

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: Panama



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This Profile provides information about the application of IFRS Standards in Panama. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

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| Organisations | <p>Comisión de Normas de Contabilidad Financiera de Panamá (NOCOFIN)</p> <p>Colegio de Contadores Públicos Autorizados de Panamá</p> |
| Role of the organisations | <p>The Accounting Technical Board, which reports to the Ministry of Commerce and Industry, is the body empowered to issue accounting standards in Panama. NOCOFIN is an advisory body to the Accounting Technical Board when it comes to accounting and auditing standards.</p> <p>The Colegio is the professional association of licensed accountants.</p> |
| Website | http://www.colegiocpapanama.org/ |
| Email contact | colegiocpa@cableonda.net |

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

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| Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards? | Yes. See answer to next question. |
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| <p>Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?</p> | <p>Yes.</p> <p>In Article 16 of Law 6 of 2 February 2005, Panama added the following paragraph 3 to Article 699 of the Fiscal Code:</p> <p style="padding-left: 40px;">Paragraph 3: From 1 January 2006, the General Revenue Directorate will only accept income tax returns prepared according to accounting records that use the accrual-basis system based on IFRS. In exceptional circumstances, it will be possible to use the cash-basis system with previous permission from the General Revenue Directorate, according to the taxpayer's economic activity.</p> <p>Secondly, Article 74 of the same law (Law 6 of 2 February 2005) adds the following three paragraphs to Article 14 of Law 57 of 1978 (which is the Law of Certified Public Accountants):</p> <p style="padding-left: 40px;">Paragraph 1. IFRS that have already been issued and those that will be issued by the IASB (independent body established to enact accounting standards that can be applied worldwide) shall be adopted and applied in the Republic of Panama.</p> <p style="padding-left: 40px;">Paragraph 2. International Auditing Standards and Rules shall be adopted and applied in the Republic of Panama. These include standards and guides issued and to be issued by the International Auditing Practices Committee from the International Federation of Accountants, for financial statements audits.</p> <p style="padding-left: 40px;">Paragraph 3. The Financial Accounting Standards Commission (NOCOFIN) shall be authorised to recommend the necessary regulatory actions, applicable to International Accounting Standards and to International Auditing Guides or Rules issued by international organizations.</p> <p>Furthermore, by means of Agreement 4 of 11 May 1999 of the Superintendence of Banking and by means of Resolution 8 of 22 May 2000 of the National Securities Commission, with the due endorsement of constitutional law, IFRS Standards and US GAAP shall be adopted as a basis for the preparation of financial statements for banking entities and companies registered with the National Securities Commission. More recently, by means of Law No. 12 of 3 April 2012, all insurance companies are required to use IFRS Standards starting in year 2014.</p> |
| <p>What is the jurisdiction's status of adoption?</p> | <p>Panama has adopted IFRS Standards and the IFRS for SMEs Standard.</p> |
| <p>Additional comments provided on the adoption status?</p> | <p>IAS Standards (now called IFRS Standards) were adopted and required for all domestic and foreign companies listed on the Stock Exchange in Panama starting from 2000, by means of a Resolution issued by the National Securities Commission (now known as the Superintendence of the Stock Market).</p> <p>Also, IAS Standards (now called IFRS Standards) were adopted starting from 2000 by Agreement 4 issued by the Superintendence of Banking (now known now as Superintendence of Banks of Panama).</p> |
| <p>If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.</p> | <p>Not applicable.</p> |

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

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| Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements? | Yes. |
| If YES, are IFRS Standards REQUIRED or PERMITTED? | Permitted. All domestic (Panamanian) companies listed on the stock exchange are required to use either IFRS Standards or US GAAP. |
| Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones? | All. |
| Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market? | Yes. All companies listed on the stock exchange are required to use either IFRS Standards or US GAAP. |
| For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market? | Required (either IFRS Standards or US GAAP). |
| For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market? | Required. |
| If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future? | Not applicable. |

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

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| Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements? | Yes. |
| If YES, are IFRS Standards REQUIRED or PERMITTED in such cases? | Permitted. All foreign companies listed on the stock exchange are required to use either IFRS Standards or US GAAP. |
| Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? | All. |

IFRS ENDORSEMENT

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| Which IFRS Standards are required or permitted for domestic companies? | IFRS Standards as issued by the IASB Board. |
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| The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with: | IFRS Standards, except in the case of individual financial statements of banks (for regulatory purposes), which refer to IFRS Standards as modified by banking prudential rules. Bank holding companies (also for regulatory purposes) must report their consolidated financial statements under full IFRS Standards starting in 2014. Banks registered with the Superintendence of the Stock Market must use either full IFRS Standards or US GAAP. |
| Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)? | No, but reports on banks' individual financial statements for regulatory purposes refer to the use of IFRS Standards modified by banking prudential rules. If the bank is listed with the Stock Exchange it must make adjustments and present financial statements under full IFRS Standards or US GAAP, and auditor's reporting should refer to financial statements prepared under full IFRS Standards or US GAAP. |
| Are IFRS Standards incorporated into law or regulations? | Yes. |
| If yes, how does that process work? | See above. |
| If no, how do IFRS Standards become a requirement in the jurisdiction? | Not applicable. |
| Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place? | No. Adoption is automatic. |
| If yes, what is the process? | Not applicable. |
| If no, how do new or amended IFRS Standards become a requirement in the jurisdiction? | The securities and banking laws require IFRS Standards without the need to endorse individual new or revised IFRS Standards. |
| Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards? | No, except for individual (separate company) financial statements of banks (for regulatory purposes). |
| If yes, what are the changes? | In the case of banks (for regulatory purposes), provisions for loan losses and repossessed assets are measured according to rules issued by the Superintendence of Banks of Panama and not according to IFRS Standards. However, for banks' holding companies, starting in 2014, provisions must be established according to IFRS Standards. Therefore in 2014 companies with bank subsidiaries will have to prepare consolidated financial statements with their provisions and reserves reconverted to IFRS Standards and not according to prudential regulations from the Superintendence of Banks of Panama. The bank subsidiary will continue to prepare its separate company financial statements according to IFRS Standards as modified by banking prudential rules, for regulatory purposes. |
| Other comments regarding the use of IFRS Standards in the jurisdiction? | None. |
| TRANSLATION OF IFRS STANDARDS | |
| Are IFRS Standards translated into the local language? | The IFRS Foundation develops and publishes a Spanish translation of IFRS Standards. |

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| If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards? | The translation follows the official IFRS Foundation translation process. |
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APPLICATION OF THE IFRS FOR SMEs STANDARD

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| Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs? | Yes. |
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| If no, is the adoption of the IFRS for SMEs Standard under consideration? | Not applicable. |
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| Did the jurisdiction make any modifications to the IFRS for SMEs Standard? | No. |
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| If the jurisdiction has made any modifications, what are those modifications? | Not applicable. |
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| Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so? | All SMEs (as defined by the standard) are permitted, not required, to use the IFRS for SMEs Standard. |
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| For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use? | SMEs are also permitted to use full IFRS Standards. |
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| Other comments regarding use of the IFRS for SMEs Standard? | None. |
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