

**LAW NO. 19
OF MAY 4TH OF 2001**

That creates a Special Fiscal and Customs Regime of Free Zone, Tourism and Multimodal Logistics Support in Barú

THE LEGISLATIVE ASSEMBLY DECREES:

Chapter I

The Free Zone

Article 1. A Special Tax and Customs Regime for Tourism Free Zone and Multimodal Logistics Support is created in the district of Barú, province of Chiriquí, called the Barú Free Zone, which will have its own legal personality and autonomy in its internal regime, but will be subject to the surveillance of the Government Executive Branch and the General Comptroller Office of the Republic, under the terms of this Law.

Article 2. The Free Trade Zone of Barú will be located in the district of Barú and will have its legal domicile in the city of Puerto Armuelles.

Article 3. In this Free Zone, the following operations, transactions, negotiations and activities may be carried out:

- 1.** Import, re-export, unload, dispatch by land, sea or air, store, exhibit, pack, unpack, manufacture, package, assemble, refine, purify, mix, transform and, in general, operate and handle all kinds of merchandise, products, raw materials, containers and other commercial effects, with the sole exception of articles of prohibited importation, in accordance with the laws of the Republic;
- 2.** Allow natural or legal persons, national or foreign, resident or non-resident, to carry out the same operations or activities that have satisfied the requirements of this Law in each case, and to carry out on their own behalf or on behalf of third parties, in own

benefit or that of third parties, the same operations, activities, negotiations and transactions mentioned in the previous numeral;

3. Construct buildings for offices, factories, warehouses, workshop warehouses for their own use or to lease them to the natural or legal persons referred to in the previous numeral;
4. Lease plots of land so that other natural or legal persons, national or foreign, resident or non-resident, build buildings for the same purposes indicated in the previous numerals, for the exploitation of such works;
5. Establish services of water, electricity, gas, telecommunications, power, heat, refrigeration or any kind of public services, or contract with other natural or legal persons the provision of such services;
6. Build ports, airfields, docks, slipways, embarkation points, railway or land loading and unloading stations, or grant concessions and franchises to other natural or legal persons, national or foreign, for the construction and exploitation of such works; and
7. Allow, for strict reasons of social interest, national natural persons, the sale of food and non-alcoholic beverages, through non-permanent stalls, within the segregated area. The Barú Free Trade Zone will regulate the authorization for these cases.

Article 4. The Barú Free Zone will be free from the payment of any tax, contribution or levy, national or of any other order; and in the judicial actions in which he is a party, will enjoy all the facilities granted by the Nation and the procedural laws. The personnel that works with the companies established in the Barú Free Zone, as well as the residents of the district of Barú, will not enjoy tax exemptions and fiscal franchise.

Article 5. All merchandise that is withdrawn for use or consumption in the fiscal territory of the Republic of Panama, will pay the corresponding customs duties in each case.

Article 6. The Barú Free Trade Zone will issue its own internal regulations, which must be approved by executive decree.

Article 7. The Nation is subsidiarily responsible for the obligations contracted by the Barú Free Trade Zone.

Article 8. The companies established in the Barú Free Trade Zone will enjoy all the additional tax incentives to which they may avail themselves, in accordance with the laws in force.

Article 9. All merchandise and other articles or commercial effects that enter the free trade areas owned or operated by the Barú Free Trade Zone, will be exempt, at all times, from the payment of taxes, levies and other national fiscal contributions. or of any other order, both for its introduction in said areas, and for its permanence within them, except for the payment of lease of premises or services of storage, custody, stowage, hauling or of any other kind that are provided within free trade areas, in accordance with the regulations and rates issued by the Barú Free Trade Zone, with the approval of the Executive Branch.

Chapter II

The Patrimony

Article 10. The Barú Free Trade Zone will own and operate within the district of Barú, province of Chiriquí, one or several adjacent areas of easy communication with the ports, which will exclusively be used for international trade or trade operations established in this Law. These areas will be fenced and their entrance and exit will be through the doors designated for such purposes.

Article 11. For the establishment of the free international trade areas referred to in the previous article, the Nation will grant to the Barú Free Trade Zone the enjoyment and usage of the extensions of land that may be necessary, as long as such land is nationally owned.

Once the areas necessary for such purpose have been determined, the Government Executive branch, by means of a cabinet decree, will authorize the Minister of Economy and Finance to grant its usage to the Barú Free Trade Zone, if it is national land; as well as to carry out any other transaction, if it is private real estate.

Article 12. The Barú Free Trade Zone may also, at any time and on its own account, acquire ownership or usage rights over any other extension of land or port waters to also use them for the purposes of this Law, as well as also to build dikes, landfills, docks, piers and other similar works for the same purpose.

Article 13. The patrimony of the Barú Free Zone will be constituted by:

1. The property or usage rights that you acquire on its own account, in accordance with this Law;
2. The usage rights of the lands that the Nation grant to it, in accordance with this Law;
3. The income and sales that its receive from the goods that has acquired for its development;
4. The rights, rates, fees and collections that receives in payment for the services provided in the designated areas;
5. All other rights and assets acquired, in accordance with the law.

The profits obtained by the Barú Free Trade Zone each year will be distributed as follows: forty percent (40%) will enter the National Treasury in cash, as a dividend corresponding to the Nation; twenty percent (20%), to the Municipal Treasury, for the investment budget of the district; and forty percent (40%), to form a Reserve Fund for the Barú Free Trade Zone.

Article 14. The Barú Free Zone will have an initial capital that will be contributed by the Nation, for the beginning of its operation in general.

Chapter III
The administration

Article 15. The management, direction and administration of the Barú Free Trade Zone will be in charge of a Manager, who will be appointed by the President of the Republic and ratified by the Legislative Assembly. The Government Executive Branch will appoint a Deputy Manager at the request of the Board of Directors, who will be ratified by the Legislative Assembly.

Article 16. The Barú Free Trade Zone will have a Board of Directors composed of five main Directors and two alternates, who will alternately substitute the main ones during their absences. Through the regulation of this Law, the procedure to be appointed will be determined.

Article 17. The Board of Directors will meet regularly, without prior notice, at least once a month. The date of the meeting will be set by resolution of the same Board of Directors. In ordinary meetings there will be a quorum provided that at least three main Directors are present. The decisions of the Board of Directors will be taken by the absolute majority of its members.

Article 18. The Board of Directors will meet extraordinarily every time it is convened by its President, by the Manager or by two Directors, at least twenty-four hours in advance. The call for these meetings will be made in person or in writing and will be recorded in the minutes. In the extraordinary meetings there will be a quorum when three main Directors attend.

Article 19. The following are functions of the Board of Directors:

1. Establish the administrative and operational performance goals of the Institution;

2. Meet regularly, at least once a month, on the dates determined by the Board of Directors itself and, in addition, whenever it is convened by its President, by the Manager or by two Directors;
3. Authorize any operation, negotiation or transaction in relation to the Free Zone;
4. Resolve matters submitted by the Manager or any Director;
5. Establish the maximum amount of expenses, disbursements, obligations and contracts that the Manager may carry out or subscribe in the name and on behalf of the Institution;
6. Authorize the Manager to contract loans, issue bonds or mortgage bonds, encumber or commit the incomes of the areas that the Institution receives in usage, from the Nation, and to grant concessions and franchises in accordance with the provisions of numeral 6 of the Article 3 of this Law, provided that there is the favorable vote of four Directors and the favorable concept of the Manager. Subsequently, it will be presented to the National Economic Council (CENA) so that it is submitted to its favorable opinion. The amount of said procedure will determine the favorable opinion of the Government Cabinet Council;
7. Set the interest rates, the rental fees and the rates and fees for the services provided in the free trade areas;
8. Approve the Budget of Income and Expenses of the Institution and its modifications;
9. Ensure the smooth running of the Institution and order or advise the Manager on the measures that consider necessary; and
10. All those established by the regulations.

Article 20. The functions of the Manager of the Barú Free Trade Zone are incompatible with those of any other paid public job or position. His functions are also incompatible with the exercise of commerce and with the management or intervention in the management of any other business or company, with the exception of those in which the Institution has a direct interest for reasons of investments or contracts.

Article 21. The special functions of the Manager are:

1. Direct, carry out and order all operations, transactions and other activities included within the normal and current business of the Institution, with the prior authorization of the Board of Directors;
2. Organize and supervise the functioning of the different departments of the Institution;
3. Appoint, transfer and remove junior employees, determine their duties, impose sanctions for administrative offenses, grant vacations and licenses, in the performance to the standards that have been set by the Board of Directors;
4. Submit to the Board of Directors and the Government Executive Branch once a year, a report with detailed description of the Institution's activities;
5. Submit to the Board of Directors, within the first ten days of the month of December each year, the Budget of Expenses for the following year and the accounting reports within the month of January of each year;
6. Send monthly to each member of the Board of Directors and to the General Comptroller of the Republic, a copy of the monthly balance sheet;
7. Propose to the Board of Directors the appointment and removal of the Legal Advisor, Technical Advisors and Department Heads, as well as the setting and verification of their salaries;
8. Ensure the correct administration of the institution's investments and businesses, and the faithful compliance, by all officers and employees, of their duties and obligations; and
9. Give the Board of Directors and the Directors, all the reports that they request about the activities and operations of the Institution.

Article 22. The Government Executive Branch is empowered to take the measures and issue the regulations it deems appropriate for the organization and administration of the Barú Free Trade Zone.

Chapter IV

The Processing Zone for Export

Article 23. A special and simplified regime is created for the establishment and operation of an Export Processing Zone in the district of Barú, which will help create jobs and foreign exchange for the country, and will be incorporated into the global economy, through the regime of exports of goods and services, in accordance with the provisions of Law 25 of 1992, which regulates the Export Processing Zones.

Chapter V

The Oil Free Zone

Article 24. The Barú Oil Free Zone is created, in accordance with the provisions of Law 8 of 1987, Decree 26 of 1993, Cabinet Decree 29 of 1992, modified by Cabinet Decree 38 of 1992, by Decree Cabinet Decree 4 of 1993 and Cabinet Decree 14 of 1993.

Chapter VI

Cruise Port and Special Tourism Area

Article 25. The government Dock, located in the city of Puerto Armuelles, district of Barú, province of Chiriquí, is hereby enabled for cruise service and, therefore, for international passenger service.

Article 26. The Executive Branch may grant a concession for the administration of this port and any other that is considered suitable for this activity.

Article 27. A Special Trade Free Area is created, within the perimeter of the Port of Armuelles, whose sole purpose is the sale of duty-free merchandise to tourists from ships that dock at said authorized port. These merchandise will leave the territory of the Republic

of Panama through the ports authorized by law, through the corresponding customs procedure and, therefore, will not cause customs duties.

Article 28. It will be up to the Port Administration to contract the customs control and surveillance services, in accordance with the procedures determined in the Fiscal Code. The matter in this regard will be regulated.

Article 29. The district of Barú will be considered a National Tourism Development Zone, in which activities of the tourism sector may be carried out. People who invest in this Zone may avail themselves of the tax incentives contemplated in article 17 of Law 8 of 1994 and other laws in force on this matter.

Chapter VII

Final Provisions

Article 30. This Law will be applied jointly with the following existing provisions: Law 8 of June 16, 1987; Law 25 of November 30, 1992, its regulations and its modifications; Law 8 of June 14, 1994; Decree Law 22 of September 15, 1960; Decree 29 of July 14, 1992 and its modifications; Decree 26 of May 6, 1993; Decree Law 7 of February 10, 1998 on the Panama Maritime Authority; the legal provisions referring to the Colon Free Zone, its modifications and regulations; articles from 632 to 640 of the Tax Code and all those referring to the matters determined in this Law.

Article 31. This Law will enter into force within a maximum period of one hundred and twenty days, counted from its promulgation.

COMMUNICATE AND FOLLOW.

Approved in third debate, in the Justo Arosemena Palace, Panama City, on the 22nd day of the month of March of the year two thousand and one.