



2023

# **Guidelines concerning Accounting Records**

**FOR LEGAL ENTITIES INCORPORATED IN PANAMA**



## Guidelines concerning accounting records for legal entities incorporated in Panama

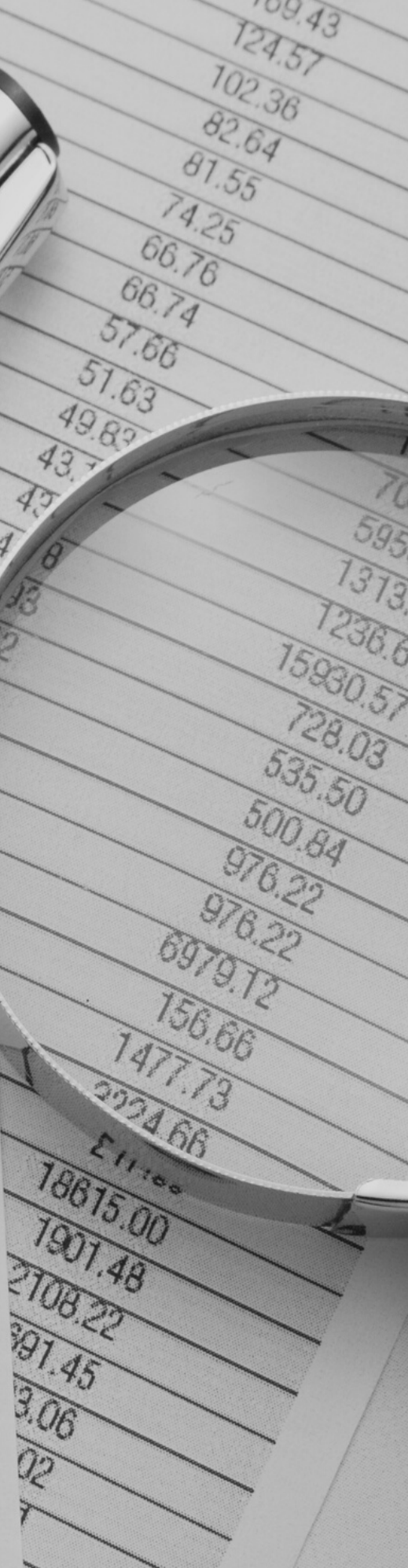
As you should know, at the end of November 2021 we sent an important statement, related to the entry into force of Law 254 of 2021, which amends, among other regulations, Law 23 of 2015 on the prevention of money laundering and the Law 52 of 2016 on accounting records for legal entities whose operations take effect outside the Republic of Panama.

We consider it prudent to issue this guide with questions that we have received during the year after this new regulation was implemented for the clarity of all of you, without detracting from the fact that you can contact us to ask us all the questions that you have in mind.

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### Frequently asked questions

- What are accounting records?
- Who should have accounting?
- What is meant by an operating company?
- What is meant by accounting in an operating legal entity?
- What are supporting documents?
- Can I submit a copy of financial statements instead of a Journal and a Ledger?
- What should legal entities holding assets submit?
- What should I present if my entity has not had activities, has not operated?
- When must I submit copies of the accounting records or statement of value of assets or inactivity to the resident agent?
- How long should I keep the accounting records? Can I keep accounting records in a language other than Spanish?
- If there is a requirement of information from a competent authority, how long do I have to submit the accounting records and supporting documentation to the competent authority?
- What happens if the accounting records are not submitted?
- Can Caporaso & partners law office provide accounting services?



## What are accounting records?

The law states that the accounting records are those that clearly and precisely indicate the operations of a Legal Entity, its assets, liabilities, patrimony and its financial situation with reasonable accuracy and allow the preparation of financial statements.

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## Who should have accounting?

All those legal entities that operate inside or outside the Republic of Panama and those that are dedicated exclusively to holding assets, inside or outside Panamanian territory, are obligated to keep accounts and maintain their supporting documentation.

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## What is meant by an operating company?

In this case, the Law refers to companies that carry out any commercial or business activity on a regular basis.

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## What is meant by accounting in an operating legal entity?

In accordance with the provisions of Law 52 of 2016 and Executive Decree 258 of 2018, operating companies must have a journal and a ledger where records of all transactions are kept:

- Journal: all the company's operations are recorded chronologically, leaving a record of its daily activity.
- Ledger: allows you to see in detail the movements that have occurred in each account. It details the inputs and outputs.



## What are supporting documents?

Receipts, invoices, contracts, bank account statements, in general all the documents that serve as support for each transaction that is registered in the accounting accounts of the legal entity.

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## Can I submit a copy of financial statements instead of a Journal and a Ledger?

We understand that in some countries they use the supporting documents to directly raise the financial statements and in our opinion, as long as this is legal in the country where they are prepared and that at the same time they are prepared 1) Following the International Standards of Financial Information (IFRS) and 2) They are endorsed by a Certified Public Accountant, the financial statements are acceptable. Alternatively, the financial statements can be accompanied by a certification signed by the Certified Public Accountant whereby he/she certifies that he/she has prepared the financial statements.

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## What should legal entities holding assets submit?

Legal entities holding assets must provide information that demonstrates the value of the assets, income and expenses that affect the asset or assets. We do have a form where you can declare this information, so please contact us.

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## What should I present if my entity has not had activities, has not operated?

To the extent that your legal entity has not started activities or is in a state of inactivity, then it is what you must declare and for this we have a form. Please contact us.



## **When must I submit copies of the accounting records or statement of value of assets or inactivity to the resident agent?**

Every year, before April 30, you must submit a copy of the accounting records or declaration of value of assets or inactivity to the resident agent, corresponding to the immediately previous year.

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## **How long should I keep the accounting records?**

The accounting and supporting documentation must be kept on file for a minimum period of five (5) years.

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## **Can I keep accounting records in a language other than Spanish?**

Yes, the accounting can be prepared in any language, however, if there is a request from the competent authority, they must be converted to Spanish at the client's expense.

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## **If there is a requirement of information from a competent authority, how long do I have to submit the accounting records and supporting documentation to the competent authority?**

According to the regulations, the documents must be submitted within a term of no more than fifteen (15) business days, therefore, it is recommended that the documents are submitted to us within ten (10) business days so we have time to submit them to the authorities.



## What happens if the accounting records are not submitted?

In addition to forcing us to resign as registered agents, those legal entities that do not comply may be sanctioned with fines ranging from USD 5,000 to USD 1,000,000, considering the seriousness of the offense, the recidivism and the magnitude of the damage. On the other hand, the legal entity that does not comply with the delivery of information, will also suffer the suspension of corporate rights in the public registry, with which no type of act, document, agreements can be registered, nor can certifications related to be issued regarding such a legal entity.

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## Can Caporaso & Partners Law Office provide accounting services?

As lawyers we cannot provide accounting services, however, we can refer you to authorized public accountants in the Republic of Panama.

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## Any questions or concerns, you can contact:

✉ [info@caporasoandpartnerslawofficepanama.com](mailto:info@caporasoandpartnerslawofficepanama.com)

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