

Panama

GENERAL INFORMATION

Geographical Location

The Republic of Panama, with an area of approximately 76,900 square kilometres, is located between Costa Rica and Colombia. It forms the narrowest and lowest portion of the Isthmus that links North and South America. With a population of about 3.0 million and due to the logistic importance of the canal for international trade, Panama has developed excellent telecommunications as well as international and intercontinental airline links. It has the most sophisticated banking and financial system in Latin America, together with a major duty free zone, the second biggest in the world after Hong Kong. Now firmly established as a democracy, the Country has a legal system based on a written constitution and is politically stable with a continuously growing economy.

Population

The population of Panama is approximately 3.0 million, about 52 percent of which is urban. About 40% speak a second language besides Spanish, mainly English.

Political Structure

The Isthmus of Panama was discovered in 1501 by Rodrigo de Bastidas and Vasco Nuñez de Balboa, who had a leading part in the establishment of Santa Maria La Antigua del Darien in 1510, the first permanent settlement on the mainland of the Americas. In 1513, Balboa led an expedition across Panama, that discovered the Pacific Ocean. Pedro Arias Davila founded Panama City on 15th August 1519, almost a hundred years before Jamestown, the first permanent English settlement in North America was founded.

Panama was a Spanish colony until 1821 when it became part of the Gran Colombia of Simon Bolivar. In 1903, Panama broke its alliance with Colombia and became an independent republic.

The executive branch of the Government is at present composed of a President and two vice-presidents, elected for a five-year term in 2004 by direct election.

Infrastructure and Economy

The Colon Free Zone is located on the Caribbean side of the Isthmus of Panama near the Atlantic entrance to the Panama Canal. It has some of the most modern and biggest container ports in the Atlantic Side of Latin America, operated by companies such as Evergreen, Hutchinson Whampoa, and Stevedoring Services of America that handle millions of tons per year.

Operations and transactions taking place in the Free Trade Zone are subject to a special tax treatment whereby imports from other parts of the world and re-exports to third countries are exempted from any import or export taxes imposed by Panama.

Income earned from re-exports is taxed at specially reduced rates, and has become the Latin American headquarters of many European and Asian companies dealing in Latin America.

Language

Spanish is the official and spoken language. English is also spoken widely in urban areas, and is used daily in commerce and international trade.

Currency

United States Dollar.

Exchange Control

None.

Type of Law

Based on Spanish Civil Law with many Common Law influences, particularly regarding Company Law which was originally based on the Delaware Model.

Principal Corporate Legislation

Corporation Law No. 32 of the 1927 Commercial Code and its reforms

Taxation.

Taxes are levied only in business where the income comes from Panamanian origin. Therefore, Panamanian citizens or foreigners, as well as Panamanian companies, only pay taxes of business where the income is originated in Panama. As a consequence, all income for business done outside the Republic of Panama is not taxed at all. Bank accounts are not subject to taxes. Stock or financial transactions done through the Stock Exchanges are also tax-exempt for local or foreigner purchasers/sellers.

COMPANY FORMATION

Type of Company for International Trade and Investment.

Corporations are incorporated under the Corporation Law 32 of 1927, updated and modified in 1995.

Procedure to Incorporate

By presentation of the proposed corporation's signed Articles of Incorporation before a Notary Public who creates a Public Deed for registration at the Public Registry.

Particularities

Total secrecy and anonymity.

No requirement to disclose beneficial owners.

No requirement to file annual return or financial statements.

No requirement to hold an Annual General Meeting of shareholders or Directors.

Full exemption from taxation on any business activity or transaction carried on outside Panama.

No need to pay up the authorised capital of the company.

Nominative or bearer shares are possible.

The shareholders, Directors and officers may be of any nationality and be residents of any country.

Shareholders and/or Directors may hold their meetings in any country and they may attend by proxy if accepted in the Articles of Incorporation.

Panama is renowned for its maritime expertise and convenient registration of both commercial and non-commercial vessels as well as ship mortgages.

Restrictions on Trading

Panamanian companies cannot undertake the business of Banking, Insurance, Assurance, Re-Insurance, Fund Management, Investment Funds, Collective Investment Schemes or any other activity that would suggest an association with the banking or finance Industry without an express authorisation from the respective authorities.

Language of Legislation and Corporate Documents

Spanish. Documents can be translated into any major language, but the official language is Spanish.

Registered Office Required

Yes, must be maintained in Panama at the address of the Registered Agent.

Name Approval Required

Yes. Can not be identical or similar to another existing company. However, this decision (of similarity) is made by the Registrar.

Time Scale to Incorporate

48 hours, subject to name approval.

Name Restrictions

A name that is similar to or identical to an existing company. Names of well-known companies incorporated elsewhere or a name that implies Government patronage.

Language of Name

Names may be expressed in any language using the Latin alphabet. The Registrar in some very limited cases may request a Spanish or English translation.

Names Requiring Consent or a Licence

Bank, Building Society, Savings, Finance, Insurance, Assurance, Re-Insurance, Fund Management, Investment Fund, Trust or their foreign language equivalents.

Suffixes to Denote Limited Liability

All Panamanian corporations must end with the suffix "Corporation", "Incorporate", "Sociedad Anonima" or the abbreviations "Corp.," "Inc.," "S.A.". They may not end with the suffix Limited or the abbreviation Ltd.

Disclosure of Beneficial Ownership to Authorities

No requirement.

SHARE CAPITAL, TAXATION, LICENCE FEES AND COMPLIANCE MATTERS

Authorised and Issued Share Capital

The standard authorised share capital is US\$10,000 divided into 100 common voting shares of US\$100 each or 500 common voting shares of no par value. The capital may be expressed in any convertible currency.

Bearer Shares Permitted Yes. Permitted. Have to be paid for in full when issued.

Taxation

No Corporation Tax is levied on non-Panamanian sourced income.

Double Taxation Agreements None.

Licence Fees

Annual Franchise Tax of US\$300.00 is payable.

Financial Statement Requirements

No requirement if income is of non-Panamanian sources.

STRUCTURE OF MANAGEMENT

Directors

The minimum number of directors is three, who can be natural persons or corporate directors. They may be of any nationality but need not be residents of Panama. Panamanian companies are also required to appoint a minimum of three officers (president, secretary and treasurer) who may also be the directors, but not necessarily.

Powers of Attorney

The company can grant, through a Board Resolution or a Shareholder's Resolution, Special (or Limited) and General Powers of Attorney to third parties. These documents can be issued in a private or notarial deed, and do not need to be recorded in the Public Registry to be valid. The company can decide to limit or broaden the scope of the faculties of the Attorneys-in-Fact as it seems necessary or in the best interest of the company.