No. 7116

UNITED STATES OF AMERICA
and
PANAMA

Exchange of notes constituting an agreement relating to withholding of Panamanian income tax. Panamá, 12, 29 and 30 August 1963

Official texts: English and Spanish.

Registered by the United States of America on 7 February 1964.

ÉTATS-UNIS D'AMÉRIQUE
et
PANAMA

Échange de notes constituant une convention relative à la retenue à la source de l'impôt panaméen sur le revenu. Panama, 12, 29 et 30 août 1963

Textes officiels anglais et espagnol.

Enregistré par les États-Unis d'Amérique le 7 février 1964.

No. 7116. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT[1] BETWEEN THE UNITED STATES OF AMERICA AND PANAMA RELATING TO WITHHOLDING OF PANAMANIAN INCOME TAX. PANAMÁ, 12, 29 AND 30 AUGUST 1963

I

The American Ambassador to the Panamanian Minister of Foreign Relations

Panamá, R. P., August 12, 1963

No. 80

Excellency :

In response to the request of the Republic of Panamá, I have the honor to propose that the United States of America deduct and withhold income tax imposed by the Republic of Panamá upon the income of persons who are not exempt from income taxation by the Republic of Panamá and who reside either in the Canal Zone or in the Republic of Panamá and are employed within the Canal Zone in the service of the Canal, the railroad, or auxiliary works, insofar as that income is earned by service with the Canal, the railroad, or auxiliary works.

I have the further honor to propose the following withholding system :

1. There shall be withheld from the compensation of those employees not exempt from income taxation by the Republic of Panamá and who reside either in the Canal Zone or in the Republic of Panamá and are employed within the Canal Zone in the service of the Canal, the railroad, or auxiliary works, the amount of income tax, as computed in accordance with paragraph 4 of this agreement, imposed on such compensation by the law of Panamá.

2. The withholding of income tax shall commence with respect to compensation paid on or after September 1, 1963.

3. The withholding of the income tax of the Republic of Panamá shall be upon the compensation subject to such withholding under the provisions of the income tax law of the Republic of Panamá.

4. Withholding of the income tax of the Republic of Panamá shall be implemented in accordance with, and at the rates prescribed by, provisions of the income tax law of the Republic of Panamá, subject to any adjustments that may be required for mechanical reasons. Any amendment to the income tax law will be implemented upon a copy of such amendment being furnished to the United States by Panamá ; provided, that such

[1] Came into force on 30 August 1963 by the exchange of the said notes.