



PANAMA CORPORATIONS: A BASIC GUIDE

The purpose of this summary is to provide the basic information for incorporating a company in the Republic of Panama, which can conduct personal and/or business affairs. The law governing companies is set out in Law 32 of 1927 and many of its provisions have been copied by other leading offshore financial services centres since it was promulgated in the early part of the last century.

Strangely enough, often the most difficult part of what is a very straightforward process, is choosing a name for the corporation. Once one has been chosen (it is recommended that you also pick a stand-by alternative as well) it must be approved by the Companies Registry and it is possible to have this done in a day. You can reserve a name for continuing periods of 30 days if necessary for a nominal fee. The name of the corporation can be in any language, but must end with one of the following suffixes: S.A., Inc., Incorporated, Corp. or Corporation.

The corporation 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 income tax. Taxes in Panama are territorial and, therefore, corporate income earned outside the country will not be taxable. Usually, it is the non-resident corporation that is formed because it is not subject to Panamanian taxes – except for a low annual government corporate tax which competes very favourably with other jurisdictions. Even so, if a non-resident corporation conducts banking business in Panama (savings accounts and fixed deposits, for example) the income derived is exempt from Panamanian taxes, which is a very attractive feature.

There are competent professionals available (such as lawyers, trust companies, accountants and corporate management firms) who can prepare the necessary papers on your behalf. A lawyer, however, must file the papers with the Registry. A corporation can usually be formed within 3 or 4 days or you can choose to purchase a shelf corporation. Most professionals have shelf corporations available which can cost the same or more (depending on vintage) than a new corporation. The advantage of a shelf corporation is that it has already been incorporated and stands ready to conduct your business if time is of the essence. Costs of formation vary, depending on the professional chosen, and our fee schedule is available both in print and on our website. Although there is no minimum capital requirement, if an authorised capital of above US\$10,000 is needed for the corporation, additional capital duty will be charged by the government on a sliding scale. Total annual costs thereafter are similar to the incorporation charges, but will be subject to the extent, and complexity, of the services provided to you. After discussion we can clarify the total costs.



The law requires all corporations to have a legal address which must be provided by a local lawyer or law firm as Resident Agent. The directors and officers as well as the accounting and general business services, however, can be provided by the client. Foreigners are free to own and control Panamanian corporations and there are no residency or other requirements, for either the owner or the directors and officers. Corporations can even be transferred (re-domiciled) to another jurisdiction at a later date, as provided by the law.

Every corporation requires a minimum of 3 directors and 3 officers (President, Secretary and Treasurer). The directors and officers can be either individuals or corporations and the directors can also be the officers, or vice versa. The corporation must have two subscribers when it is incorporated, but need have only one shareholder. A shareholder does not have to be either a director or an officer and the share certificate/s can be issued in his name, a nominee's or in bearer form. Due to transparency rules, any bearer shares must be under the control of an approved custodian. Those clients seeking maximum privacy usually request the professional forming the corporation to provide nominees to fill the positions of officers and directors. This will be reflected in the annual fees charged. Although the only documentation on public record will usually be the deed of incorporation (and any amendments), the names and addresses of the directors, officers and Registered Agent are also publicly recorded whereas details of the shareholders are not. Public Registers in several jurisdictions require details of beneficial ownership of a corporation and also Annual Returns (common in many offshore jurisdictions which detail basic information about the corporation) but not in Panama.

Although every corporation must maintain a minute book and stock register, they can be held anywhere in the world. Accurate accounting records with supporting documentation are required by law and which can be kept by either the Registered Agent or as determined by the board of directors. A corporate seal is optional. The flexibility of Panamanian corporations is further illustrated by the fact that annual general meetings of either shareholders or directors are not mandated and when meetings are held, they can be by proxy and take place anywhere. The meetings can be via telephone or other electronic means and the resolutions passed will be valid even if they are ultimately signed on different dates and in different locations by the parties.

There are no exchange controls and Panamanian corporations can conduct business in any country or currency. They have a multitude of uses and can, for example, settle trusts and foundations, maintain bank accounts and hold stock market and mutual fund investments.



Real estate is often held in the name of a corporation, especially houses, apartments and commercial properties. Sometimes a corporation is formed for a particularly sensitive and very confidential business transaction.

The jurisdiction still has secure confidentiality laws that rival those anywhere to be found in today's offshore regulatory and transparency climate. So businessmen and others 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. In summary, the advantages of a Panamanian company are:

- Exemption from all local taxes, when income is received outside of Panama or from bank accounts in Panama.
- Inexpensive annual support when compared generally with other leading offshore jurisdictions.
- No requirements for a minimum paid-up capital.
- Information about shareholders and beneficial owners are not filed with the Public Registry and so is not available to the public.
- Any individual or legal entity (company, trust or foundation) may be a shareholder.
- No foreign exchange controls.

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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