

Mobility: Immigration alert

March 2023



Panama

Major changes in work permit regulations to go into effect on 1 April 2023

Executive summary

On 1 April 2023, Panama's immigration framework will undergo major changes, including a restructuring of work permit categories, updated application processing times and new conditions for filing extension applications.

Key developments

Earlier this month, the Panamanian authorities implemented Executive Decree No. 4, which amended Articles 17, 18 and 19 of the Labor Code. These amendments will go into effect on 1 April 2023.

Changes to the work permit system

Beginning 1 April 2023, eligible foreign nationals will be able to apply for work permits under the following categories:

- ▶ **Local Workforce.** Work permits under this category will be available to foreign nationals who: (1) have lived in Panama for at least 10 years; (2) are married to a Panamanian national; (3) hold special residence permits; (4) are non-Panamanian parents of Panamanian children under the age of 18; (5) hold resident status under the Treaty of Friendship, Commerce and Navigation between Panama and Italy; or (6) hold diplomatic, consular, administrative or international entity personnel status in Panama.
- ▶ **Labor Code Quotas.** Work permits under this category will be available to foreign nationals who are hired: (1) as part of an organization's general personnel, subject to a quota of up to 10% of its total workforce; (2) as experts or technicians among an organization's special personnel,

subject to a quota of up to 15% of its total workforce; and (3) by employers that have fewer than 10 employees.

- ▶ **Special Laws.** Work permits under this category will be available to foreign nationals who are hired: (1) as executives in the Colón Free Zone; (2) by authorized employers under the City of Knowledge Foundation scheme; (3) by employers located in the Panama Pacific Area; (4) by employers located in other Free Zones; (5) by employers licensed under the Multinational Headquarters Company (SEM) scheme; or (6) by employers licensed under the Multinational Company Rendering Manufacturing Services (EMMA) scheme.
- ▶ **Humanitarian Protection.** Work permits under this category will be available to foreign nationals who are considered refugees, asylees, stateless persons or human trafficking victims or who hold temporary humanitarian status in Panama.
- ▶ **Special Conditions.** Work permits under this category will be available to: (1) citizens of "[friendly nations](#)"; (2) foreign nationals working in professions that are not reserved for Panamanian nationals (e.g., doctors); (3) foreign nationals who were previously residing in Panama unlawfully but acquired lawful immigration status; (4) dependents of Panamanian residents who arrive in Panama for family reunification purposes; and (5) qualifying university students.
- ▶ **Temporary Workers.** Work permits under this category will be available to certain short-term travelers who engage in specific activities (e.g., technicians, athletes, artists, entertainment workers).

The following changes will go into effect for work permits sponsored by employers licensed under the SEM and EMMA schemes:

- ▶ A new work permit category will be created for certain middle and senior managers working at these companies.
- ▶ Dependents of these companies' employees will be eligible to apply for work permits only if they qualify under applicable quotas.

Under the Special Laws category:

- ▶ Work permit issuance will be subject to quotas prescribed by the Labor Code.
- ▶ Work permit applicants will be allowed to be self-employed or employed by a Panamanian company, subject to applicable conditions.
- ▶ Foreign nationals who hold student residence permits will be allowed to apply for work permits.

Under the Temporary Worker category:

- ▶ Work permit issuance will not be subject to quotas.
- ▶ Employers will be able to file new work permit applications on behalf of their employees before they arrive in Panama, provided they submit the following documents: (i) a letter of responsibility (i.e., a certificate issued by the employer taking responsibility for the individual); (ii) an employment contract; and (iii) documents proving the applicant's date of arrival in Panama. Employers will be required to submit other relevant documents within three business days of the applicant's arrival. Currently, employers cannot file work permit applications until the individual arrives in the country.
- ▶ Executives who visit Panama for no more than 15 days and do not generate income locally must notify the Ministry of Labor of their arrival.
- ▶ Companies that host foreign nationals who visit Panama to conduct activities pursuant to product/service warranties and do not generate income locally must notify the Ministry of Labor of their arrival. Currently, companies are not required to notify the Ministry of these individuals' arrival.

Other changes

The following changes will also go into effect on 1 April 2023:

- ▶ *Application processing times.* Work permit applications will be processed in 40 days, up from 30 days currently.
- ▶ *Social Security Administration payroll certification.* Companies with more than 20 employees will be required to submit a Social Security Administration payroll certification issued by an authorized public accountant when filing certain work permit applications with the Ministry of Labor.
- ▶ *Extension of work permits.* Individuals will be required to submit extension applications at least 60 days before the expiry of their existing work permits (up from 30 days).
- ▶ *Cancellation of work permits.* Work permits may be canceled if the holder: (1) submits fake documents to the immigration authorities; (2) has their residence permit revoked or canceled; or (iii) is transferred to another company without obtaining prior authorization from the Ministry of Labor.

Impact on employers

The new work permit categories are expected to increase Panamanian organizations' access to foreign skilled labor. Companies may be required to undertake comprehensive reviews of their hiring/onboarding policies and processes to ensure they comply with applicable conditions (e.g., quotas, notification requirements).

Key steps

EY will continue to monitor these developments. Should you have any questions, we encourage you to contact one of our immigration professionals.

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