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PANAMA CORPORATIONS

Introduction

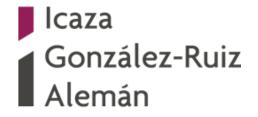
The Republic of Panama has always played an important role in international commerce because of its geographic position and logistic platform, well-trained bilingual manpower, dollarized economy and political stability.

All of these factors, together with Law No. 32 of I927 covering the organization and operation of Panamanian corporations, have helped turn Panama into one of the most important corporate centers in the world and have made Panamanian corporations accepted by bankers, investors and governments.

Advantages of Panama

Persons and companies may substantially benefit from the jurisdiction advantages when using Panama based corporations for holding purposes or for directing business activities in different parts of the world. Among the many advantages of Panama, an interested party will find the following:

- 1. Privileged geographic position and infrastructure.
- 2. Unique banking system, which includes over 90 banks with offices in Panama, among them some of the largest and best known banks operating internationally, supported by strong bank secrecy laws.
- 3. No exchange controls. No registration with the authorities nor any permits are required for any transaction involving the receipt or transfer of funds.
- 4. The monetary system of the country uses the international free U.S. Dollar as its medium of exchange.
- 5. No taxes on capital (stocks, bonds and other investments) held by Panama corporations.
- 6. The income tax law of Panama specifically exempts from its provisions the following:
 - A. Directing from an office established in Panama, operations which are completed, consummated or take effect abroad;
 - B. Invoicing, from an office established in Panama, the sale of merchandise or products for a sum higher than that at which said products or merchandise had been invoiced to the office established in Panama, provided that said merchandise or products are handled exclusively abroad;
 - C. Income from International Maritime commerce of vessels registered under the Panama flag.
 - D. Corporate dividends or participations when said dividends or participations are derived from income not produced within the territory of the Republic of Panama, including the income derived from the activities mentioned in points A and B above.
 - E. The interest earned for funds kept in time deposits or savings accounts.
- 7. The Colon Free Zone offers unique opportunities for the duty free storage, repackaging and reshipment of goods of all sorts.



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How to Incorporate

Usually, the client sends us a request to organize a Panamanian corporation providing the name of the corporation, the names and addresses of the Directors, the names of the Officers and the desired capital. Once this information is received along with Due Diligence documents, it will take no more than five (5) working days to formalize the Articles of Incorporation and register them in the Public Registry.

Incorporation Cost

The cost of acquisition of these companies includes the following: notarial fees, translation, registration fees, share certificates and our fees, rate and representation for the first year.

Points of Interest

With respect to cost and several other points, which may be of interest to you, we are pleased to report as follows:

1. Name reservation

After its availability has been verified, the name of a corporation may be reserved in the Public Registry for a period not to exceed thirty (30) days, by filing a written petition before the Public Registry. After this period has expired the name reservation will lapse without the need for a notation by the Registry in said respect.

2. Shareholders and Directors

They do not need to be citizens or residents of Panama. As mentioned previously, Panamanian law requires a minimum of three directors. It also allows 100% foreign ownership of a Panamanian corporation.

3. Capital

There are no legal requirements regarding a minimum of capital. According to law, there is no need to state that the capital subscribed has been paid in.

4. Tax

As long as the corporation is not doing business in Panama, it does not incur in any tax liabilities.

5. Maintenance fees and surcharges

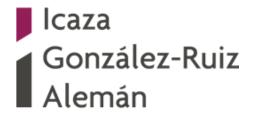
For subsequent years after the organization, it only costs US\$300.00 annual license tax paid to the government in addition to our fees as Registered Agent of the corporation in Panama. The due date of the annual license tax is as follows: June 30th of every year for companies incorporated in the first semester of the calendar year and December 31st of every year for companies incorporated in the second semester. The surcharge for late payment of the annual license tax is US\$50.00. In addition to this surcharge, a restoration fee of US\$300.00 will be required to restore the company after the second period of non-payment.

6. Amendments to the Articles of Incorporation

Subsequent amendments to the Articles of Incorporation and elections of officers and directors must be filed for registration with the Mercantile Registry of Panama.

7. Registered Agent

Regarding the appointment of the Registered Agent in Panama, which is required by law, the usual procedure is to appoint our law firm, ICAZA, GONZALEZ-RUIZ & ALEMAN, as such Registered Agent.



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8. The corporation is not deemed to have legal existence

With respect to third parties, until the date it is registered in the Mercantile Registry. Therefore, business should not be conducted under the corporate name prior to said date.

9. Power of Attorney

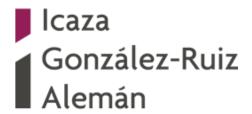
The corporation may execute in favor of one or more individuals a broad Power-of-Attorney to operate the company.

10. Minutes and Shares Registration

- Law 22 of April 27, 2015, modified Article 71 of the Commercial Code of Panama, imposing the obligation on legal persons to keep records of minutes and shares, for which they may use books, electronic records and other mechanisms that the law allows and that can guarantee that these records cannot be modified or eliminated later.
- Sanctions: In addition, Law 22 has added the following to said article 71:
 - If a competent authority becomes aware of the breach of the aforementioned obligation by a legal entity, it will inform the Ministry of Economy and Finance so that it imposes a fine on that legal entity that will be computed from the moment the sanction is imposed, to reason of up to one hundred dollars (US \$ 100.00) per day and for the duration of the breach.
 - In case of evident reluctance of the legal entity to comply with the obligation, the Public Registry of Panama will be notified so that it makes the registration of a marginal annotation in the registry of the legal entity, indicating that it is in breach of the provisions of the Commercial Code.
 - This marginal annotation will not prevent the legal entity from carrying out the registration in the
 Public Registry of its corporate documents or the issuance of certifications relative to the legal entity,
 however, while the marginal annotation exists, the legal entity cannot be dissolved and any
 certification that is issued will indicate that this legal entity has outstanding obligations with the
 competent authority due to its non-compliance with the provisions of the Commercial Code.
 - The marginal annotation will be lifted when the competent authority notifies the Public Registry that the legal entity has corrected the fact that gave rise to such annotation.

11. Corporate Bodies

- A. **Shareholders:** With the exception of corporations engaged in the retail business in Panama, shareholders need not be nationals or residents of Panama. Meetings of shareholders may be held outside of Panama, if so provided in the Charter. Shareholders may be represented by proxy.
- B. **Board of Directors:** There must be at least three (3) directors, who may be either natural persons or corporations or a combination of both, but unless otherwise provided in the Articles of Incorporation, directors need not be shareholders, nor nationals or residents of Panama. Meetings of directors may be held outside of Panama, and directors may be represented at meetings of the Board by proxy, who need not be a director. The Board of Directors is elected by the shareholders, but vacancies, whether resulting from an increase in the authorized number of directors or otherwise, may be filled by the vote of a majority of the directors then in office.



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C. Dignataries: Every corporation must be at least a President, a Secretary and a Treasurer, who shall be chosen by the Board of Directors. The same natural person or corporation may hold two or more offices, if so provided by the Articles of Incorporation or by the By-Laws.

Continuation A corporation formed and in good standing under a foreign legislation, may opt to continue its existence under Panama laws, notwithstanding the provisions of the legislation of its country of origin, by filing in the Public Registry, for recordal, the following documents: evidence of its good standing; certified copy of the corporate resolution authorizing the continuation; articles of incorporation subscribed in accordance with the laws of the Republic of Panama, with an indication that they substitute the incorporation document of the foreign corporation.

- A corporation formed and in good standing under a foreign legislation may conditionally register in the Public Registry its continuation in the Republic of Panama, under the condition that said continuation becomes valid (effective) upon the registration of a declaration to that effect by the corporation's duly authorized representative or attorney-in-fact.
- A corporation formed in accordance with the laws of Panama may, as provided for in its articles of
 incorporation or amendments thereto, continue under the laws of another country or jurisdiction as long as
 the laws of said country or jurisdiction so allow it and the corporation is up to date in the payment of the
 annual license tax to the government of Panama.

IMPORTANT NOTE: In accordance with regulatory and legal provisions, our firm maintains internal policies related to the processes of "Due Diligence" and "Know Your Client", as routine to avoid the occurrence of illicit activities.

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