



It is important to understand that Panama's Property Tax Exoneration is actually a Property Improvement Tax Exoneration. That means that you as a property owner are still responsible for paying land taxes, which you can pay quarterly, yearly, or at the time of selling your property. Your property improvements are your house, bohio, swimming pool, casita, garage, deposit, etc., and it is these 'improvements' that are exempt from taxes.

Panama's Property Tax Exoneration incentive has been in place for many, many years.

However, sometime around 2004 Panama began promoting this tax benefit to attract both foreign and local investors and developers. At that time the exoneration period was 20 years from the date of occupancy of the new residence (the exoneration period has since been changed to 15,10 or 5 years depending upon the value of the improvements). Most new homeowners made the assumption that their builder, developer, or attorney automatically filed for this exoneration during the building process. Well, that's where it can get confusing and here are the steps that must be taken in order for a property to be granted a Property Tax Exoneration in Panama.

To apply for an exoneration, you will need to have:

- 1) Set of blueprints of the house
- 2) Building permit
- 3) Occupancy permit

These three documents will need to be have been 'approved' by the District authority (in Coronado it would be

Chame

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Take these documents to your attorney, who will first need to file a "

Declaracion

de

Mejoras

" (Declaration of Improvements) to the Public Registry. Once the Declaration of Improvements is registered, a copy of the registration must be taken to

Catastro

, an independent office of the Ministry of Economic & Finance, to update the values, which now will be distributed between land and improvements, for whatever value the building permit/s and occupancy permit show.

A month or so later, when the values are updated, a copy of the permits and the Deed of Declaration of Improvements have to be filed in the Ministry of Economic & Finance, that's when you officially apply for the exoneration, which can take somewhere between 6 to 8 months to be granted.

If you are considering putting your property on the market, it's a good idea to first call your attorney. They can request an estimated tax bill from the Ministry's accounting department so you will know what to expect when closing your transaction. Also, be sure to ask if you have a Property Tax Exoneration in place and if not, you now know what steps need to be taken. In the event that you receive an offer on your property while the tax exoneration is being filed it should not prevent you from moving forward with the transaction, provided all parties understand the process.

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