

Panama is a Central American country with a population of over 4 million. The country is on the isthmus linking South and Central America, and it features the well-known Panama Canal. The capital of Panama, Panama City, is a modern city as well as the only place in the world where you can watch the sun rise over the Pacific Ocean and set over the Atlantic Ocean.

Globalization Partners will help companies like yours expand to Panama and get all the benefits of working in the country. We can use our Panama subsidiary to help you work fast without needing your own entity. When you choose Panama payroll outsourcing with us, we'll add your employees to our payroll for total compliance.

Payroll Taxation Rules in Panama

Panama has some favorable tax laws, especially for foreigners living and working in the country. All income earned outside the country is exempt for residents, non-residents, and companies. Income tax features a progressive rate, so employees owe more as their income increases.

Employees must contribute 9.75% of their gross pay to social insurance and 1.25% for educational insurance. Employers contribute 12.75% of the workers' pay, plus an additional 1.5% educational insurance tax.

Panama Payroll Options

Do you know what type of payroll would work best for your company? You have four main Panama payroll options to choose from:

- Remote: If your parent company has a payroll in another country, you can pay employees remotely using that same payroll. However, your employees in Panama may have different regulations to follow than your parent company's employees.
- Internal: Companies with a large subsidiary and a substantial commitment to Panama may want to examine an internal payroll option. Before you start, make sure you have an HR staff well-versed in Panama's laws and the budget to handle a large payroll.

- Panama payroll processing company: Do you want to work with a local payroll processing company? This solution is one way to outsource your payroll, but you'll still need to focus on meeting the applicable laws.
- Panama payroll outsourcing: Choosing Panama payroll outsourcing with Globalization Partners will give you the most benefits. We'll outsource your payroll and compliance as the Employer of Record to give you the ultimate peace of mind.

Requirements to Set up a Panama Payroll

Setting up your Panama payroll will require an established subsidiary in the country or a partnership with a global PEO. Globalization Partners will allow you to use our existing subsidiary, so you won't have to set up your own. By eliminating that requirement, you can work faster, hiring employees, paying them, and more.

Termination and Entitlement Terms

Writing termination and entitlement terms in an employment contract will help you stay compliant and avoid legal ramifications. It's relatively easy to terminate an employment contract during an employee's first two years of employment. You must give written notice at least 30 days before or pay at least 30 days of the employee's salary and another 3.4 weeks of pay for every employment year. After two years, employees can only get fired for "just cause."

Work With Globalization Partners

Globalization Partners believes everyone should have a hassle-free and fast expansion. [Contact us today](#) to learn more about Panama payroll outsourcing and our other services.