

# PANAMA COMPANIES

ALL FREQUENTLY ASKED QUESTIONS



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# **All questions about Panamanian companies**

**The advantages of Panamanian companies are countless, here you will find the most frequently asked questions and the advantages of Panama companies**

## **TABLE OF CONTENTS**

Is it legal to own an offshore company? .....	6
What is the meaning of the term offshore? .....	6
What is a Panamanian company? .....	7
What are the advantages of incorporating a company in Panama? .....	11
What are the requirements for incorporating a company in Panama? .....	13
Why is the resident agent important? .....	17

Why am I required to justify the origin of funds in a tax haven? .....	18
How can I acquire a company in Panama? .....	20
Is it necessary to be physically present in Panama to create a company?.....	21
Can I manage the company from anywhere in the world? .....	22
What are the costs of incorporating a company in Panama? .....	23
Can I have bearer shares?.....	23
What are the advantages of having nominative shares? .....	25
Can I use nominal directors, or do I have to be listed as a director?.....	27
Who has decision-making power in the company? .....	29
Why are the documents of the company apostilled?.....	32
Are Isthmus companies on the blacklist? .....	33

Can my clients deduct in their tax declaration, an invoice from a company in Panama? .....	36
Why is it favorable to obtain residency in Panama? .....	36
What shall I indicate as corporate purpose?.....	39
If you operate outside of Panama, how many taxes do you have to pay for your company? .....	42
Do I have to keep accounting records and file tax returns?.....	42
How much does it cost to maintain the company annually? .....	45

## **Is it legal to own an offshore company?**

Yes, absolutely. It is no accident that several of the world's leading publicly traded companies and the most powerful banking groups have a large shareholding in offshore companies, which are registered in tax havens. Their objective is quite simple to understand by doing so, they pay less taxes.

## **What is the meaning of the term offshore?**

Offshore means “outside the territorial waters”. In the case of a financial operation, it means outside the country of residence, and therefore it is an extraterritorial operation.

## **What is a Panamanian company?**

A Panamanian company is a legal entity established according to Panamanian laws. This can be offshore if they operate outside Panama's territory, meaning they do not have local clients or onshore, which means they sell their goods and services within the territory of the Republic and their clients are local. These companies can be used for commercial and financial activities, such as investment management, international business, real estate acquisition, and fund management.

Panamanian companies are particularly attractive because the country offers a range of tax and legal advantages, such as high privacy, low incorporation costs, and flexible

legislation that supports business activities. In addition, Panamanian companies are not required to file tax returns if they do not operate in Panama and are not required to make their accounting records public. This makes Panamanian companies a popular resource for entrepreneurs, investors, and financial institutions.

Panama is one of the main financial and business centers in Latin America, and offers many advantages to companies that decide to establish themselves there to work globally. These are some of the most important advantages:



1. Affordable taxation: Panama has one of the lowest tax rates in Latin America, with a maximum tax rate of 25%. In addition, no taxes are charged to Panamanian companies that operate only overseas.
2. Flexible regulation: Panama offers a flexible regulatory framework for companies, allowing them to operate efficiently and without too many restrictions.
3. Access to international markets: Panama, as one of the largest business centers in Latin America, offers easy access to international markets.

4. Modern infrastructure: the country has modern infrastructure, including airports, ports, roads, and communications, which facilitate access to global markets.
5. Government support: the government of Panama is committed to supporting the development of foreign companies in the country and offers many opportunities to invest and grow.

In summary, Panama offers a unique combination of low taxation, flexible regulation, access to international markets, modern infrastructure, and government support, making it attractive to many companies seeking to expand.

## **What are the advantages of incorporating a company in Panama?**

1. High privacy: Companies in Panama are known for their high level of privacy, as they are not required to disclose their accounting records or file tax returns.
2. Low incorporation costs: The costs of incorporating and maintaining a company in Panama are generally lower than in other countries.
3. Flexible legislation: Panamanian legislation is very flexible and allows for a wide range of business and financial activities.
4. Tax freedom: Panamanian companies are exempt from taxes if they do not operate in

the country and only have accounting maintenance obligations. Accounting records are not public and only need to be presented to the Resident Agent. This makes them an attractive option for many companies and professionals.

5. Bearer and nominative shares: shares can be issued as bearer or nominative, depending on the client's needs.
6. Access to international markets: Panama has a privileged geographic location and a developed banking system, which facilitates access to international markets for companies incorporated in this country.

7. Ease of management: managing a Panamanian company is simple and does not require the physical presence of the owner in the location.
8. International reputation: Panama has a positive international reputation, making it a reliable place for the creation of companies.

### **What are the requirements for incorporating a company in Panama?**

The requirements for incorporating a company in Panama are as follows:

- a) Company name: The company name must be unique and not like existing companies.

- b) Directors and shareholders: At least three directors and one shareholder must be appointed for the company. These can be individuals or legal entities, but the latter are not recommended because they increase bureaucracy and make it difficult to open bank accounts.
- c) Registered office: A registered office address for the company must be provided. This address must be in Panama and is provided by the lawyer if you do not have your own.
- d) Memorandum and articles of association: The lawyer must draft a memorandum and articles of association that define the purpose and activities of the company, as

well as the rules and responsibilities of the directors. This is the task of the lawyer, following the instructions of the shareholder.

- e) Minimum share capital: A minimum capital of USD 10,000 must be declared, but it is not necessary to deposit it. It is possible to declare a higher capital, but this increases the cost of the company.
- f) Registration in the Public Registry of Panama: The company must be registered in the Mercantile Registry of the Public Registry of Panama.
- g) Commercial license: A commercial license is required for the company if a bank account is to be opened in Panama or if

business is to be conducted in the country. Having a commercial license entail, the obligation to renew it annually and file a tax return. This latter part can be exempted, ask the lawyer how to do it.

- h) Registered Agent: It is necessary to appoint a registered agent for the company, who is usually your lawyer, but there are lawyers who do not act as Resident Agents. This will be the official contact with the Panamanian authorities.
- i) Possess a valid identification document: You will need to have a valid ID. Also, you must prove where you live with a utility bill, i.e., proof of residence such as a public utility bill in your name or a notarized lease



agreement. Documentation on the origin of the funds used for the company will also be required.

### **Why is the resident agent important?**

The resident agent is responsible for receiving the balance sheet and accounting each year, paying the annual single fee, and communicating any possible changes in legislation. For this reason, in addition to being mandatory, it is essential that the beneficiaries of a company keep their information updated and immediately communicate any changes in email, phone, or address.

If you do not respond to the communications of the Resident Agent, they will be forced to

resign. This means that your company will be left without an agent and subsequently will be suspended in the public registry of Panama. In addition, it will be fined \$1,000 and rehabilitating it will cost you more than incorporating a new company.

### **Why am I required to justify the origin of funds in a tax haven?**

Panama, little by little, has had to apply laws imposed internationally to avoid sanctions. Demonstrating the origin of funds is a legal requirement and is an important aspect to prevent money laundering and ensure that the funds used have been obtained legally. Demonstrating the origin of the funds can be

done by presenting documents that support the sources of income and financing.

To demonstrate the origin of the funds used by the Ultimate Beneficial Owner (UBO), several types of documents are accepted:

1. Tax returns: Tax returns provide information on sources of income and the amount of money earned during a certain period.
2. Bank account statements: Bank statements show transactions made in the bank account and can be used to trace the origin of funds.
3. Tax receipts: Tax receipts show that income has been declared and taxed.

4. Real estate documents: Documents such as property titles and sales declarations can demonstrate the origin of funds from real estate activities.
5. Business contracts: Business contracts can demonstrate the origin of funds derived from business or investment activities.
6. Loan documents: Documents such as loan contracts and loan declarations can demonstrate the origin of funds from loans.

### **How can I acquire a company in Panama?**

Acquiring a company is very simple, you just must fill out a form and pay. Additionally, you will have to go through a KYC (Know Your Client) process, which consists of a lengthy

questionnaire that will allow the lawyer to know their client. But don't worry, on the form page there is a video that explains it step by step. If you are not willing to provide the lawyer with your personal data in detail, you will not be able to incorporate and register the company.

These are the main requirements for creating a company in Panama. However, additional documents or procedures may be required depending on the specific nature and activities of the company.

### **Is it necessary to be physically present in Panama to create a company?**

No, it's not necessary. You can do everything online, in fact, it's recommended. Additionally,

the order and KYC must be done online. The time for incorporation, registration, and apostilling of the various documents is about 15 days.

### **Can I manage the company from anywhere in the world?**

Yes. Meetings of the directors and shareholders of the offshore company are not limited to Panamanian territory; therefore, they can be held anywhere in the world.

Additionally, it is not mandatory to hold an annual meeting. Likewise, internal documents, powers, and deeds can be drafted in any language.

## **What are the costs of incorporating a company in Panama?**

The cost of incorporation varies depending on the services required. See the costs [HERE](#) and email or WhatsApp us if you have any questions.

## **Can I have bearer shares?**

Bearer shares are a document in which the owner is not identified in the share registry of the issuing company. In other words, the owner's name is not associated with the ownership of the shares.

In Panama, bearer shares are legal and are used by many companies to maintain the privacy of the shareholders. This type of

shares offers more privacy and protection to the owners since their names do not appear in public records.

However, it is important to note that bearer shares can also be used to conceal the true owner of the shares or to engage in illegal activities. For this reason, many jurisdictions, including the European Union, have banned bearer shares or restricted their use.

Ultimately, bearer shares can be a convenient option for some companies seeking privacy and protection, but it is important to note that almost NO bank in the world opens accounts for companies that issue bearer shares.



In general, we recommend this type of shares for real estate holding companies. It is important to note that bearer shares must be held in Panama by a bank or an authorized depository, such as the law firm Caporaso & Partners. Additionally, the beneficiary of these shares must be well identified by the Custodian and the Registered Agent (if they are different) and included in a list submitted to the Government.

### **What are the advantages of having nominative shares?**

Nominative shares are whose owner is identified in the share's register of the issuing company. In other words, the owner's name is

associated with share ownership. This register is NOT public.

Here are some of the advantages of nominative shares:

- **Transparency:** nominative shares offer greater transparency, as the names of share owners are registered and available for inspection. This increases the confidence of investors in the company, banks, financial institutions, and the government.
- **Ease of sale:** nominative shares are easier to sell than bearer shares, as the share register provides information about the owner of the shares.

- Shareholder protection: nominative shares offer greater protection to shareholders, as share registers can be used to verify their ownership and ensure that shareholder rights are respected.

### **Can I use nominal directors, or do I have to be listed as a director?**

In Panama, companies can use nominee directors, meaning individuals who represent the company in a formal capacity but do not have an operational role in managing the company's activities. These individuals can be chosen by the owners or legal representatives of the company.

Ultimately, the choice to use nominal directors or to be listed as a director will depend on the specific needs of the company and the laws and regulations of the countries in which it will operate. It is advisable to consult with a lawyer or tax advisor before deciding.

If you use nominee directors, it is advisable to request a general power of attorney to manage your company, open accounts, etc. Otherwise, you will always have to ask the designated directors to sign on behalf of the company. The directors' signatures have an additional cost of 80 EUR per signature.

If you have a power of attorney in your name, in most cases you can sign on your own for

normal company operations. Powers of attorney can also be made (at the request of the shareholder) in the name of third parties such as lawyers and accountants. In this case, a specific power will be made for one or more transactions, like opening a bank account or buy a property.

### **Who has decision-making power in the company?**

In a limited company, the decision-making power is entrusted to the Board of Directors and the Shareholders' Meeting. The Board of Directors is composed of a group of people elected by the Shareholders' Meeting and has the task of managing the company and making operational decisions.

The Board of Directors also appoints managers and delegated administrators, who may be the shareholders themselves or people they trust, or Directors appointed by a law firm to maintain the privacy of the shareholders. In fact, directors or members of the Board of Directors are the only ones who appear in the Public Register (equivalent to the Chamber of Commerce in other countries).

The Shareholders' Meeting, on the other hand, is the sovereign body of the company and has the power to make important decisions such as approving the annual balance sheet, appointing, and possibly revoking the Board of Directors, modifying the company's bylaws, and other relevant decisions.

In general, shareholders holding shares have the right to vote in Shareholders' Meeting decisions proportionate to the number of shares they hold. While the Board of Directors has daily decision-making power over the management of the company.

When there are multiple shareholders, it is recommended to establish some rules that limit the powers of the majority, if necessary. The lawyer can advise you according to your needs.

Generally, we can say that minority shareholders have no power and are poorly protected. Similarly, two shareholders with

50% of the shares each may enter a deadlock situation if there is no agreement.

## **Why are the documents of the company apostilled?**

The company documents and the notarial power of attorney are delivered apostilled. An apostille is a certificate that verifies the authenticity of the signature, seal, and position of the official who signed an official document. The Hague Convention of 5 October 1961, also known as The Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents, establishes a simplified system for the acceptance of official documents issued in a contracting State for use in another contracting State.



The apostille serves to give international validity to a document, so that it can be accepted in another country without further legalization procedures. This facilitates and expedites the use of documents such as those of a company or a power of attorney for various purposes, such as opening a bank account or buying real estate abroad.

### **Are Isthmus companies on the blacklist?**

Yes, Panama is on the "blacklist" or list of countries considered tax havens by the Organization for Economic Cooperation and Development (OECD) or the European Union (EU).

However, in recent years, Panama has implemented a series of reforms to improve tax transparency and reduce the possibility of tax evasion. These reforms include the creation of an automatic exchange of tax information system with other countries.

In addition, Panama has signed several international treaties to prevent tax evasion and double taxation, including the OECD Multilateral Convention to Prevent Double Taxation.

Ultimately, despite some critical issues in the past, Panama is currently working to meet international tax transparency standards and avoid being considered a tax haven.

It is also important to clarify that being on the blacklist does not mean that the company cannot trade with companies and individuals from other countries. It is only mandatory to present evidence of the real existence of the business, in case of tax audit and investigation.

That is why it is important to have the support of a law firm like Caporaso & Partners that can help you establish a stable structure in Panama. In addition, the firm can assist you in obtaining permanent residence in the country.

## **Can my clients deduct in their tax declaration, an invoice from a company in Panama?**

There may be different regulations in each country for deducting an invoice from an offshore company, so you should consult a Certified Public Accountant in the country where you need to deduct an invoice.

## **Why is it favorable to obtain residency in Panama?**

There are many reasons why people choose to reside in Panama. Here are some of the main advantages:

- **Climate:** Panama has a warm, tropical climate, with average temperatures ranging

from 25 to 35 degrees Celsius. This makes Panama an ideal place for those seeking the outdoors and warm tropical climates.

- **Cost of living:** The cost of living in Panama is generally lower than in other countries, making it an attractive place for those seeking a more affordable lifestyle.
- **Health system:** Panama has a highly developed health system, with numerous modern and highly specialized facilities.
- **Geographic convenience:** Panama is in a privileged geographical location, just a two-hour flight from Miami and less than three hours from many other Latin American cities.

- Favorable tax system: Panama has a very favorable tax system. VAT at 7%, very low income taxes for individuals and corporations, and total exemption on all foreign source income.
- International community: Panama hosts a large international community, including many expatriates and foreign retirees. This makes it easier for people to make friends and build lasting relationships in their new country of residence.
- You will be considered as a Panamanian resident and not taxed for your income outside Panama. Also, banks will not exchange information with your Country of origin.

Therefore, there are many reasons why people choose to establish their residency in Panama, and these are just some of the main advantages. Each person will have different needs and preferences, so it is important to carefully consider all factors before deciding.

It is important to note that permanent residency does not require you to reside in the country. Additionally, after 5 years of permanent residency, you can apply for nationality, which, once obtained, will allow you to have a new prestigious passport.

### **What shell I indicate as corporate purpose?**

The object of a company is the formal and detailed description of the activities that the

company intends to carry out. It usually appears in the bylaws of the company and is an important element of its legal structure. The object defines the field of activity in which the company will operate and establishes the limits and restrictions of the businesses that the company can undertake. However, in Panama, this is not restrictive.

For example, the object of a company may include the production of specific goods or services, the buying and selling of goods, investment in real estate, or the provision of services. Defining the object of the company is an important step in the formation of a company, as it defines the legal framework



within which the company can operate and establishes its main purpose.

In Panama, it is possible to include several activities and specify them in detail, allowing the company to operate in various fields. This is important in order to avoid limitations in business and to carry out various activities with the same company without having to change the bylaws.

It should be noted that some activities, although legal, may not be well-liked by banks, so it is better to exclude them. Usually, the client lists the activities they intend to carry out and the lawyer, thanks to their experience, expands them when drafting the bylaws.

**If you operate outside of Panama, how many taxes do you have to pay for your company?**

You will only have to pay USD 300 per year, which is the Business Tax in favor of the state. You will not have to pay any tax on profits obtained from foreign sources.

**Do I have to keep accounting records and file tax returns?**

Accounting for Panamanian companies is regulated by Panamanian legislation and international accounting standards.

Companies must maintain accurate and up-to-date accounting records and prepare annual financial statements that reflect the company's financial situation.

Offshore companies must submit copies of accounting records to the Registered Agent before March 30. The records must be kept by the client, who must identify the Accounting Keeper. There is no obligation to have an accountant in Panama.

If you do not send the accounting records to the Agent on time, the Agent is required to report the company. Non-compliance with this obligation is subject to a fine of USD 5,000. Once reported, the company will be fined and then suspended. Reactivating it will be much more expensive than creating a new one.

In addition, companies that sell goods or services in Panama are required to file an

annual tax return before April 30 of each year and must have a CPA (Certified Public Accountant) who maintains and certifies the accounts.

It is important to note that companies located in Panama are subject to local tax regulations and may be subject to corporate tax and profit tax. To avoid tax penalties and ensure compliance, it is advisable to work with an experienced accountant or tax lawyer. If you want to acquire an accounting format, you can find it at [CPADDataPanama](#).

In summary, accounting for Panamanian companies is an important process to ensure

tax compliance, financial transparency, and good business management.

## **How much does it cost to maintain the company annually?**

As we have already mentioned, there is a 300 EUR Single Tax and deposit, and then there is 350 EUR for the Resident Agent and 100 EUR for each director. So, for example, if you have 3 nominee directors to maintain anonymity, you will pay 950 EUR per year.

The prices on our website are calculated in EUR, as it is our main market, but you can pay in BTC, COP, USD, VEF, USDT.

## **Do you have more questions?**

Send them to the following e-mail

[info@opm01.com](mailto:info@opm01.com) with the subject "questions about Panamanian corporations".