



GOMEZ TOMICZEK

INTERNATIONAL GROUP

**CORPORATIONS
IN PANAMA**



ENGLISH MANUAL

ABOUT US

Gomez Tomiczek International Group is an international Boutique-style Law Firm with offices in Panama. We provide global support and advise to clients seeking asset planning and management through this type of companies under the Panamanian jurisdiction.

We maintain a strict privacy policy, which together with our discretion and good judgment has led us to gain the full confidence of our clients. By choosing us as your legal agent, you agree to abide by our procedures, which include providing us with truthful information, personal identification documents and updated information related to the activities to be carried out.

We are permanently committed to maintain the highest quality in our consulting services and professional reputation. Gomez Tomiczek International Group and its associates shall not provide any type of service to a person or organization linked to money laundering or illicit activities. In addition, Gomez Tomiczek International Group will refuse to provide legal services if any of our partners find evidence of fraud, potential conflicts of interest or when the client retains essential information, required to carry out all necessary legal transactions.

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Lawyers who know Panama

Abogados que conocen a Panamá

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I. INTRODUCTION

This manual is intended for the exclusive use of Gomez Tomiczek International Group's clients. Here you will find first hand useful information about Corporations in Panama. We also provide drafts of our standard documentation. We are sure that this guide will help you have a wider understanding about the elements that define a Corporation in Panama, and its international relevance.

A Corporation is defined as a stock company with its **capital divided into shares**, whether in the form of par value or bearer shares, following the **principle of the limited liability of the partners towards the company**, which carries out a commercial activity. This type of company is known in Spanish as "Sociedad Anónima" - "S.A.", "Inc." or "Corp." Which means "joint-stock companies" "Private Limited Companies" or "corporations". In Panama, Corporations are the most common type of companies used to carry out different types of commercial activities offshore and onshore, to keep or manage assets, and for asset purchase.

The law regulating Corporations in Panama is Law 32 of 1927, which presents unique and favorable characteristics. **Panamanian law allows foreigners and investors to carry their business with stability**, something that few other jurisdictions in the world can offer. Depending on the economic activity to be developed, a Corporation in Panama can be formed with persons of any nationality or place of residence.

Panamanian Corporations are subject to a fiscal territorial regime, which only requires paying taxes for the execution of operations made within the territory of the Republic of Panama. This means that regarding **any** another **operation carried out, executed or having effects abroad**, it constitutes **an "Offshore" operation, being entirely tax exempt in the Republic of Panama**, even if the operation is directed from an office located within the Panamanian territory.

2. ADVANTAGES AND BENEFITS

We are listing a detailed summary of benefits and advantages of corporations in Panama:

- Fast, reliable and simple registration process. **A Corporation can be formed in an average of 48 to 72 hours**, provided that our firm has all necessary information and payment has been made.
- **Corporations can be set up from anywhere where the client is located, without having to travel to Panama.**
- There is no need to file income taxes every year if the corporation is only created to own real estate ("holding" type of company), does not generate income, does not operate a business in Panama, or if its income is derived 100% from a foreign source ("offshore"). In this case, the corporation will be considered a "type B" company by the Panama Tax Collection Office, therefore, it will not be required to file taxes, given the fact that it is currently exempt.
- **There is no minimum or maximum share capital required.** To be incorporated, Panamanian Corporations do not require any type of payment of capital, either before or after it is formed, or that its assets are located in Panama.
- The company shares may be issued as par value or Bearer Shares (these should be deposited with an Authorized Custodian licensed by the Supreme Court of Justice; our firm is an Authorized Custodian).
- **Corporations may have a Sole Shareholder, that may be a natural person or a corporate body of any nationality, even having residence outside Panama.**
- Shareholders' Confidentiality: The name of the owners and the distribution of the shares is kept in the Corporation's Share Registry, which is considered a private document. This means that **the identities of the shareholders are kept strictly private** and are not registered in Panama's Public Registry.
- Panamanian Companies do not require a physical address. If the client requires this service, we will be pleased to offer different Virtual Office service plans.
- Flexible accounting: The company books can be managed within Panama, abroad or by electronic means.

- Virtual Meetings: Panamanian Corporations allow that Shareholders Meetings or Board of Directors Meetings can be held in Panama or in any other country, including by electronic means.
- Depending on the economic activity to be carried out, **officers and directors may be of any nationality or residents of any country**. Officers and directors can be a natural person or a corporate body. In addition, both officers and directors may also be shareholders of the Company.

3. MOST COMMON USES OF PANAMANIAN CORPORATIONS

One of the most common uses for a Corporation in Panama, is as a Holding company to maintain assets, have trademarks, copyrights and other intellectual property rights. Also, to participate in activities that do not require a mandatory physical presence such as **consulting companies, maritime companies, offshore manufacturing companies, online companies, Start-Ups, App and Software development**, air transport companies, companies that grant licenses, small companies, family businesses, among others.

Panama is an **excellent commercial hub for import/export, oil and mining offshore activities**. The country has the largest free trade zone in America (the Colon Free Trade Zone) that grants complete tax exemption.

Below we are listing some of the general uses of Panamanian Corporations:

- **Ship and Vessel Ownership Corporation:** Panama has a world-class maritime economy and has the largest merchant marine fleet in the world. A Corporation in Panama can hold the property title of a recreational boat (for example, a Yacht or a Catamaran) or a commercial vessel, and in this case, the income and dividends generated by the vessel outside of Panama will be exempt from taxes in Panama.
- **Holding company to manage real estate:** A Corporation in Panama can hold the property title of real estate property around the world. The diversification of part of its “offshore”

assets would not only provide financial privacy, but it would also protect its assets against potential litigation, as well as any eventual business failure, insolvency or bankruptcy.

- **Leasing Structure:** A Panamanian Corporation can participate in leasing operations related to real estate and personal property such as vehicles, equipment or vessels anywhere in the world.
- **Trading companies, international operations, online companies:** As the number of global import and export activities increase, the operation of such activities can be improved using a Panama Corporation as trading company. In this case, the trading company may use a second entity as operating company (for example, a company located in Gibraltar, Malta, Dubai, Spain or another jurisdiction) to take customer orders and manage invoicing. The profits would then be captured abroad and may be directly deposited in a bank account abroad.
- **Fiscal Planning:** One of the great advantages obtained through a Panamanian Corporation is its fiscal system. According to the Panamanian tax principle of territoriality, only income and profits derived from a Panamanian source are subject to taxation. Any profit obtained from activities carried out outside Panama, such as the transfer or acquisition of goods, bank accounts management, investments, transfer or purchase of real estate and dividends from companies operating abroad, will be exempt from taxes in Panama.
- **Privacy and Asset protection instrument:** A Panamanian Corporation can be used on behalf of an Asset Protection Trust or a Private Interest Foundation as a Privacy tool, to manage the Trust or the Foundation's assets, or as a Board Member, Founder or Protector of a Panamanian Private Interest Foundation.
- **Possession of Intellectual and Industrial Property:** Corporations in Panama may also act as Holding Companies, owning other entities, or acting as lender or lessor. It is also possible to license and own intellectual and industrial property, patents and registered trademarks of products or services.

4. REGISTRATION PROCESS

To incorporate a Corporation, Law 32 of February 26th, 1927 requires an agreement between two (2) or more persons of legal age (called "Subscribers"), of any nationality, not necessarily domiciled in the Republic of Panama. This agreement must be performed before a Notary Public in Panama, for the preparation of the Public Deed. Then, such Public Deed must be registered in the Public Registry of Panama.

The following information will illustrate the key elements of a Corporation in Panama:

4.1 Articles of Incorporation

The Articles of Incorporation will reflect the agreed terms and conditions, and after it is registered in the Mercantile Section of the Public Registry, it shall be enforceable against third parties. In several aspects, Law 32 works only as a secondary Law source in respect of Corporations. As provided by Law, the Articles of Incorporation of Companies or Corporations must include, among other things:

1. The name of the Corporation
2. The name and domicile of the subscribers
3. The corporate purpose
4. The share capital amount, share distribution, share class, etc.
5. The duration of the company, which can be perpetual
6. The name and domicile of officers and directors
7. The name and domicile of the registered agent

4.2. Corporation Name

A company cannot have the same or a similar name like an already existing company, since the process might be rejected; therefore, we ask our clients to provide at least three (3) possible names for their company, which can be in their preferred language, and thus verify that such names are not being used by other companies. The name of the Company must include at the end a phrase or abbreviation to indicate that it is a Corporation, either: "S.A.", "Inc." or "Corp."

There are certain words that cannot be used within the name of a Company without prior authorization from the authorities, such as "Seguro", "Assurance", "Insurance", "Banco", "Bank", "Fideicomiso", "Trust", "Fiduciario" and "Stock Exchange", or any other word with a similar meaning.

4.3. Purpose / Objectives

Corporations may have any lawful purpose and engage in any commercial activity. The Standard Articles of Incorporation establish a generic corporate purpose, which allows the Corporation to engage in any lawful activity. However, the Client may require the expansion of the Corporate Purpose and specify any desired activity.

4.4. Initial Share Capital

Corporations do not require their Share Capital to be paid on incorporation, much less that deposits of any kind are made. It will be sufficient if the subscribers issue one share, even if they waive their right to it later. The Standard Articles of Incorporation prepared by our firm show a share capital of USD 10,000.00 American Dollars, which may increase according to the client's preferences, provided that the additional cost of the registration fee generated by such increase is paid.

4.5. Shares

Shares in a Corporation are defined as the division of the share capital into small portions, which represent the shareholder's stake in the Company. The Articles of Incorporation must indicate the type of shares the Company has, its amount, and the individual value.

Shares may be issued as par value or bearer shares. Share certificates of Panamanian Companies are always issued as private documents, however, in all cases, the identity of the shareholders must be notified to the company's Registered Agent. This information would be recorded in the attorneys' private files and by the law firm only.

Bearer shares certificates are still valid in Panama, however, after the "immobilization of bearer shares law" passed (law 47 of 2013), all new companies issuing bearer shares must establish in their Articles of Incorporation that they "agree to comply with the custody provisions in accordance with Law 47 of 2013" and must submit the original share certificates together with an affidavit signed by the shareholder, to an authorized custodian (such as our law firm). If the company carries out commercial activities in Panama, current legislation may require that shares issued are par value shares. In other jurisdictions, bearer shares are restricted or simply are not admitted.

For more information and details about bearer shares and the services provided by an Authorized Custodian of bearer shares certificates, please contact us.

4.6. Shareholders

Shareholders represent the highest deciding authority of the Company. Shareholder approval is required for the most important decisions such as: amendments to the Articles of Incorporation; the sale, rental, exchange or disposition of capital assets; the approval of mergers or consolidation agreements with other companies and the dissolution of the company.

4.7. Time to Incorporate

A Standard Corporation can be incorporated in 48 to 72 hours in average, if we have all the required information and payment has been made. The process of sending the documents depends on the location where they need to be sent, and the availability of the service provided by FEDEX or DHL. Shipping times are generally between 5 to 8 business days.

4.8. Domicile of the Corporation

Panamanian Corporations do not have a physical domicile. If the client requires this service, we will be pleased to offer different **Virtual Office** service plans which can be combined with the Accounting Records service.

4.9. Board of Directors

According to the Panamanian law, Corporations require a minimum of three (3) Directors/Officers, of any nationality and domiciled anywhere in the world (except in the case of certain economic activities which are reserved by law for nationals).

The management, administration and all activities developed by the company are managed and conducted by the Board of Directors. The Board of Directors is generally in charge of managing the day-to-day company affairs. **The members of the Board of Directors not necessarily have to be shareholders of the company or Panama residents.**

In addition, if expressly authorized in the Articles of Incorporation, directors may be represented at Board of Directors meetings by agents which do not have to be directors and who must be appointed by public or private instrument, with or without the power to substitute.

4.10. Officers and Directors

Companies must have a President, a Secretary and a Treasurer, elected by the Board of Directors. The standard practice calls for the same persons to be appointed as Directors/Officers. For example, Director-President, Director-Secretary, Director-Treasurer. If the Articles of Incorporation do not contemplate the contrary, officers may be replaced at any time by a resolution approved by most of the members of the Board of Directors or shareholders. Any resolution involving changes in the Directors/Officers must be registered in the Public Registry of Panama to become valid.

4.11. Registered Agent

All Panamanian Companies and Foundations must have a Registered Agent, also called a Resident Agent (“Agente Residente” in Spanish) in the Republic of Panama. According to our legislation, the Registered Agent must be a Lawyer in Panama or a Panamanian Law Firm. The Registered Agent may be replaced through an amendment of the Articles of Incorporation, provided that the agent issues a letter of resignation and a certificate indicating that the fees for his services have been fully paid as established by the Law.

For “offshore” Corporations, those that will operate outside of Panama or those whose directors and shareholders are located abroad, the Registered Agent will be liable to the government of Panama for the acts carried out by such company (Law 52 of 2016). Frequently, Registered Agents oversee paying the annual franchise tax of the company.

4.12. Company Books

When the Company's operations are not carried out within the territory of Panama, our legislation requires only the Minute Book and the Inventory/ Share Registry Book, which may be kept anywhere in the world and by electronic means.

4.13. Commercial License - “Aviso de Operaciones”

The Notice of Operation (“Aviso de Operaciones” in Spanish) is the commercial license granted by the Panamanian government to carry out commercial and industrial activities and services. The Notice of Operation is the only process required to begin commercial or industrial activities in the territory of Panama.

Corporations not carrying out commercial or industrial activities within Panama (representation offices) do not need to obtain a commercial license to operate outside the territory of the Republic of Panama, as Corporations or “Offshore” companies.

5. ANNUAL COSTS

The only tax imposed to “Offshore” companies in Panama is the payment of the Annual Franchise Tax of USD\$ 300.00 US Dollars (“Tasa Única”). Additionally, the annual legal fees that our firm charges for the Registered Agent services equal USD\$ 250.00.

6. TAX TREATMENT

Panamanian Corporations are subject to a territorial tax regime which only requires them to pay taxes for operations performed within the territory of the Republic of Panama.

This means, that **any other operation that is carried out, executed or has effects abroad**, is defined as an **“Offshore” operation** which is **fully exempt from taxes in the Republic of Panama**, even if the operation is directed from an office located within the Panamanian territory.

To understand the tax regime applicable to “offshore” companies in your country, we advise that you consult with a specialist who will provide information related to your local obligations.

At Gomez Tomiczek International Group we would like to inform our investment clients that the responsibilities associated with complying with their legal and tax obligations in their country of origin or where an obligation may be taxable, belongs solely to them; therefore, obtaining specialized counsel may be advisable.

7. ADDITIONAL DOCUMENTS

Among the required documents, additional to the Articles of Incorporation of the Corporation, are: amendments to the company name; changes in the Board of Directors, directors, officers, subscribers or the Registered Agent; purchases of real estate or corporate shares; changes in the company’s registered office; addition or removal of representatives; dissolution of the company,

merger of companies and any other additional modification as provided by the Board of Directors or the Shareholders of the Corporation.

7.1 Shareholder Assembly Minutes

These minutes record the agreements and decisions made by the Shareholders in their assemblies. Any changes taking place in these meetings that must be recorded, such as the removal of officers or directors, shall be registered in the Public Registry of Panama.

8. REDOMICILIATION

This is the process through which companies that have their domicile in other countries may be re-domiciliated into Panama. That means, that they transfer their address. To carry out this process, companies must provide their Articles of Incorporation, a copy of the last balance sheet and a statement of the proposed share capital to be used in the business activities developed in Panama and a Certificate of Registration in accordance with the Laws of the country of origin, issued and authenticated by the Embassy/Consulate of the Republic of Panama in that country, or dully apostilled.

9. STEPS TO INCORPORATE A CORPORATION IN PANAMA

Incorporating a Company is simple; however, we advise our clients to take some time to clarify their ideas and then share them with us, to provide an accurate service.

The process of incorporation of a Corporation is fast and easy:

1. Fill out the attached form
2. Email the form attaching a copy of your passport to admin@gomitom.com.
3. Once we receive the form and the copy of the passports of the shareholders, officers and directors, we will provide a quote for the requested services.
4. Approval of the quote.

5. Payment
6. Registration of the Company.
7. Send documents via DHL or FEDEX to the recipient/ client or Company owner.

Feel free to email us if you have any further questions. We will be pleased to assist you and guide you through the process of incorporation of your Corporation in Panama and any related services.

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