

A Guide to Panamanian Companies

This note is intended to provide introductory information about Panamanian companies, the types of companies available in Panama and some key advantages of using Panamanian companies.

Overview

The Republic of Panama is a well-recognised and popular jurisdiction for establishing companies to engage in all kinds of business activities throughout the world. Panamanian companies are commonly used for a variety of purposes such as, the acquisition of assets, holding of investments, the structuring of operations and as part of larger financial, tax planning and corporate international structures.

The Panamanian fiscal system is territorial, which means that it exempts from income tax the earnings obtained by Panamanian companies in relation to transactions carried out abroad. ,

Law 32 of February 26, 1927, as amended and popularly known as “The Corporations Law” (the “Law”). The Law covers the establishment, operation and regulation of Panamanian companies.

The types of companies available in Panama

In the Republic of Panama, there are four types of corporation:

■ Civil Partnerships

a partnership with legal personality. Popular with lawyers;

■ Corporations

companies incorporated in accordance with the Law and limited by shares. The most popular in Panama (the “Company”);

■ Limited Liability Company

a Panamanian SRL having members instead of shareholders; and

■ Comandite Company

a hybrid of a partnership and a company.

Formalities of the popular Panamanian Company

■ Name

The name of the Company should include one of the following words or abbreviations: Corporation (Corp.); Incorporation (Inc.); or Sociedad Anónima (S.A.). Names in foreign languages are allowed. The availability of names should be checked with the Public Registry.

■ Objective

Commonly, broad and general objectives are used, however, certain specific objectives for which the Company is incorporated may be mentioned in the articles of incorporation, if desired.

■ Capital

The amount of authorized share capital of the Company should be stated together with the number and classes of shares into which the capital is divided.

■ Shares

Shares may be issued in different classes, with different rights and with or without par value.

■ Directors

The Law requires a minimum of three (3) directors, which may be natural or corporate persons. Full names and addresses must be stated.

■ Officers

The full names of the first officers must be stated. The officers are the president, secretary and treasurer and they may also be natural or corporate persons. One person may occupy two positions, but the president may not be secretary. The directors may also act as officers. The directors and officers do not have to be shareholders or residents of Panama.

■ Duration

The duration of the Company is usually stated as being perpetual.

■ Resident Agent

Name and address of the Resident Agent must be stated, which is generally a lawyer or a local law firm.

■ Auditor

There is no requirement to appoint an auditor for private Companies.

■ Tax

Income and profit generated outside of Panama will not be subject to tax in Panama.

■ Annual Fee

There is an annual fee of USD\$300.00 that the government levies for maintaining an active company, which is known as the annual franchise tax.

Key advantages of a Panamanian Company

Some of the main advantages of using a Panamanian Company are:

- **Fast** - the incorporation process is fast and can be achieved in 3 days.
- **Confidentiality** - the identity of the shareholders is not publicly available.
- **Nominee and bearer shares are allowed.**
- **Currency** - there are no currency restrictions although the US dollar is regularly used.
- **Transfer** - the transfer of shares can be done freely, which facilitates the transmission of assets in a confidential

manner.

- **Nationality** - the shareholders, directors and officers can be of any nationality and residents of any country.
- **Meetings** - can be held in Panama or in any jurisdiction, subject to tax advice.
- **Accounts** - do not need to be held in Panama.

Why choose Panama?

Some of the main advantages for choosing Panama to incorporate a Company are:

- **Modern approach** - the Public Registry of Panama is equipped with a sophisticated and modern computer system, therefore, the processing of the documentation is fast and efficient.
- **Flexibility** - the Law is straightforward and allows for simple and flexible management of the Company.
- **Regulation** - there is no regulatory authority or superintendency of Companies in Panama.
- **Accounts** - do not need to be held in Panama.
- **Tax** - there is tax exemption for any activity or transaction executed abroad.
- **International** - Panama is internationally focused and the Company is popularly used for international business and transactional purposes.
- **Reliability** - Panama is a sophisticated and well connected jurisdiction offering juridical and economic stability.

About Hatstone

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Our philosophy revolves around a Partner-led client service.

We believe that the right people will attract the best work and we have put in place a first class team to assist you. The team has been carefully chosen to ensure that there is experience and strength-in-depth.

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