

No. 12826

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**UNITED STATES OF AMERICA  
and  
PANAMA**

**Exchange of notes constituting an agreement relating to  
taxation: withholding of contributions for educational  
insurance. Panamá, 8 September and 13 October 1972**

*Authentic texts: English and Spanish.*

*Registered by the United States of America on 21 November 1973.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
PANAMA**

**Échange de notes constituant un accord relatif à l'imposi-  
tion : déduction de certaines redevances destinées à  
couvrir l'assurance scolaire. Panamá, 8 septembre et  
13 octobre 1972**

*Textes authentiques : anglais et espagnol.*

*Enregistré par les États-Unis d'Amérique le 21 novembre 1973.*

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT<sup>1</sup> BETWEEN THE UNITED STATES OF AMERICA AND PANAMA RELATING TO TAXATION: WITHHOLDING OF CONTRIBUTIONS FOR EDUCATIONAL INSURANCE

I

*The American Ambassador to the Panamanian Minister of Foreign Relations*

EMBASSY OF THE UNITED STATES OF AMERICA  
PANAMÁ

September 8, 1972

No. 233

Excellency:

I have the honor to refer to Your Excellency's notes DREU-418/1021-1 of August 25, 1971 and DREU-20/1333 of January 18, 1972, requesting the Canal Zone authorities to deduct and remit to the Ministry of Finance contributions to educational insurance from salaries paid to certain Canal Zone employees and to my interim replies 174 and 13 of September 13, 1971 and of January 24, 1972 respectively.\*

In response to the request of your Government, and based upon my Government's understanding that the employee contribution provided for in article I, paragraph 2 of Cabinet Decree No. 168 constitutes a tax upon income within the contemplation of article II of the 1955 Treaty of mutual understanding and cooperation,<sup>2</sup> and is treated as such under Panamanian law, I am authorized to propose that the United States of America deduct and withhold contributions for such educational insurance from the income of its employees in the Canal Zone who are not exempt from income taxation by the Republic of Panama and who reside either in the Canal Zone or in the Republic of Panama.

I also propose that such contributions to educational insurance be withheld in accordance with the terms of the Agreement on withholding of Panamanian income tax effected by exchange of notes signed at Panamá August 12 and 30, 1963,<sup>3</sup> and (insofar as they are consistent with that agreement) with the provisions of Cabinet Decree No. 168 of your Government. Such withholding of educational insurance shall commence with respect to compensation paid for the first pay period beginning 120 days after the acceptance by your Government of this proposal.

It is understood that this proposal is not to be construed:

\* Not printed.

<sup>1</sup> Came into force on 13 October 1972 by the exchange of the said notes.

<sup>2</sup> United Nations, *Treaty Series*, vol. 243, p. 211.

<sup>3</sup> *Ibid.*, vol. 488, p. 11.

- a. as consent by the United States of America to the imposition or withholding of any tax of the Republic of Panama upon:
  - (1) members of the Armed Forces of the United States of America,
  - (2) citizens of the United States of America, including those who have dual nationality, or
  - (3) other individuals who are not citizens of the Republic of Panama and who reside within the Canal Zone.
- b. as subjecting employers located within the Canal Zone, other than United States Government agencies, to deduction or withholding from their employees of any tax of the Republic of Panama.
- c. as subjecting employers located within the Canal Zone, including United States Government agencies, to payments or contributions as employers under any tax of the Republic of Panama.
- d. as consent to collection by the United States of America of any amounts connected with taxes imposed upon income by the Republic of Panama—e.g., delinquent taxes, fines, penalties, et al—except the withheld tax specified in this proposal.
- e. as subjecting the United States of America or any employee thereof to any civil, administrative, or penal action provided for by the law of the Republic of Panama as a consequence of this proposal to deduct and withhold education insurance.

Accept, Excellency, the renewed assurances of my highest consideration.

ROBERT M. SAYRE

His Excellency Lic. Juan Antonio Tack  
Minister of Foreign Relations  
Panamá

## II

[SPANISH TEXT — TEXTE ESPAGNOL]

REPÚBLICA DE PANAMÁ  
MINISTERIO DE RELACIONES EXTERIORES  
PANAMÁ

Octubre 13 de 1972

Nº DREU-384/1333-2

Señor Embajador:

Tengo el honor de acusar recibo de la Nota de Vuestra Excelencia Nº 233, fechada Septiembre 8 de 1972, que dice lo siguiente:

« Tengo el honor de referirme a las notas de Vuestra Excelencia DREU-418/1021-1 de Agosto 25 de 1971 y DREU-20/1333 de Enero 18 de

e. en el sentido de que sujeta a Estados Unidos de América o a cualquier empleado suyo a cualquiera acción civil, administrativa o penal dispuesta por la ley de la República de Panamá como consecuencia de esta proposición para deducir y retener el seguro educativo.

« Acepte, Excelencia, las reiteradas seguridades de mi más alta consideración. »

En contestación, tengo el honor de expresar la conformidad del Gobierno de la República de Panamá respecto del procedimiento y las salvedades esbozadas para este acuerdo en la nota de Vuestra Excelencia aquí transcrita.

Aprovecho la oportunidad para reiterar a Vuestra Excelencia las seguridades de mi más alta y distinguida consideración.

[Signed — Signé]

JUAN ANTONIO TACK  
Ministro de Relaciones Exteriores

Su Excelencia Robert M. Sayre  
Embajador de Estados Unidos de América  
Panamá, República de Panamá

[TRANSLATION<sup>1</sup> — TRADUCTION<sup>2</sup>]

*The Panamanian Minister of Foreign Relations  
to the American Ambassador*

REPUBLIC OF PANAMA  
MINISTRY OF FOREIGN RELATIONS  
PANAMÁ

October 13, 1972

No. DREU-384/1333-2

Mr. Ambassador:

I have the honor to acknowledge receipt of Your Excellency's note No. 233 of September 8, 1972, which reads as follows:

[See note I]

In reply, I have the honor to express the agreement of the Government of the Republic of Panama with respect to the procedures and exceptions outlined for this agreement in Your Excellency's note as transcribed above.

<sup>1</sup> Translation supplied by the Government of the United States of America.

<sup>2</sup> Traduction fournie par le Gouvernement des Etats-Unis d'Amérique.

I avail myself of this opportunity to renew to you, Mr. Ambassador, the assurances of my highest and most distinguished consideration.

*[Signed]*

JUAN ANTONIO TACK  
Minister of Foreign Relations

His Excellency Robert M. Sayre  
Ambassador of the United States of America  
Panamá