

POSITION OF PANAMA ON THE AEOI

Panama is working on its Model of Agreement for the Automatic Exchange of Financial Information.

During more than 50 years the Republic of Panama has successfully developed a platform of financial and corporate services offering both local users as foreigners, without distinction. The success of the platform has been based on providing a stable legal framework, a territorial tax system, an atmosphere of political and economic stability, as well as the respect for the right of privacy.

Since July 2014, the OECD has promoted the adoption of measures that generate greater cooperation on tax matters, based on a model of automatic exchange of financial information on tax issues (Automatic Exchange of Information - AEOI). Under this new model the tax authorities have acquired the commitment of collecting financial information of foreigner cardholders and exchange it automatically, with the governments of the countries with whom these people with tax obligations.

In a responsible manner, the Government of the Republic of Panama took the necessary time to analyze with property the scope, requirements and other implications of a commitment to the AEOI and then to make an objective assessment, it was considered desirable that the President of the Republic, in the framework of the 70th General Assembly of the United Nations, carry out the official announcement of the political decision of Panama to move toward the implementation of the AEOI.

In his statement, President Juan Carlos Varela explained in a clear manner that Panama is ready to move forward with this commitment of bilaterally and so conditioned to that, "according to the capacity and national circumstances and the international geo political environment, respects the right of every country to take measures to ensure that the AEOI is not used to undermine the competitiveness of some countries to the detriment of others".

On the basis of the above declaration, commitment to the AEOI will be developed on the basis of the following principles:

- I. The exchange will be based on bilateral agreements without accepted external pressures in relation with the countries with which agreements must be subscribed;
- II. It will require absolute reciprocity in the exchange of information;
- III. There must be equality of conditions at the level of all members of the Global Forum on Transparency and Exchange of Information and financial centers, in order to avoid that the AEOI is used as a

disincentive to affect the competitiveness of the country for the benefit of other financial centers;

- IV. Existence of legal framework to protect the confidentiality, secure methods that protect the save data, and to ensure that the information will be used in an appropriate manner and only for the purposes laid down in the agreements that sustain the AEOI;
- V. Certainty that the countries with which agreements are signed, are in a position to protect the basic guarantees of the users of the Panamanian Services platform and not expose them to unreasonable risks of a political, economic nature or to their personal security.
- VI. Any cooperation should always be within the respect of the fundamental principles of Public International Law as the legal and sovereign equality of States.

The Government of the Republic of Panama is working on its Model of Agreement for the Automatic Exchange of Financial Information and in the development of the regulatory framework needed for their implementation, to which will involve the sectors impacted, ensuring that the theme to be developed in a participatory framework.

The Model of Agreement will take into account elements of the IGA 1A Model and of Standard of AEOI developed by the OECD, which are appropriate and match the underlying principles of the commitment of the Government of the Republic of Panama.

It is a goal to which the Government is in a position to implement its commitment of automatic exchange of information from the year 2018, to the extent that the indicated conditions are given.

As was expressed by the President of the Republic of Panama in the 70th General Assembly of the United Nations, the Government reiterates its proposal that the discussion of the issues related to the international taxation and cooperation in fiscal transparency should be discussed in the context of the United Nations, ensuring in this way that the debate and decisions are developed by the countries on equal footing.