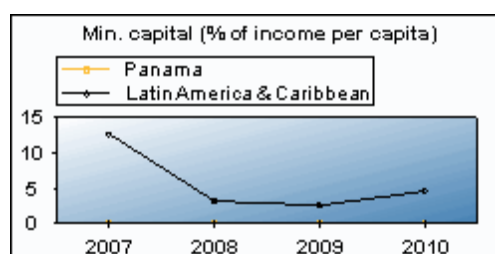
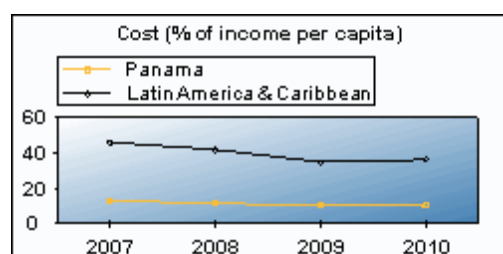
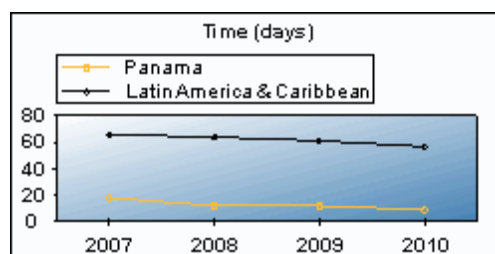
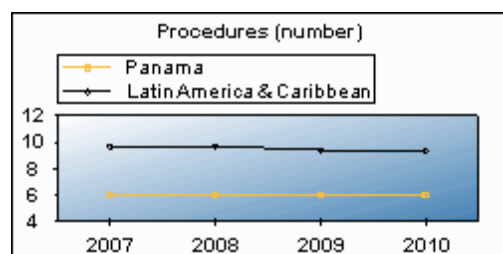
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

2. Historical data: Starting a Business in Panama

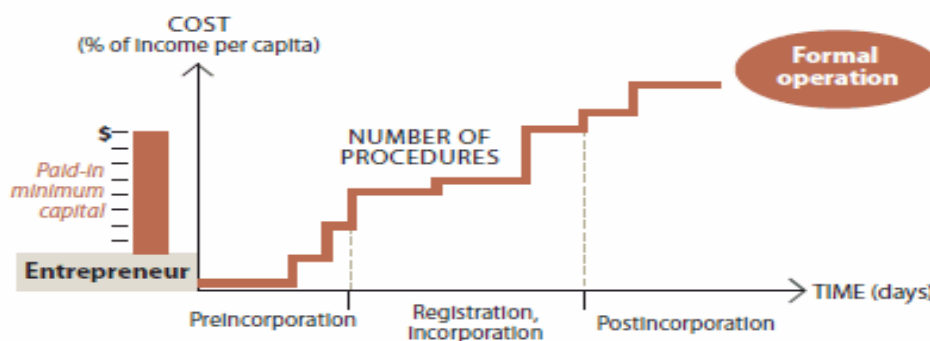
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	26	23
Procedures (number)	6	6	6	6
Time (days)	18	12	12	9
Cost (% of income per capita)	13.0	11.5	10.3	10.3
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Panama over the past 4 years:



Starting a Business Summary - Panama

What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Panama.

STANDARDIZED COMPANY

Legal Form: Sociedad Anónima (S.A.) - Corporation

City: Panama City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Hire a registered agent	1	USD 200
2	Notarize articles of incorporation	1	USD 75
3	Register at the Mercantile Division of the Public Registry and pay Annual Franchise Tax	4	USD 363
4	Obtain a notice of operation (“aviso de operación”) through the “Panama emprende” website	1	USD 55
5	Register with municipality; get a “paz y salvo municipal”	1	USD 5
6	Request an employers’ inscription number from the Social Security Administration	1	no charge

Starting a Business Details - Panama

Procedure	1	Hire a registered agent
Time to complete:	1	
Cost to complete:	USD 200	
Comment:	It is necessary to hire a lawyer or lawfirm to serve as Resident Agent of the corporation and prepare its Articles of Association.	
Procedure	2	Notarize articles of incorporation
Time to complete:	1	
Cost to complete:	USD 75	
Comment:	The articles of incorporation to be notarized must include (a) the name and domicile of each subscriber to the articles of incorporation; (b) the domicile of the company and of the resident agent, who must be a lawyer or law firm in Panama; (c) the names and addresses of the directors and the officers; (d) the name of the corporation, set out in such a way to distinguish it from other registered names already registered with the Public Register; (e) the company purpose or general objectives; (f) the name of at least the president, the secretary, and the treasurer, who may or may not be the same as the directors and need not to be shareholders and who may hold more than one office or title; (g) details about the capital and the type and number of shares into which it is divided; (h) the company duration, which may be perpetual; and (i) any other provision the subscribers may wish to include.	
Procedure	3	Register at the Mercantile Division of the Public Registry and pay Annual Franchise Tax
Time to complete:	4	
Cost to complete:	USD 363	
Comment:	<p>Registration fee schedule:</p> <ul style="list-style-type: none"> – First USD 10,000: fee is USD 60. – Each USD 1,000 up to USD 100,000: USD 0.90. – Each USD 1,000 from USD 100,000 to USD 1,000,000: USD 0.60. – Each USD 1,000 above 1,000,000: USD 0.12. <p>The Annual Registration Tax of USD 250 must also be paid. Payments can be made at the National Bank of Panama or at any cashier of the Ministry of Economy and Finance. The National Bank of Panama has a booth at the Public Registry.</p>	
Procedure	4	Obtain a notice of operation (“aviso de operación”) through the “Panama emprende” website
Time to complete:	1	
Cost to complete:	USD 55	
Comment:	The Law 5 of January 11, 2007 established a new on-line system called “Panama Emprende” (www.panamaemprende.gob.pa) which facilitates the creation of companies. The new system	

replaces the obtainment of commercial licenses for the obtainment of a notice of operation.

Procedure	5	Register with municipality; get a “paz y salvo municipal”
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Time to complete: 1

Cost to complete: USD 5

Comment:

Procedure	6	Request an employers’ inscription number from the Social Security Administration
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Time to complete: 1

Cost to complete: no charge

Comment: The Social Security Administration manages insurance programs for pension, health, unemployment, and occupational accident and injury..

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

*In **Burkina Faso**, a one-stop shop for construction permits, “Centre de Facilitation des Actes de Construire”, was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40 %. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002 -06.*

*Toronto, **Canada** revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk -based approvals with fast -track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

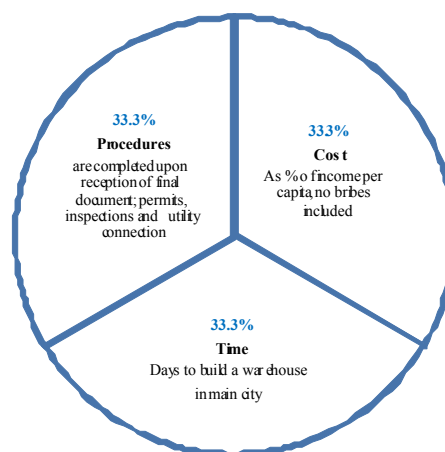
Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Dealing with Construction Permits:

building a warehouse

Rankings are based on 3 subindicators



Case Study Assumptions

The business:

- is a small to medium -size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

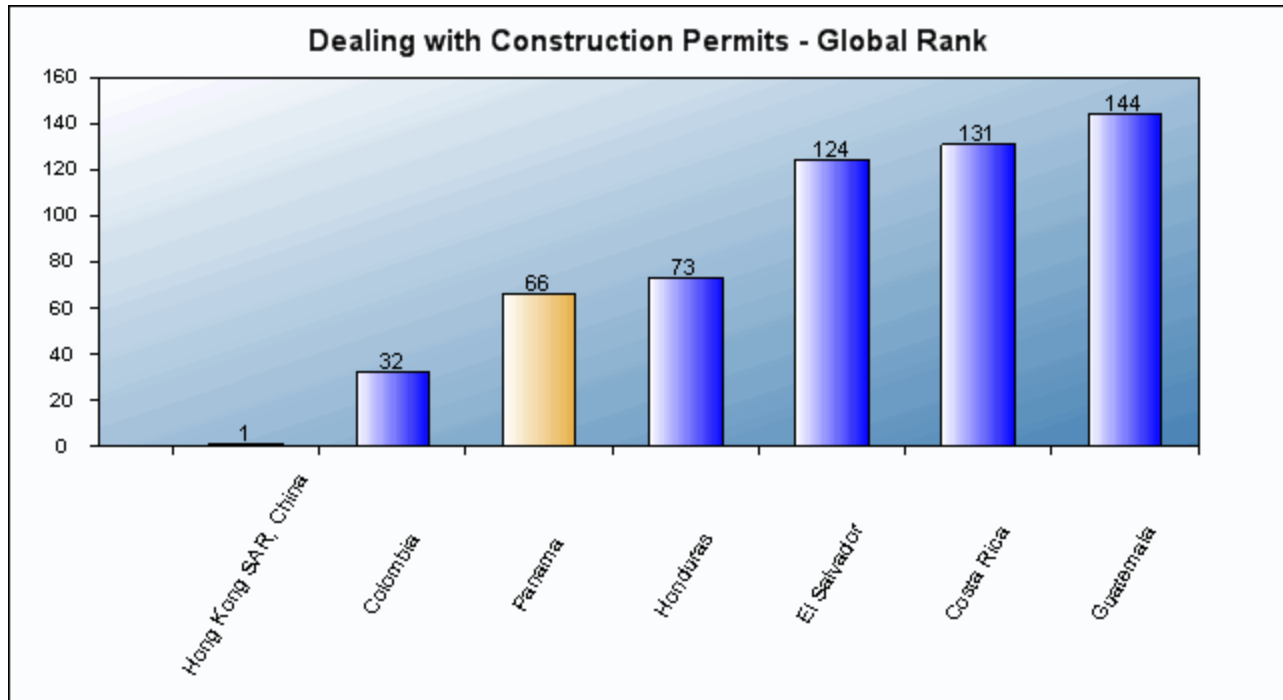
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

1. Benchmarking Dealing with Construction Permits Regulations:

Panama is ranked 66 overall for Dealing with Construction Permits.

Ranking of Panama in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Panama compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

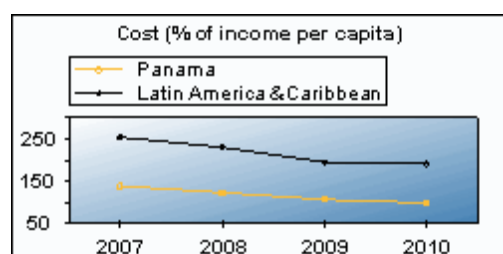
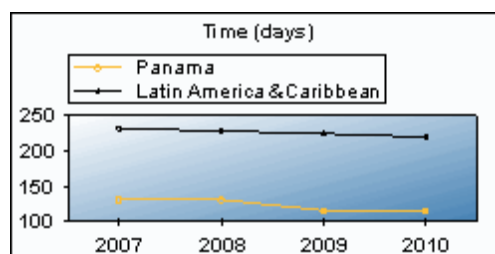
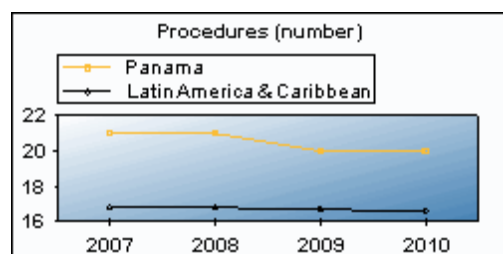
<i>Selected Economy</i>			
Panama	20	116	99.1

<i>Comparator Economies</i>			
Colombia	10	50	405.9
Costa Rica	23	191	172.2
El Salvador	34	155	171.7
Guatemala	22	178	599.4
Honduras	17	106	469.3

2. Historical data: Dealing with Construction Permits in Panama

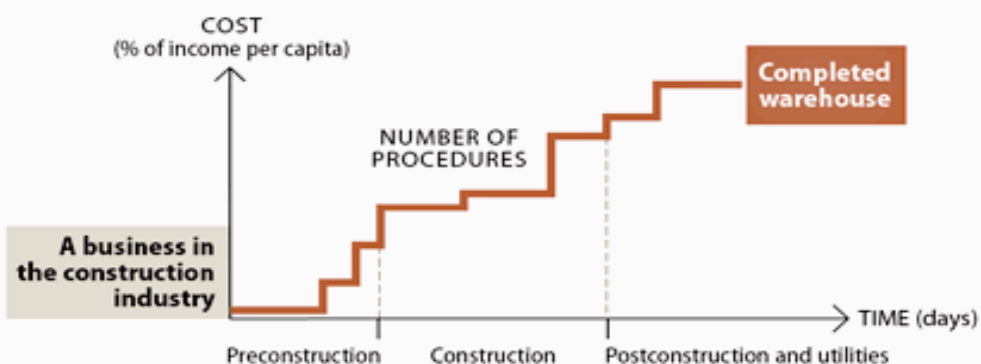
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	69	66
Procedures (number)	21	21	20	20
Time (days)	131	131	116	116
Cost (% of income per capita)	138.9	123.3	107.2	99.1

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Panama over the past 4 years:



Dealing with Construction Permits in Panama

What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Panama.

BUILDING A WAREHOUSE

City: Panama City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain a good-standing certificate	2 days	USD 30
2	Request and obtain an environmental study	23 days	USD 700
3	Notarize affidavit	1 day	USD 3
4	Submit preliminary drawings (anteproyecto) to the municipality and obtain clearance	7 days	USD 1
5	Schedule a consultation with the municipality to determine approvals	6 days	USD 370
6 *	Request and obtain signature of certified fire specialist	2 days	no charge
7 *	Request and obtain preliminary approval from the Fire Department Safety Office	2 days	no charge
8 *	Request and obtain preliminary approval from the Ministry of Public Works	1 day	USD 10
9 *	Request and obtain preliminary approval from the Environmental Authority	15 days	USD 350

10	Request and obtain a building permit	15 days	USD 4,267
11	Request and obtain electricity permit from Municipal Office	1 day	no charge
12 *	Receive inspection by the electricity provider	1 day	no charge
13 *	Connect to electricity services	14 days	USD 10
14 *	Request and connect to water and sewerage services	14 days	USD 80
15 *	Request and connect to phone services	3 days	USD 30
16 *	Receive inspection by the Fire Department Safety Office	1 day	no charge
17	Request and obtain an occupancy permit	10 days	USD 60
18	Obtain permit from the Fire Department Safety Office	2 days	USD 230
19	Notarize the declaration of improvement (Declaración de Mejora)	2 days	USD 100
20	Register the building with the Central Property Registry	18 days	USD 550

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Panama

Procedure	1	Request and obtain a good-standing certificate
Time to complete:	2 days	
Cost to complete:	USD 30	
Agency:	Public Registry Office	
Comment:	The good-standing certificate is obtained from the Public Registry Office.	
Procedure	2	Request and obtain an environmental study
Time to complete:	23 days	
Cost to complete:	USD 700	
Agency:	National Environmental Authority (ANAM)	
Comment:	<p>The environmental impact study must be conducted by an outside independent environmental consultant, and certified by the National Environmental Authority (ANAM). In this case, given the intended use of the warehouse, the required environmental impact study is that of Type I.</p> <p>The process of completing an environmental impact study may take from 15 to 30 days, but the approval by the National Environmental Authority could take approximately 45 days, depending on the category of the environmental impact study.</p>	
Procedure	3	Notarize affidavit
Time to complete:	1 day	
Cost to complete:	USD 3	
Agency:	Notary	
Comment:		
Procedure	4	Submit preliminary drawings (anteproyecto) to the municipality and obtain clearance
Time to complete:	7 days	
Cost to complete:	USD 1	
Agency:	Municipal Office (Departamento de Aprobación de Planos y Permisos)	
Comment:	The architect must fill out the petition form and submit the preliminary design (anteproyecto). The Municipal Office has created a centralized window for filing of the preliminary project design. However, the one-stop shop does not work well, and BuildCo must follow up with each authority.	
Procedure	5	Schedule a consultation with the municipality to determine approvals

Time to complete:	6 days
Cost to complete:	USD 370
Agency:	Municipal Office (Department of Approval of Blueprints and Permits)
Comment:	A public official from the Municipal Office determines the government offices that must approve the project. Representatives of the different offices are located in the municipality, but in separate offices. The company or architect must obtain the approvals from those offices directly.

Procedure 6 Request and obtain signature of certified fire specialist

Time to complete:	2 days
Cost to complete:	no charge
Agency:	Certified Fire Specialist
Comment:	BuildCo must receive an approval of the project drawings related to fire safety from an independent and certified specialist. This is then submitted to the Fire Department Safety Office of the Municipal Office for approval.

Procedure 7 Request and obtain preliminary approval from the Fire Department Safety Office

Time to complete:	2 days
Cost to complete:	no charge
Agency:	Municipal Office (Fire Department Safety Office)
Comment:	

Procedure 8 Request and obtain preliminary approval from the Ministry of Public Works

Time to complete:	1 day
Cost to complete:	USD 10
Agency:	Municipal Office (Ministry of Public Works)
Comment:	

Procedure 9 Request and obtain preliminary approval from the Environmental Authority

Time to complete:	15 days
Cost to complete:	USD 350
Agency:	Municipal Office (Environmental Authority)
Comment:	The fee is paid at the head office of the Environmental Authority rather than at the Municipal Office.

Procedure	10	Request and obtain a building permit
Time to complete:	15 days	
Cost to complete:	USD 4,267	
Agency:	Municipal Office	
Comment:	<p>BuildCo must present the application to the director of the Municipal Construction and Works Authority, accompanied by two copies of the blueprints; the approvals issued by the Fire Department Safety Office, Ministry of Health, Ministry of Public Works, and Environmental Authority, and the municipal good standing certificate; and proof of registration of BuildCo with the Technical Board.</p> <p>The cost is taken to be 1% of the project value (in this case, the warehouse value), which would vary between USD 4,266.95 and USD 422,695.</p> <p>Unannounced construction permit regulation inspections may take place during construction.</p>	
Procedure	11	Request and obtain electricity permit from Municipal Office
Time to complete:	1 day	
Cost to complete:	no charge	
Agency:	Municipal Office (Dirección de Obras y Construcciones Municipales)	
Comment:		
Procedure	12	Receive inspection by the electricity provider
Time to complete:	1 day	
Cost to complete:	no charge	
Agency:	Local Electricity Provider	
Comment:	The inspection is carried out by a local electricity provider. The typical waiting time is 3–4 days.	
Procedure	13	Connect to electricity services
Time to complete:	14 days	
Cost to complete:	USD 10	
Agency:	Local Electricity Provider	
Comment:	The cost and time frame depend on the conditions of the equipment and machinery.	
Procedure	14	Request and connect to water and sewerage services
Time to complete:	14 days	

Cost to complete: USD 80

Agency: Instituto de Acueductos y Alcantarillados Nacionales

Comment:

Procedure 15 Request and connect to phone services

Time to complete: 3 days

Cost to complete: USD 30

Agency: Cable & Wireless

Comment:

Procedure 16 Receive inspection by the Fire Department Safety Office

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipal Office (Fire Department Safety Office)

Comment: BuildCo must receive an inspection from the Fire Department so that the department can issue a permit. Inspectors come according to a schedule of visits that is defined when the preliminary approval has been granted (Procedure 7).

Procedure 17 Request and obtain an occupancy permit

Time to complete: 10 days

Cost to complete: USD 60

Agency: Municipal Office (Fire Department Safety Office)

Comment: An inspection may be carried out on the site.

Procedure 18 Obtain permit from the Fire Department Safety Office

Time to complete: 2 days

Cost to complete: USD 230

Agency: Municipal Office (Fire Department Safety Office)

Comment:

Procedure 19 Notarize the declaration of improvement (Declaración de Mejora)

Time to complete: 2 days

Cost to complete: USD 100

Agency: Notary

Comment: The declaration is drafted on an official form (escritura pública).

Procedure	20	Register the building with the Central Property Registry
------------------	-----------	---

Time to complete: 18 days

Cost to complete: USD 550

Agency: Central Property Registry

Comment:

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

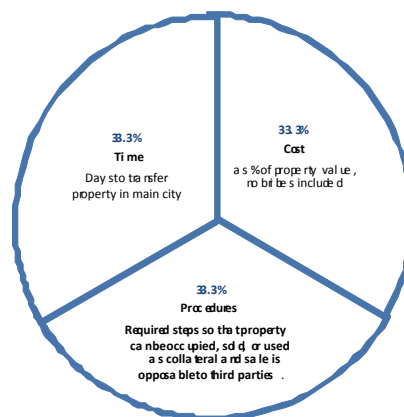
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Postregistration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

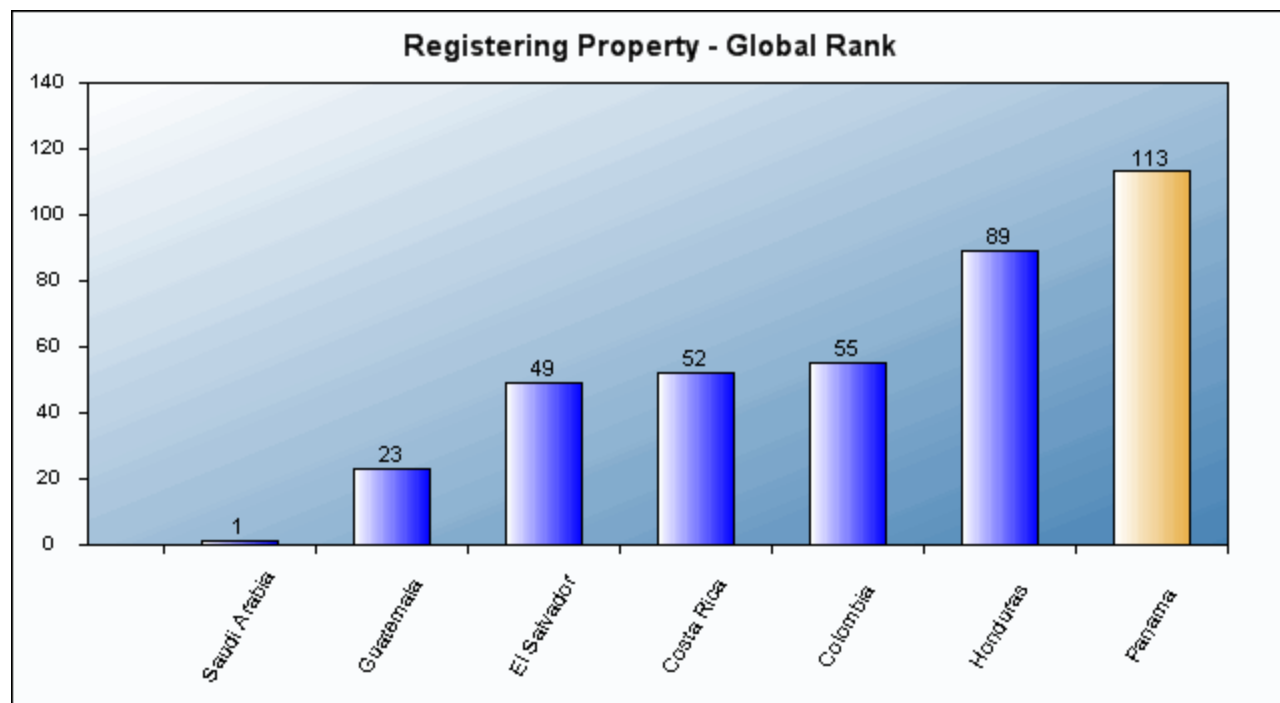
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and a 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Panama is ranked 113 overall for Registering Property.

Ranking of Panama in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Panama compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Panama	8	32	5.4

<i>Comparator Economies</i>			
Colombia	7	20	2.0
Costa Rica	6	21	3.4
El Salvador	5	31	3.8
Guatemala	4	23	1.0
Honduras	7	23	5.5

* The following economies are also good practice economies for :

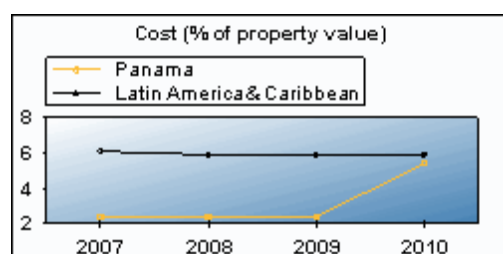
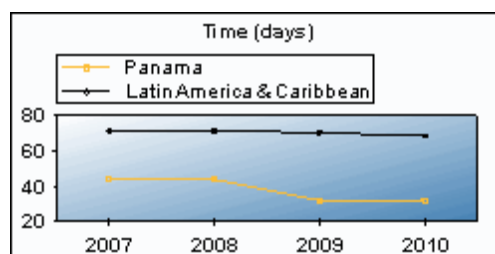
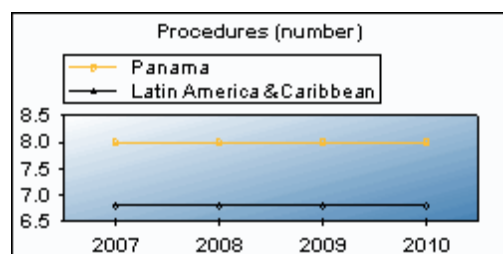
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

2. Historical data: Registering Property in Panama

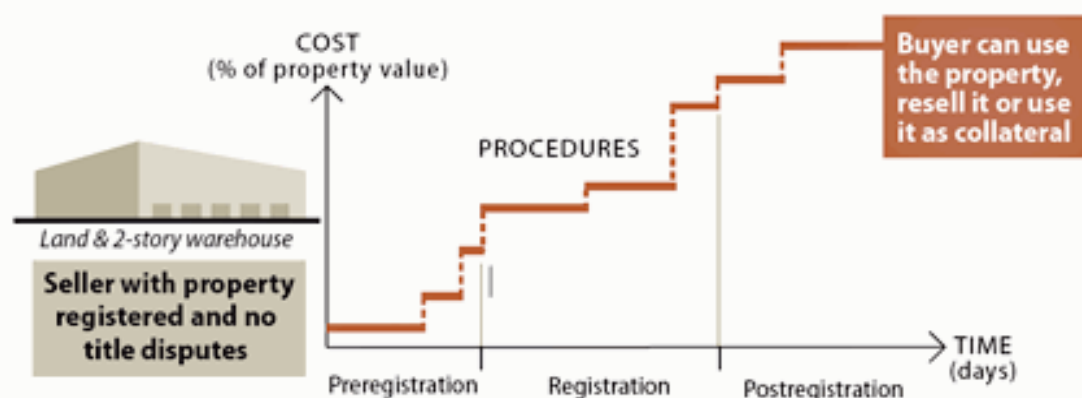
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	82	113
Procedures (number)	8	8	8	8
Time (days)	44	44	32	32
Cost (% of property value)	2.4	2.4	2.4	5.4

3. The following graphs illustrate the Registering Property sub indicators in Panama over the past 4 years:



Registering Property in Panama

What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Panama.

STANDARDIZED PROPERTY

Property Value: 342,579.33

City: Panama City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain a non-encumbrance certificate at the Public Registry Office	2-3 days (simultaneous with procedure 2)	\$30
2 *	Obtain a certificate of good standing online from the DGI	1 day (simultaneous with procedure 1)	no cost online
3 *	Obtain a non-debt water certificate ("certificado de Paz y Salvo")	1 day (simultaneous with procedure 1)	1.25
4	A lawyer prepares the sale agreement	2 days	\$ 200 (lawyer's fees)
5	Payment of the Transfer and Capital Gains Taxes	2 days	2% of property value (transfer tax) + 3% of property value (capital gains tax)
6	Notarization of the sale agreement and preparation of the public deed	2 days	\$100

7	The public deed is filed and recorded at the Public Registry Office under the name of the buyer	7-10 days	0.25% of property price (registration fee) + \$5 for filing + \$10 for analyzing the document
8	A copy of the recorded deed is filed at the Cadastral Office	15 days	no cost

* Takes place simultaneously with another procedure.

Registering Property Details - Panama

Procedure	1	Obtain a non-encumbrance certificate at the Public Registry Office
Time to complete:	2-3 days (simultaneous with procedure 2)	
Cost to complete:	\$30	
Agency:	Public Registry Office ("Registro Público de Panamá" www.registro-publico.gob.pa)	
Comment:	<p>Parties obtain a certificate of non-mortgage and non-litigation before starting the transaction. This certificate is obtained at the Public Registry Office.</p> <p>In many cases, it is advisable for property sales, that a surveyor is engaged to verify the correct measurements and location of the properties.</p>	
Procedure	2	Obtain a certificate of good standing online from the DGI
Time to complete:	1 day (simultaneous with procedure 1)	
Cost to complete:	no cost online	
Agency:	Tax Agency ("Direccion General Impositiva" - DGI)	
Comment:	<p>The seller must obtain a Real Estate Tax Clearance Certificate. This Certificate have relation with the real property tax paid by the owners. In order to obtain this document the property shall be registered at the Online System of the Directorate General of Revenues (DGI). This certificate can be obtained online since 2009, and the printout must be submitted to the Public Registry Office. Once submitted the Public Registry will verify it again online. This certificate can be requested by the individual or entity which has a password to enter the DGI Online System, and must have the lot number and the page number (document number), issued by the Public Registry Office. It can also be obtained online by the individual or entity which has a password to enter the DGI Online System. Note that a land with a value under US\$30,000.00 is exempt of the Real Property Tax. Owners pay this tax according to a progressive scale that ranges from 1.75% on the excess over US\$30,000.00 to 2.10% on the excess over US\$75,000.00. annually based on the cadastral value of the property.</p>	
Procedure	3	Obtain a non-debt water certificate ("certificado de Paz y Salvo")
Time to complete:	1 day (simultaneous with procedure 1)	
Cost to complete:	1.25	
Agency:	Instituto de Acueductos y Alcantarillados Nacionales (I.D.A.A.N.)	
Comment:	<p>According to the law 77 of December 28, 2001, it is necessary to submit a certificate stating that no water bills are owed to the Public Registry in order to record the Public Deed of the acquisition of a property. The "certificado de Paz y Salvo" from IDAAN will be issued in 24 horas, and costs 1 BALBOA with 00/100 (B/. 1.00) plus the stamp of 25 cents BALBOA (B/. 0.25).</p>	
Procedure	4	A lawyer prepares the sale agreement

Time to complete:	2 days
Cost to complete:	\$ 200 (lawyer's fees)
Comment:	<p>A lawyer usually prepares the sale agreement (it can also be prepared by a real estate broker). In any case, the sale agreement -called the Minuta- needs to be stamped by a Panamanian lawyer prior to being executed in a public deed. The sale agreement should mention that there are no mortgages or limitations on the property.</p> <p>The documentation shall include:</p> <p>Non-encumbrance certificate (obtained in Procedure 1)</p>

Procedure 5 Payment of the Transfer and Capital Gains Taxes

Time to complete:	2 days
Cost to complete:	2% of property value (transfer tax) + 3% of property value (capital gains tax)
Agency:	Ministry of Economics and Finance
Comment:	<p>Prior to filing and recording the public deed at the Public Registry Office, the Transfer Tax should be paid (if it's not exempt by any particular reason established by law) at the Ministry of Economics and Finance, by the seller. Transfer tax: 2% of the price of the transaction or the cadastral value, whichever is higher. There is no VAT in Panama for transfers of property</p> <p>Law No.49 of 17th September 2009, which amends the Fiscal Code and adopts other fiscal measure, sets forth the obligation for sellers to pay a sum equivalent to 3% of the total value of the sale or of the cadastral value of the property, whichever is higher, as an advance payment of the Income Tax applicable to any profit resulting from the sale operation. In such cases, the taxpayer may opt to consider such 3% as the definitive Income Tax to be paid for profits earned. However, where such 3% advance payment exceeds the amount resulting from application of the nominal rate of such tax, which is 10% of the difference between the real value of the sale and the sum of the cost to acquire the property plus the expenses required to carry out the operation, the seller taxpayer may ask the General Income Directorate for reimbursement of the sums paid in excess, whether in cash or by means of a fiscal credit that can be used to pay other taxes.</p> <p>Previously and since 7/2006, the 10% of capital gains tax was calculated and paid at the moment of the sale as well as mentioned in the sale act by the notary; the gain was calculated by calculating the gain (sales minus buying cost minus expenses- lawyers, notary fees).</p>

Procedure 6 Notarization of the sale agreement and preparation of the public deed

Time to complete:	2 days
Cost to complete:	\$100
Comment:	<p>The notary notarizes the sale agreement and prepares the public deed. All transfers of property must be notarized or made into a public deed before filing for recording at the Public Registry Office. The documentation shall include:</p> <p>Sale agreement (prepared in Procedure 3)</p> <p>Receipt of payment of the transfer tax (obtained in Procedure 4)</p> <p>Certificate of good standing with the cadastre (obtained in Procedure 2)</p> <p>Good standing certificate with water utility services (Clearance certificate issued by Instituto de Acueductos y Alcantarillados Nacionales (I.D.A.A.N.))</p>

Procedure 7 The public deed is filed and recorded at the Public Registry Office under the name of the buyer

Time to complete:	7-10 days
Cost to complete:	0.25% of property price (registration fee) + \$5 for filing + \$10 for analyzing the document
Agency:	Public Registry Office ("Registro Público de Panamá" www.registro-publico.gob.pa)
Comment:	<p>The public deed is filed and recorded at the Public Registry Office under the name of the buyer. The registration fee is paid at the National Bank in favor of the Public Registry Office. The bank has a branch inside the registry office. Since 1999, there has been an optional expedited procedure in which one can obtain registration within 24 hours, at an additional cost of \$250 though not many people choose it because it is rather expensive.</p> <p>The documentation shall include: the notarized public deed (obtained in Procedure 5), certificate of good standing with the cadastre.</p>

Procedure	8	A copy of the recorded deed is filed at the Cadastral Office
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Time to complete:	15 days
Cost to complete:	no cost
Agency:	Cadastral and Patrimonial Property Directorate
Comment:	<p>A copy of the recorded deed should be filed at the Cadastral Office to record the new buyer for tax purposes as the new person responsible for the payment of the property tax. This should be an internal procedure after Procedure 6, but in fact, the buyer needs to do it in person so far. The buyer picks up the certificate of good standing with the new name and value at the end of the 2 weeks.</p>

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Getting Credit: collateral rules and credit information

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

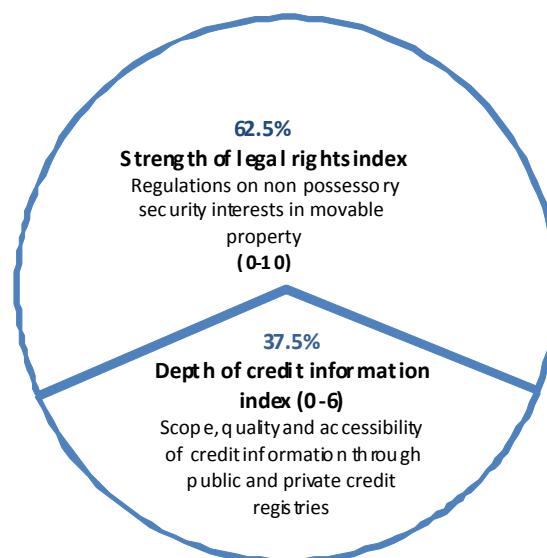
- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of adult population



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

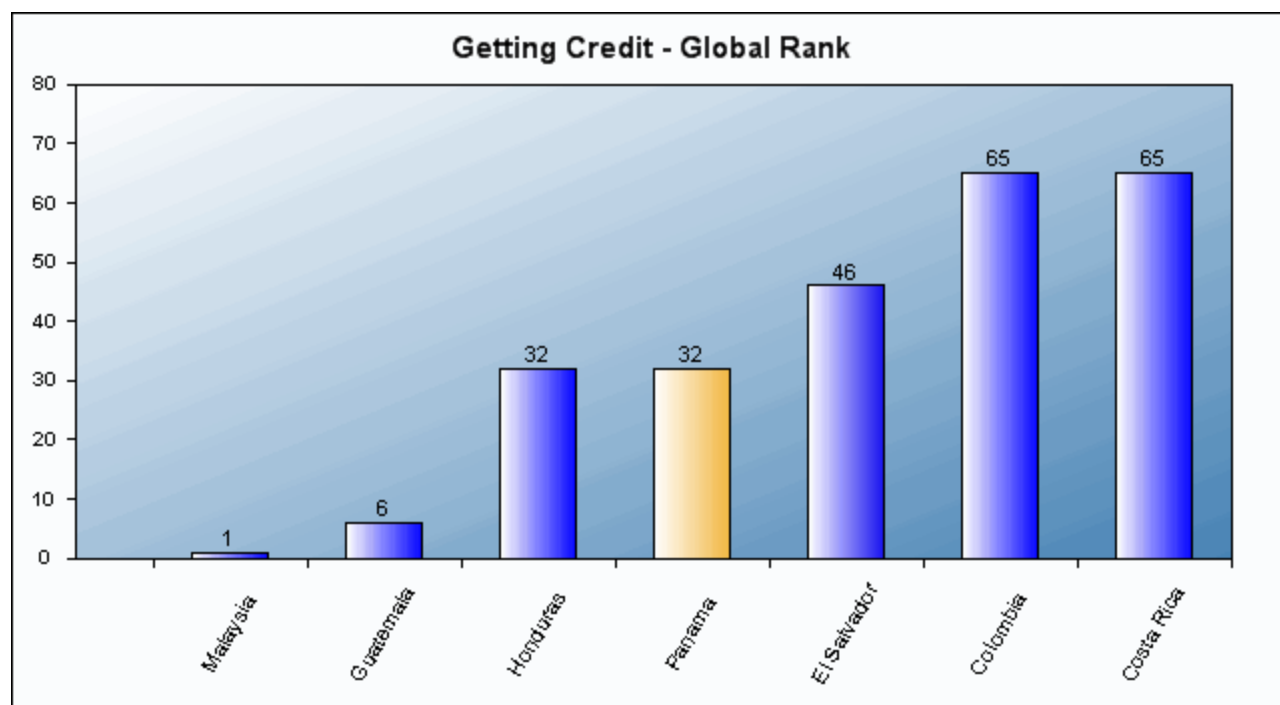
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Panama is ranked 32 overall for Getting Credit.

Ranking of Panama in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Panama compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Panama	6	6	0.0	31.9

<i>Comparator Economies</i>				
Colombia	5	5	0.0	63.1
Costa Rica	5	5	23.3	64.8
El Salvador	5	6	21.8	95.0
Guatemala	8	6	16.4	8.8
Honduras	6	6	22.7	100.0

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

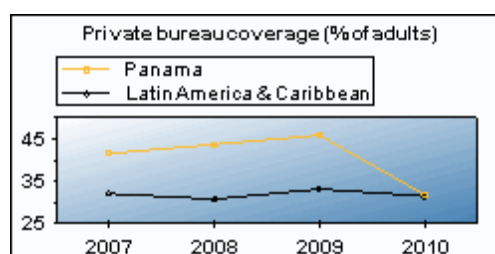
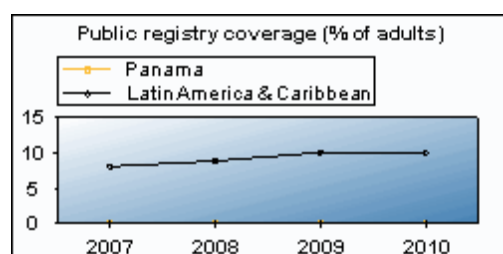
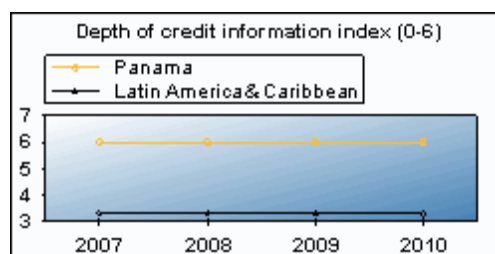
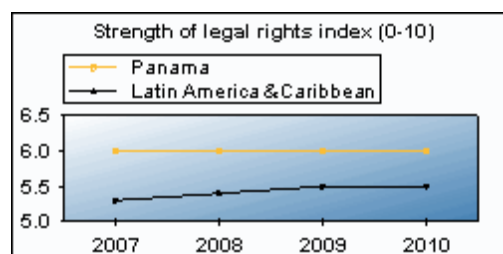
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

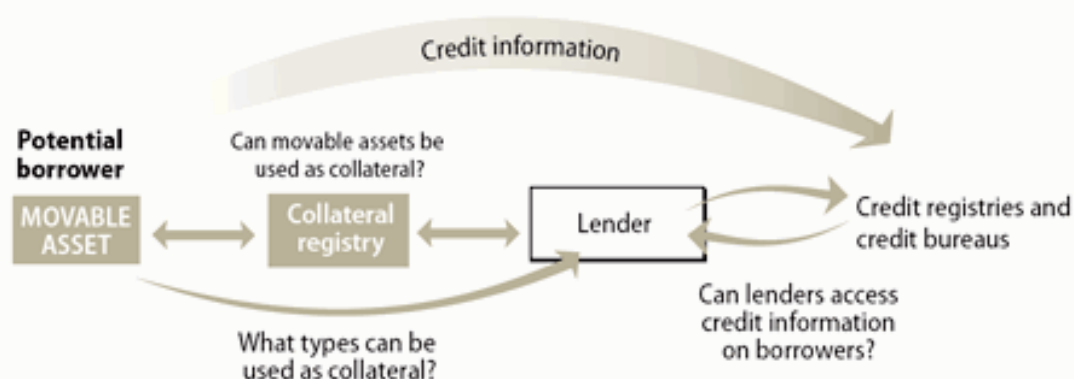
2. Historical data: Getting Credit in Panama

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	32
Strength of legal rights index (0-10)	6	6	6	6
Depth of credit information index (0-6)	6	6	6	6
Private bureau coverage (% of adults)	41.6	43.7	45.9	31.9
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Panama over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Panama.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	6
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
Coverage	31.9	0.0	
Number of individuals	1,056,170		0
Number of firms	46,746		0

Strength of legal rights index (0-10)

6

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
--	-----

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
--	----

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	No
--	----

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
--	----

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
---	-----

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	Yes
---	-----

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
--	-----

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	Yes
---	-----

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	Yes
--	-----

Does the law authorize parties to agree on out of court enforcement?	No
--	----

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

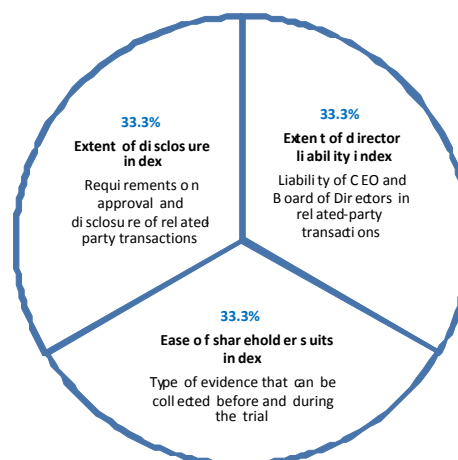
Ease of shareholder suits index (0–10)

- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions
Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

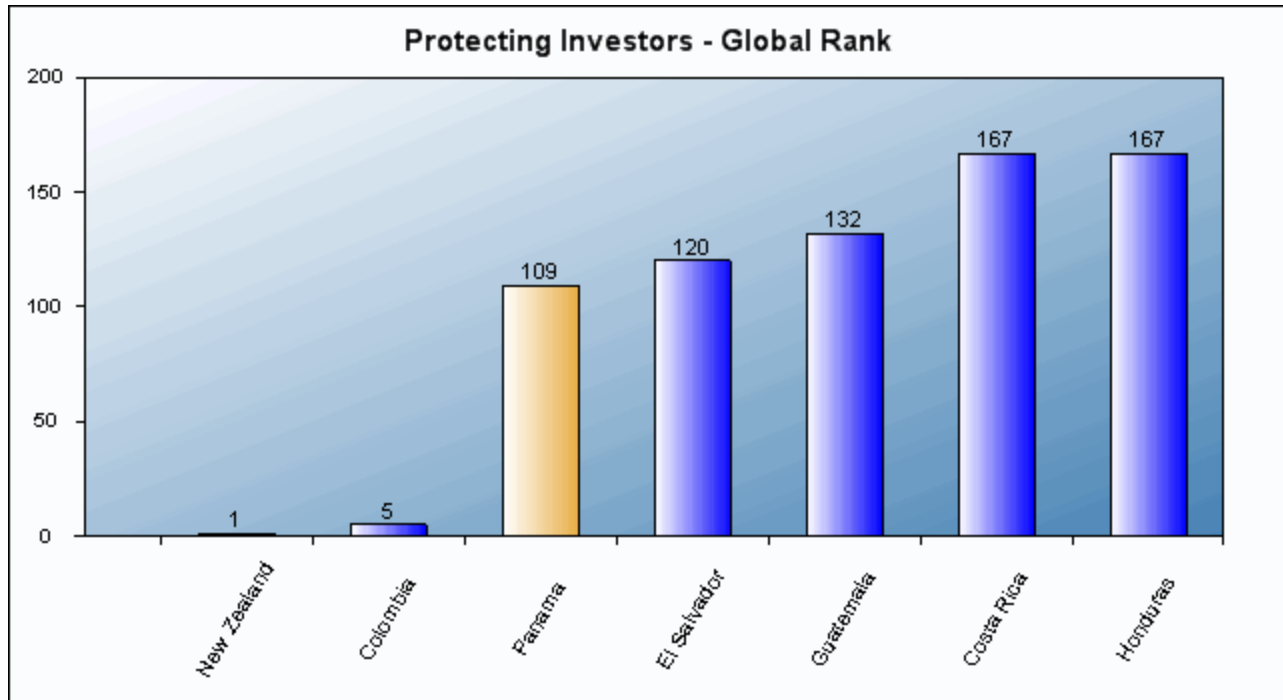
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Panama is ranked 109 overall for Protecting Investors.

Ranking of Panama in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Panama compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

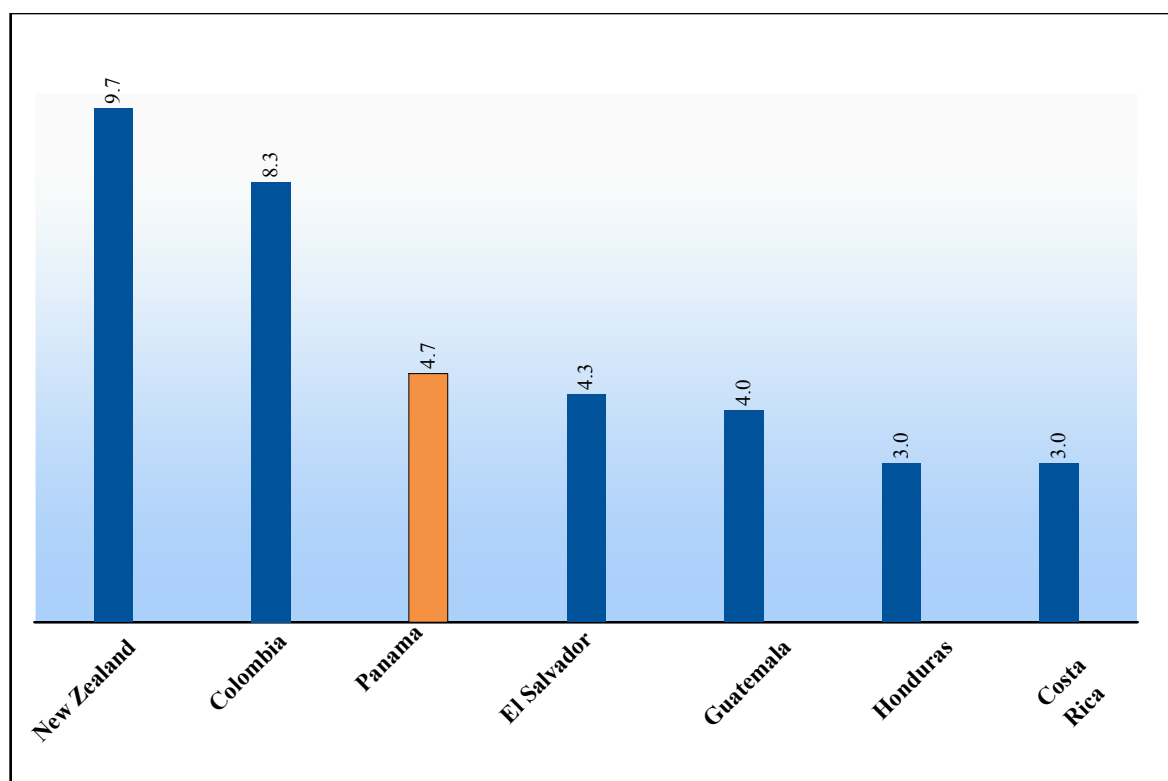
<i>Selected Economy</i>	
Panama	4.7

<i>Comparator Economies</i>	
Colombia	8.3
Costa Rica	3.0
El Salvador	4.3
Guatemala	4.0
Honduras	3.0

2. Historical data: Protecting Investors in Panama

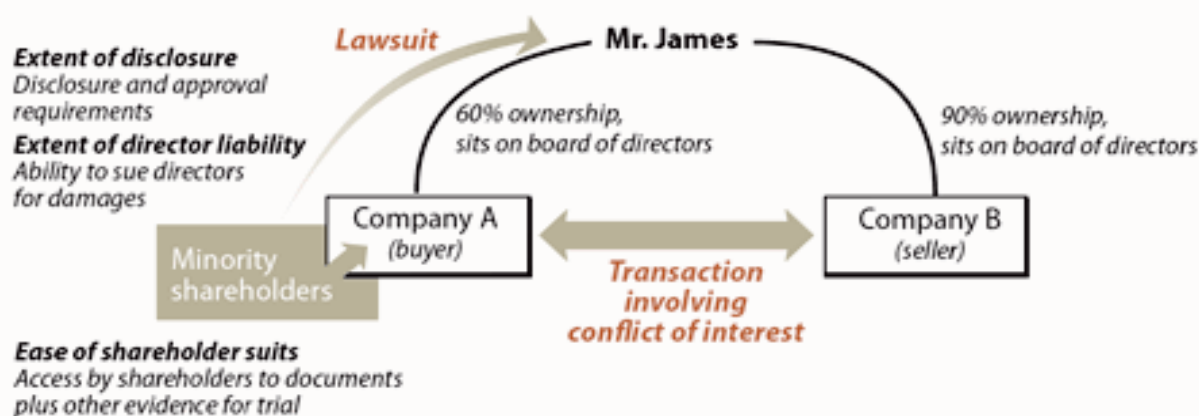
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	108	109
Strength of investor protection index (0-10)	4.7	4.7	4.7	4.7

3. The following graph illustrates the Protecting Investors index in Panama compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Panama.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	1
What corporate body provides legally sufficient approval for the transaction?	1
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	4
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0

Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	9
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Strength of investor protection index (0-10)	4.7

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium -size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry -specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009 (number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

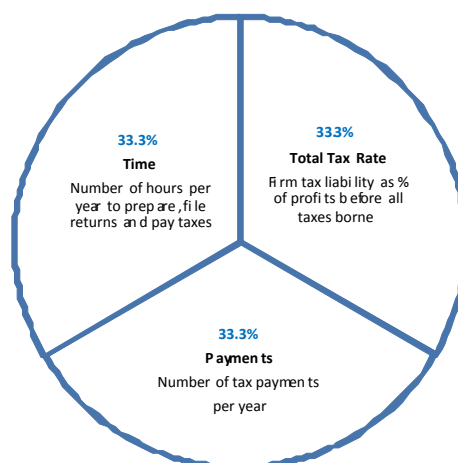
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



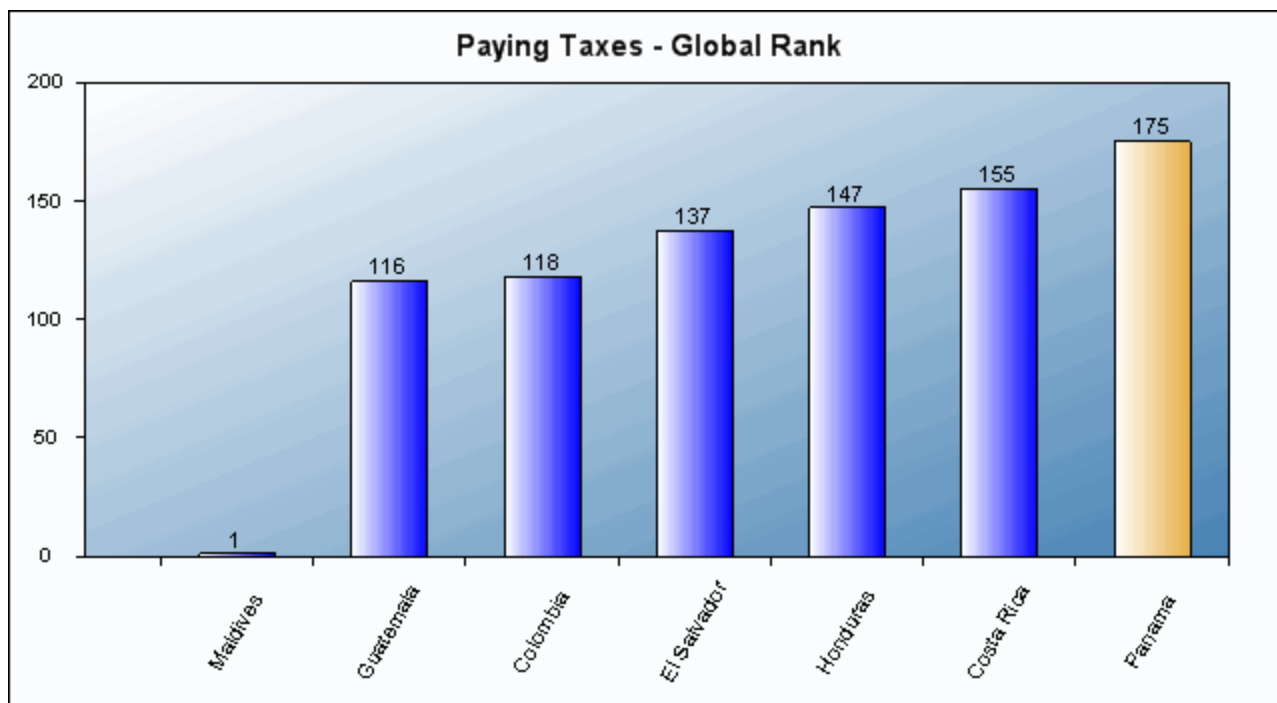
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Panama is ranked 175 overall for Paying Taxes.

Ranking of Panama in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Panama compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Panama	62	482	50.1

<i>Comparator Economies</i>			
Colombia	20	208	78.7
Costa Rica	42	272	55.0
El Salvador	53	320	35.0
Guatemala	24	344	40.9
Honduras	47	224	48.3

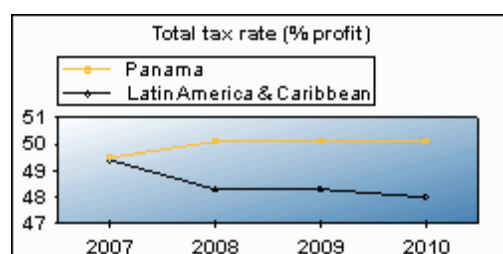
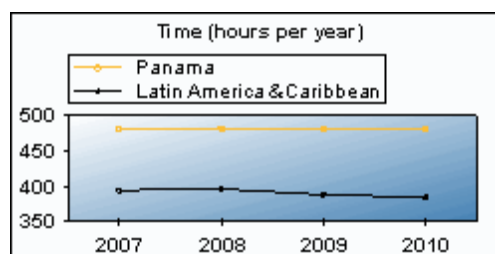
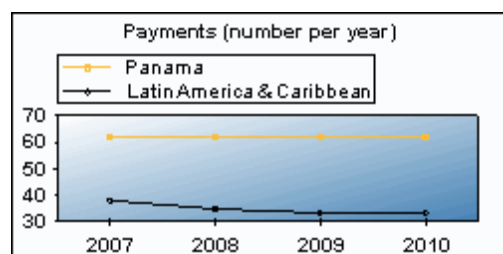
* The following economies are also good practice economies for :

Payments (number per year): Qatar

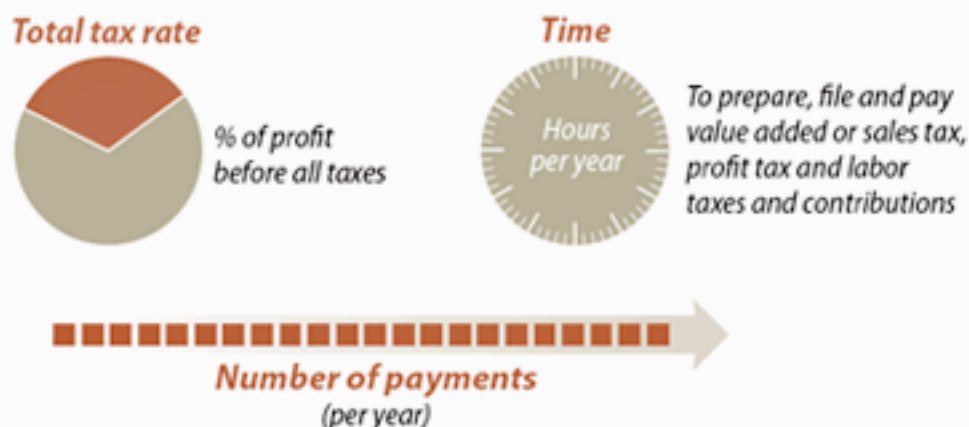
2. Historical data: Paying Taxes in Panama

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	173	175
Total tax rate (% profit)	49.5	50.1	50.1	50.1
Payments (number per year)	62	62	62	62
Time (hours per year)	482	482	482	482

3. The following graphs illustrate the Paying Taxes sub indicators in Panama over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Panama, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value Added Tax	12		252	5.0%	value added		
Vehicle tax	1			fixed fee		0.00	
Stamp tax (Tax on check transactions)	1			10 cents per check	number of checks	0.00	
Advertisement tax	0	payment with municipal business tax		USD 15 per ad per month		0.10	
Fuel tax	1			USD 0.25 per gallon		0.40	
Capital gains tax	1			various rates	capital gains	0.50	
Transfer tax	1			various rates		1.20	
Social security contributions (education)	0			1.5%	gross salaries	1.90	

Workers' Severance Payments	12		1.9%	gross salaries	2.20
Municipal Business Tax	12		fixed fee	USD 500 per month	2.30
Real estate tax	4		from 0 to 2.1% (progressive scale)	real estate value	2.90
Commercial license tax	1		2.0%	net worth	3.70
Social security contributions (Professional risk insurance)	0		0.98% to 5.76% depending on risk	gross salaries	4.70
Social security contributions (Pension)	12	180	10.8%	gross salaries	13.80
Corporate income tax	4	50	30.0%	taxable profit	17.00
Totals	62	482			50.1

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

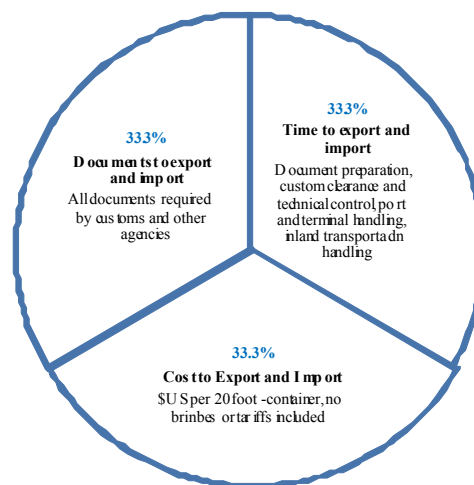
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

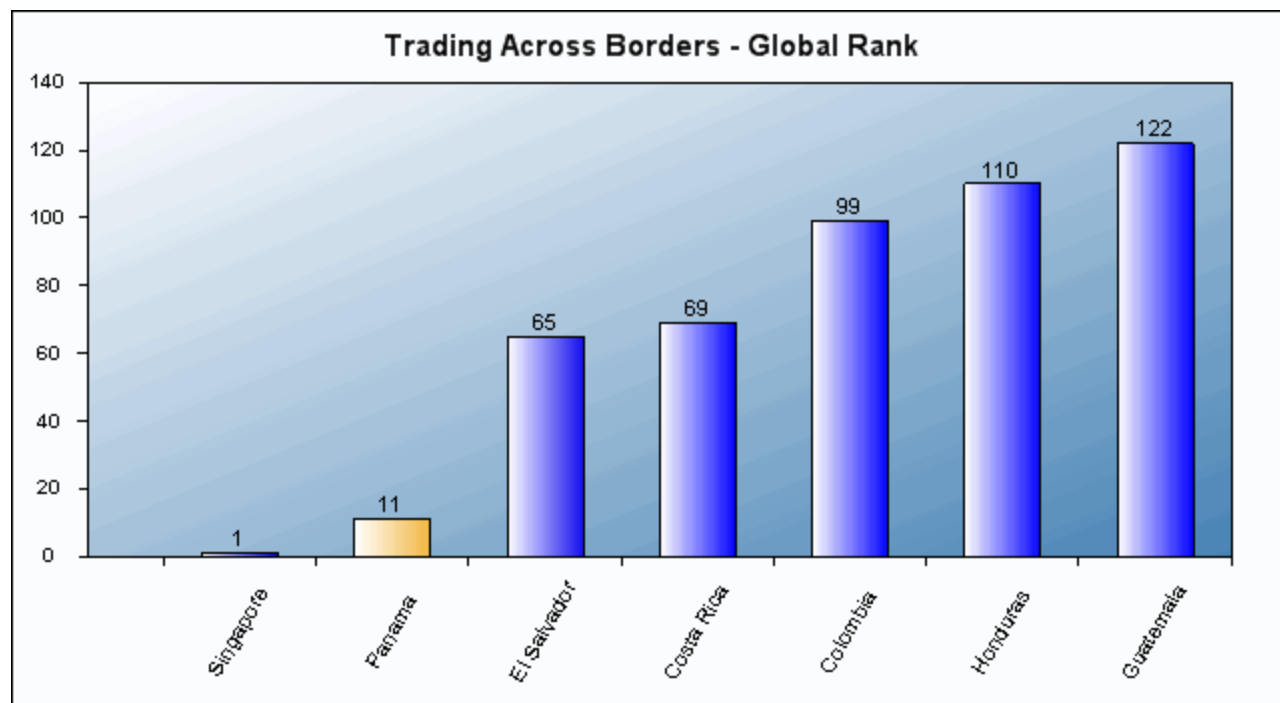
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Panama is ranked 11 overall for Trading Across Borders.

Ranking of Panama in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Panama compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Panama	3	9	765	4	9	915

<i>Comparator Economies</i>						
Colombia	6	14	1770	8	13	1700
Costa Rica	6	13	1190	7	15	1190
El Salvador	8	14	845	8	10	845
Guatemala	10	17	1182	10	17	1302
Honduras	6	19	1193	10	23	1205

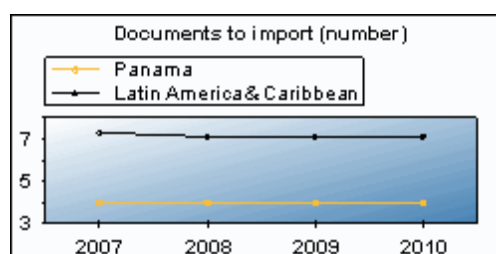
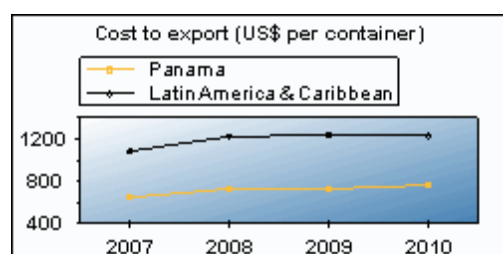
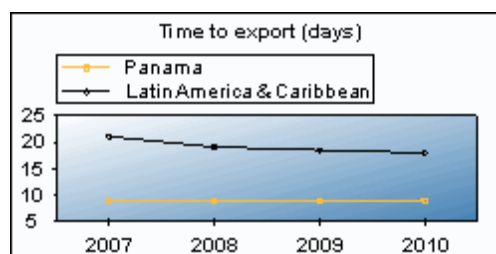
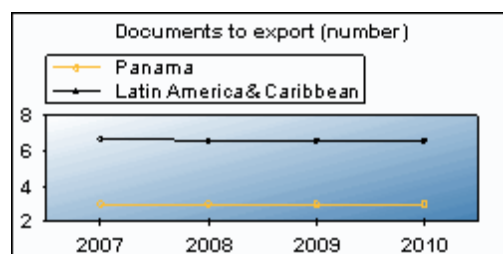
* The following economies are also good practice economies for :

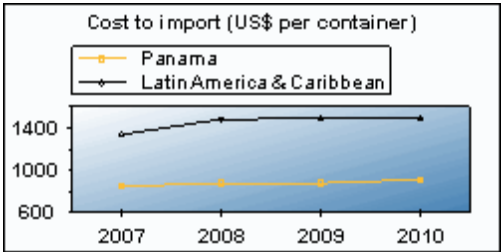
Time to export (days): Estonia

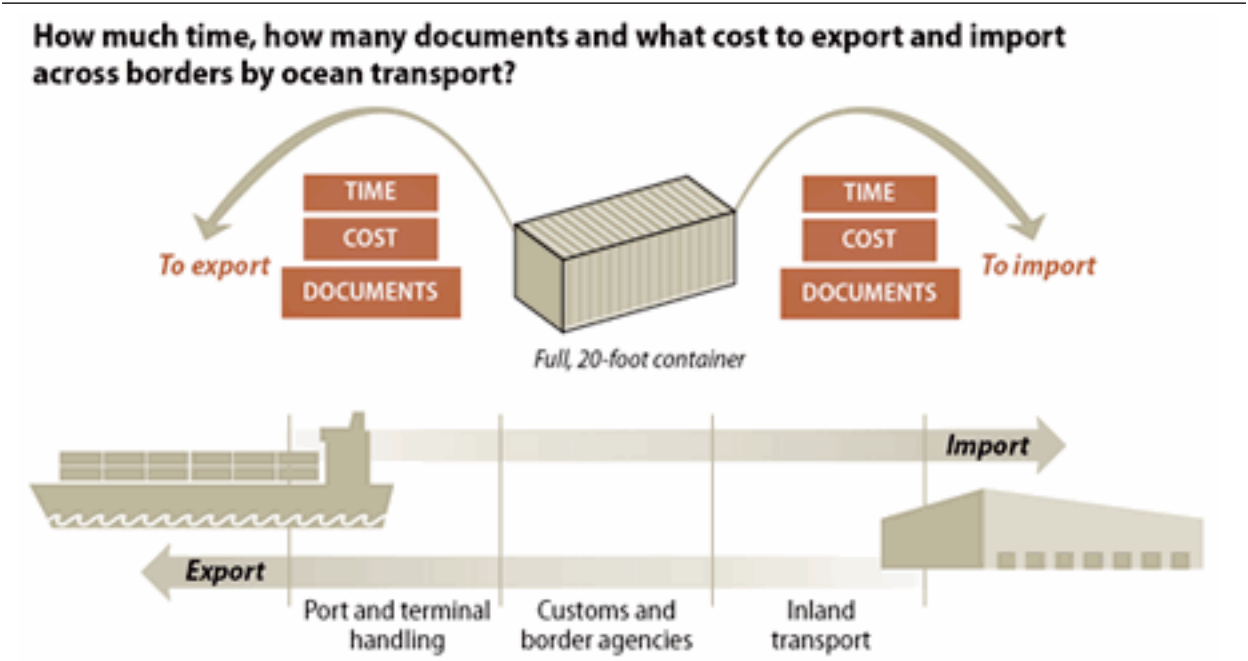
2. Historical data: Trading Across Borders in Panama

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	10	11
Cost to export (US\$ per container)	650	729	729	765
Cost to import (US\$ per container)	850	879	879	915
Documents to export (number)	3	3	3	3
Documents to import (number)	4	4	4	4
Time to export (days)	9	9	9	9
Time to import (days)	9	9	9	9

3. The following graphs illustrate the Trading Across Borders sub indicators in Panama over the past 4 years:







These tables list the procedures necessary to import and export a standardized cargo of goods in Panama. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	4	150
Customs clearance and technical control	1	50
Ports and terminal handling	1	265
Inland transportation and handling	3	300
Totals	9	765

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	6	150
Customs clearance and technical control	1	200
Ports and terminal handling	1	265
Inland transportation and handling	1	300
Totals	9	915

Documents for Export and Import

Export
Bill of Lading
Commercial Invoice
Customs Export Declaration
Import
Bill of lading
Commercial Invoice
Customs Import Declaration
Packing List

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a “data highway” for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

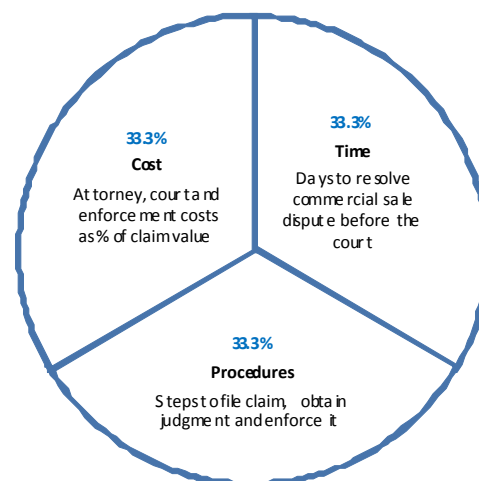
Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

Enforcing Contracts: resolving a commercial dispute through the courts
Rankings are based on 3 subindicators



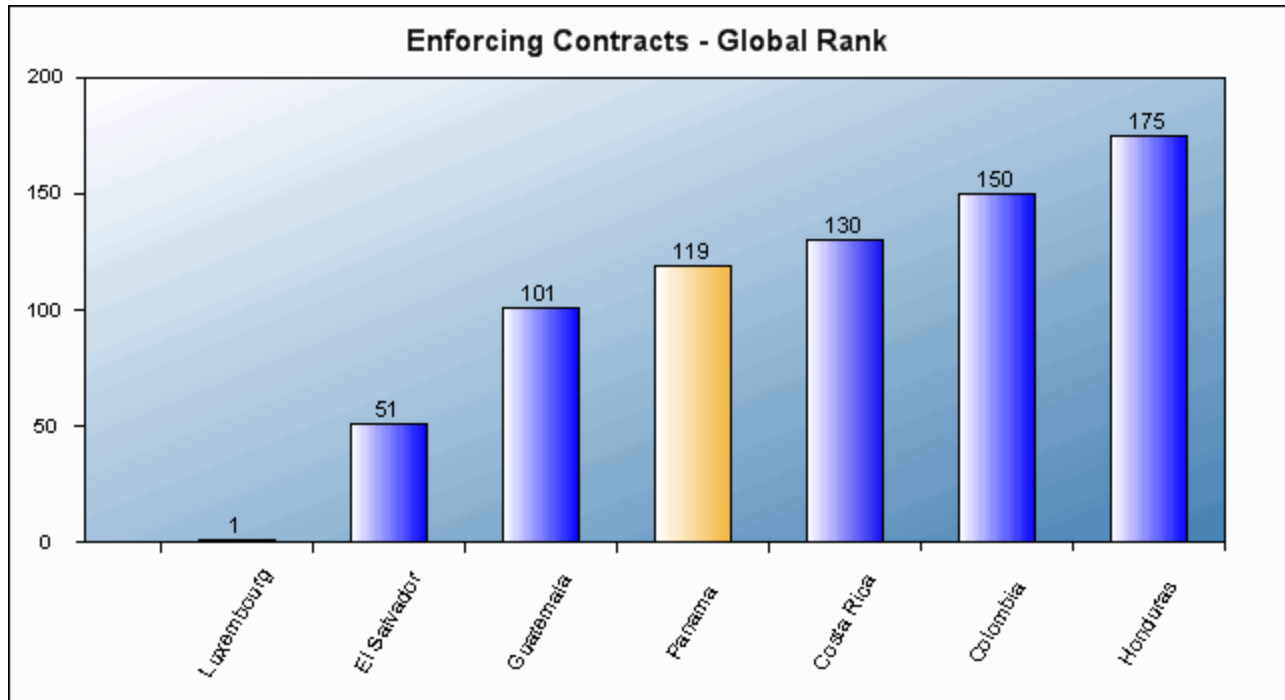
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Panama is ranked 119 overall for Enforcing Contracts.

Ranking of Panama in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Panama compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

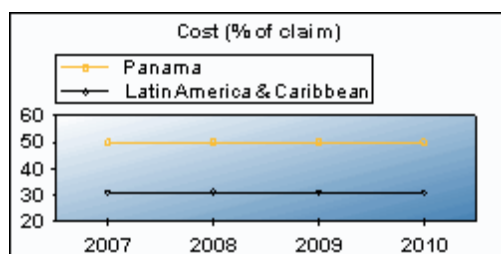
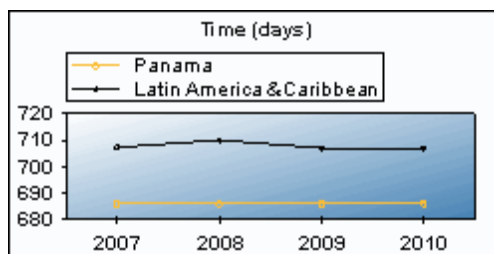
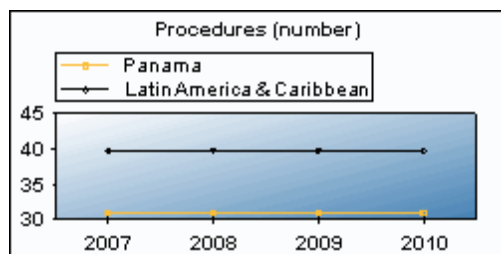
<i>Selected Economy</i>			
Panama	31	686	50.0

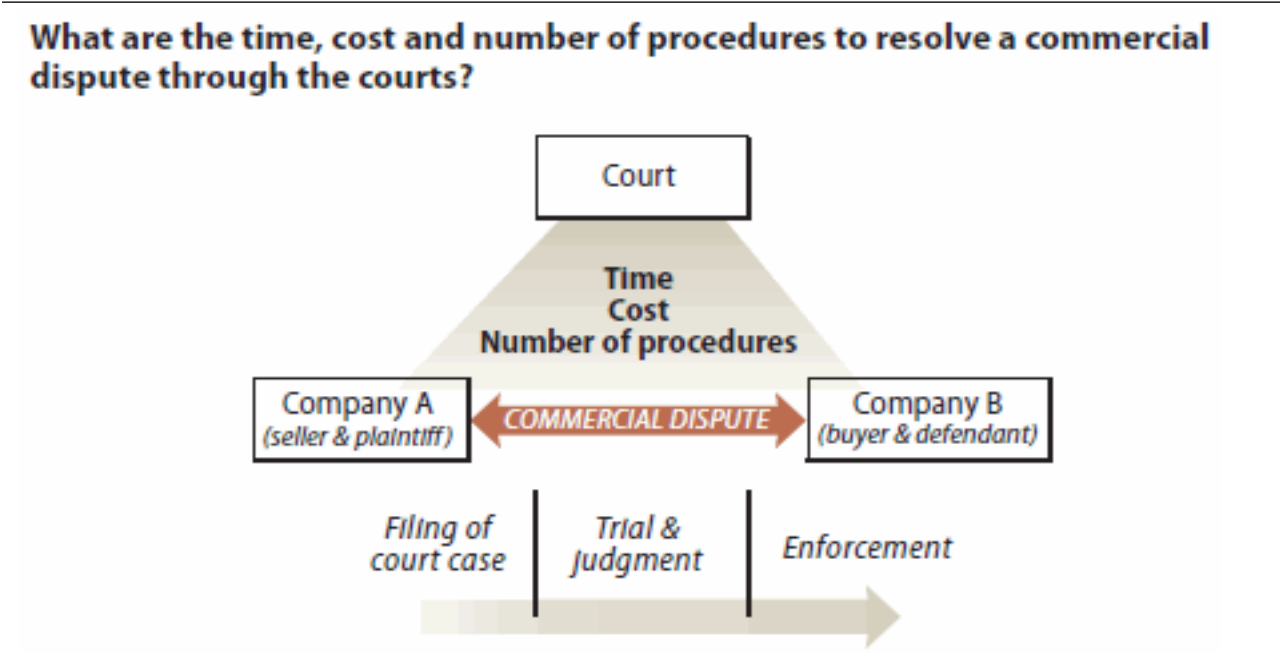
<i>Comparator Economies</i>			
Colombia	34	1346	47.9
Costa Rica	40	852	24.3
El Salvador	30	786	19.2
Guatemala	31	1459	26.5
Honduras	45	900	35.2

2. Historical data: Enforcing Contracts in Panama

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	119	119
Procedures (number)	31	31	31	31
Time (days)	686	686	686	686
Cost (% of claim)	50.0	50.0	50.0	50.0

3. The following graphs illustrate the Enforcing Contracts sub indicators in Panama over the past 4 years:





This topic looks at the efficiency of contract enforcement in Panama.

Nature of Procedure (2010)		Indicator
Procedures (number)		31
Time (days)		686
Filing and service		21.0
Trial and judgment		300.0
Enforcement of judgment		365.0
Cost (% of claim)*		50.00
Attorney cost (% of claim)		24.8
Court cost (% of claim)		25.0
Enforcement Cost (% of claim)		0.2
Court information:	Panama Civil Circuit Court, First Judicial Circuit ("Juzgado de Circuito del Primer Circuito Judicial de Panamá")	

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

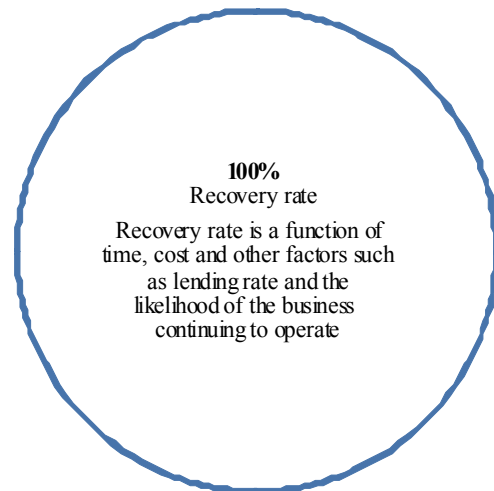
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

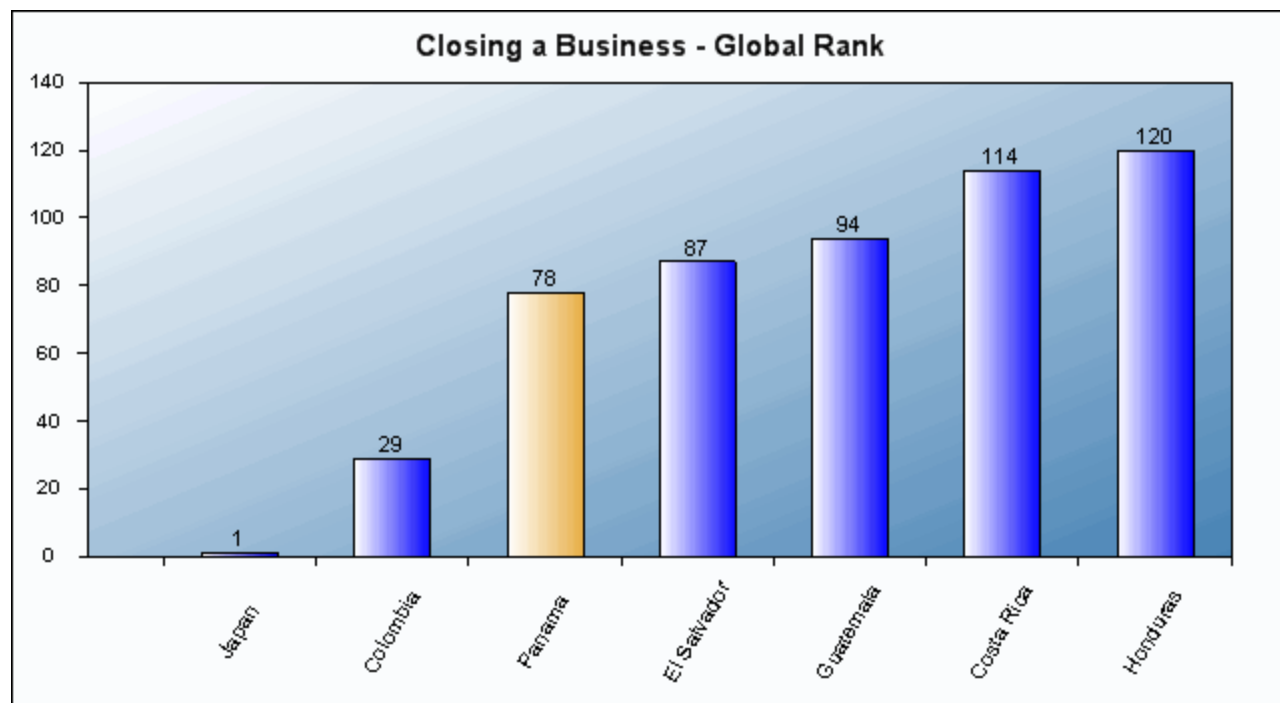
The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Panama is ranked 78 overall for Closing a Business.

Ranking of Panama in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Panama compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Panama	32.4	2.5	18

<i>Comparator Economies</i>			
Colombia	62.4	3.0	1
Costa Rica	21.2	3.5	15
El Salvador	29.2	4.0	9
Guatemala	27.5	3.0	15
Honduras	19.9	3.8	15

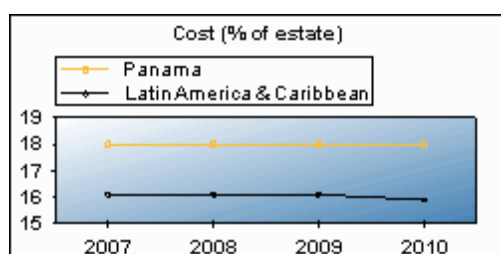
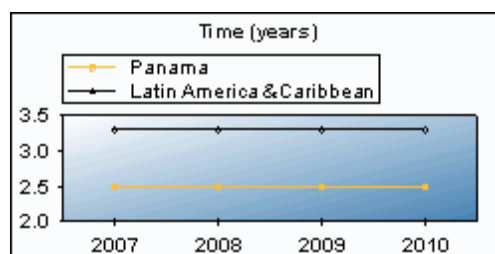
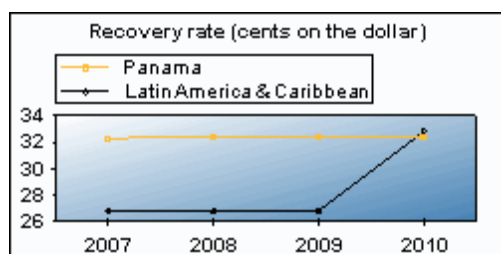
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Panama

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	76	78
Time (years)	2.5	2.5	2.5	2.5
Cost (% of estate)	18	18	18	18
Recovery rate (cents on the dollar)	32.3	32.4	32.4	32.4

3. The following graphs illustrate the Closing Business sub indicators in Panama over the past 4 years:





Doing Business 2011 Business Reforms

Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	<div><div> Positive Change</div><div> Negative Change</div></div>								
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Kazakhstan	✓	✓			✓		✓		
Rwanda		✓		✓			✓		
Peru	✓	✓	✓				✓		
Vietnam	✓	✓		✓					
Cape Verde	✓		✓				✓		
Tajikistan	✓				✓	✓			
Zambia	✓						✓	✓	
Hungary		✓	✓			✓			✓
Grenada	✓		✓				✓		
Brunei Darussalam	✓					✓	✓		

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Colombia	Colombia eased construction permitting by improving the electronic verification of prebuilding certificates.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Panama	Panama eased business start-up by increasing efficiency at the registrar. Panama made it more expensive to transfer property by requiring that an amount equal to 3% of the property value be paid upon registration. Panama reduced the corporate income tax rate, modified various taxes and created a new tax court of appeals.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam	Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.
Zambia	Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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