

Panama

Panama, Republic in Central America, located on the narrow strip of land that connects North and South America. Its position between two continents and separating two oceans has played a defining role in Panama's history. Panama, meaning "abundance of fishes", occupies an area of 77,082 square kilometers. Its capital, Panama City, is on the Pacific coast at the entrance of the Panama Canal. The country has a population of approximately 2.6 million people of which half live in Panama City.

The official language of Panama is Spanish. Documents in a foreign language, which are filed at the Companies Registry, must be accompanied by a Spanish translation. Spanish and English are used equally in business circles.

Panama is a center of international business and finance with hundreds of international firms operating from Panama City. Panama's key geographic position has been conducive to its specialization as a service country. The Panama Canal and the Colon Free Zone are at the forefront of this development.

Financial and fiscal benefits alone are not the only reasons for both the continuing flow of international banking corporations to Panama and the continued worldwide attractiveness of Panama corporations. The Republic of Panama is at the center of the American continent and as a Democratic Republic, offers a valuable combination of political and monetary stability.

SALIENT FEATURES

Panama was the first country to introduce modern legislation permitting the creation of offshore companies for tax planning purposes. Panamanian law is based on the Spanish Civil Code, although the company law has been taken from the corporation law of Delaware in the USA. Keeping abreast of changes, Panama modernized its Commercial Code with new reforms that can be adopted by either new or existing companies by means of a Shareholder's Resolution as per Law Decree No. 5 of 2 July 1997.

CORPORATE REQUIREMENTS

Name: The name of the corporation must include a word, phrase, or abbreviation distinguishing it from a sole proprietorship or partnership and can be expressed in any language. The most common endings include: "S.A.", "Corporation", "Corp.", "Incorporated", and "Inc.". Availability of a corporate name can be confirmed within a few hours. It normally takes one working days to incorporate a company. Corporation's names may be reserved at the Public Registry for a maximum of 30 calendar days, subject to payment of a small fee.

Subscribers: Two or more persons or corporations, not necessarily Panamanian citizens or residents of Panama, may form a corporation for any lawful purposes. Our firm provides these "incorporators" who subscribe to one share each and then transfer these to the beneficial owners.

Capital / Shares: The capital of a Panama corporation is expressed as "authorized capital" and there is no minimum capital or time limit requirement within which the authorized capital must be

paid in, except when issuing bearer shares. It is standard practice to specify the amount of the authorized capital and the number of shares (par or no par) into which the capital is to be divided. Typically, up to 500 no par value shares or US\$10,000 capital is utilized. These structures are subject to the minimum inscription charge, which applies to a capital of US\$10,000.

Resident Agent: Panama corporations must have a Resident Agent that is a Panamanian attorney or law firm.

Directors / Officers: The law provides for a minimum of three directors and three officers: a president, a treasurer, and a secretary. However, one person may hold more than one office. It is not necessary that the directors or officers be Panamanians or shareholders. Typically, the directors are also officers, although this is not necessary. There are no special qualifications required of officers or directors. Officers and directors must disclose full names and addresses, which are filed at the Public Registry. According to Decree Law No. 5 of July 2nd, 1997, corporate directors and officers are permitted.

The board of directors through resolution normally takes decisions of a corporation. However, shareholders are the supreme authority of the corporation. The meetings of the board of directors or liquidators of a Panamanian corporation may be held by means of telephone conference, fax or any other means of electronic communication, where the individuals have been in direct contact. For these cases it should be required to issue the minutes respectively stating the facts of the meeting, the resolutions resolved and the manner in which the individuals communicated. No director alone can bind the corporation unless otherwise stated in the articles of incorporation or unless a special power has been granted. Any resolution amending the Articles of Incorporation, including changes in the board of directors must be recorded in the Public Registry.

Books, Records, and Seal: Stock register and minutes book may be kept by electronic means or any other method authorized by law, that allow to determine with certainty the operations of the corporations, as long as said records can be printed. These records may be kept anywhere in the world as declared in the Articles of Incorporation. Panamanian corporations do not require a seal, though it may be adopted if approved by resolution or if stated in the Articles of Incorporation, or in the by-laws, if any.

CONFIDENTIALITY

Unless violations of Panamanian laws occur, a Panama corporation cannot be forced to divulge confidential information to Panamanian or foreign authorities. Also, share certificates may be issued to the bearer. As, per Law Decree No. 9 of 26 February, 1998 which creates the Superintendence of Banks, the identity of bank account holders can not be divulged unless the deposits are guarantees of assets and the accounts are under investigation or supervision by the Superintendent.

MOVEMENT OF FUNDS



There is no exchange control in Panama and corporations may transfer funds with complete freedom. Transactions may be carried in any currency desired. The official currency is the Balboa, which, under a monetary agreement with the United States since 1904, is at par with the US Dollar and is freely convertible. The US Dollar is legal tender, and circulates freely in Panama.

TAXATION

Panama offers complete tax exemption on foreign source income and on transactions carried on outside the Republic of Panama, even though managed from Panama. The company is not required to file annual accounts. Only an annual fee of US\$300 must be paid to the government. A \$300 penalty will be levied on those companies and/or foundations that have not paid the required annual government fee for two consecutive periods.

The absence of exchange controls, the free and unencumbered circulation of the US dollar, the tax exempt status of offshore transactions, the stability of corporate laws, the sophistication of the financial and service industry, and the confidentiality of bank accounts have attracted and contributed to the growth of the international financial and trading centers.

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