



LIMITED LIABILITY COMPANIES IN PANAMA: A BASIC GUIDE

The purpose of this summary is to provide the basic information for incorporating a limited liability company (an LLC or SRL in Spanish) in the Republic of Panama, which can conduct personal and/or business affairs. The LLC is ideal for a specific business venture and there are competent professionals available who can prepare the necessary LLC papers on your behalf. The law governing LLCs is set out in Law 4 of 9th January, 2009, and a copy of the law can be found on our website www.trustservices.net by clicking on the ARTICLES icon.

As with an ordinary corporation (see our separate summary) often the most difficult part of what is a very straightforward process is choosing the name. Once one has been chosen (it is recommended that you also pick a stand-by alternative as well) it must be approved by the Public Registry and it is possible to have this done in a single day. You can reserve a name for a continuing period of 30 days if necessary for a nominal fee. The name of the LLC can be in any language, but must end with either Limited Liability or LLC or Sociedad de Responsabilidad Limitada or SRL in Spanish.

The LLC can be perpetual or established for a set period and will either be resident or non-resident in Panama. If it will be conducting business in the country it will be resident and will be subject to local income tax. Taxes in Panama are territorial and, therefore, any income earned outside the country will not be taxable. Even so, if the LLC only conducts banking business in Panama (savings accounts and fixed deposits, for example) the income derived is still exempt from Panamanian taxes, which is a very attractive feature.

An LLC can usually be formed within 3 or 4 days. Costs of formation vary, depending on the professional chosen, and our fee schedule is available both in print and on our website. There is no minimum capital requirement and the authorised capital (which can be expressed in any currency) may be increased or decreased by amendment of the Articles of Organisation; however, capital shall not be decreased if upon such decrease, the company's assets would be less than the sum of its liabilities. Unlike an ordinary company, capital stock can be represented either by shares or certificates of recorded interests, both of which are issued by the Manager/s. The number of members (which shall not be less than two) must be provided for in the Articles of Organisation.

Unlike an ordinary corporation with directors and officers, two or more natural persons or legal entities must form the LLC and be recorded as members much the same as a partnership. The financial liability of each member for the obligations of the LLC shall only be limited to the amount contributed or such amount that the member has agreed to contribute. The law requires all LLCs to have a legal address which must be provided by a local lawyer or law firm as the Resident Agent. One or more Managers (individual or corporate) are required and who can also be members. Foreigners are free to form and control LLCs and there are no residency or other requirements for either managers or any of the members. The LLC can even be transferred (re-



domiciled) to another jurisdiction at a later date, as provided for by the law. Moreover, any type of company may become a limited liability company and foreign LLCs can be re-domiciled in Panama.

The share or interest certificate/s can be issued in an individual or corporate name. In regard to those clients seeking maximum privacy it is usually requested that the professional forming the LLC provide nominees to fill the positions of the members and the manager/s. The only documentation on public record will be the Articles of Organisation (and any subsequent amendments), or that which relates to transfers of membership interests and the dissolution of the company; the names and addresses of the Manager/s and the Resident Agent are also recorded. Limited liability companies may issue by-laws which may or may not be registered in the Public Registry, as agreed by the company. Annual returns (common in many offshore jurisdictions which detail basic information about the corporation) are not required to be filed in the Public Registry and annual general meetings of members are optional. The flexibility of Panamanian LLCs is further illustrated by the fact that annual general meetings of either members or manager/s are not mandated and when meetings are held, they can be by proxy and take place anywhere. But importantly, accounting records with supporting documentation must be kept at either the office of the Registered Agent or another designated place.

There are no exchange controls and Panamanian LLCs can conduct business in any country or currency. Sometimes an LLC is formed for a particular sensitive and very confidential business transaction. Importantly, the LLC, subject to tax advice, can present tax advantages for those living in other jurisdictions.

Panama has, perhaps, the most secure confidentiality laws to be found anywhere in today's offshore regulatory climate. So businessmen and others who are making legitimate use of the jurisdiction will find that Panama can provide both the professionals and the infrastructure to achieve their objectives from a strategically-located international financial services centre.

We advise all persons to seek appropriate legal and tax advice from qualified professionals licensed to render such advice before making offshore commitments.

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