

## PANAMA PRIVATE INTEREST FOUNDATIONS

### Legislation, which regulates Private Interest Foundations

- Law No. 25 of June 12th, 1995.
- Executive Decree No. 417 of August 8th, 1995.
- Article N°318-A of the Fiscal Code amended by Law N°52 of October 27th, 2016.
- Executive Decree 809 of August 3rd, 2014.

### Organization of a Foundation

One or more persons (legal or natural) by itself or through third parties may organize a Private Interest Foundation. To organize it, we require that the client provides the following: a) the desired name for the Foundation; b) the names and domiciles of the persons which shall comprise the Foundation Council and; c) the amount of the initial patrimony, which shall not be less than US\$10,000.00. It is important to emphasize that the Panamanian laws oblige the attorneys to know their clients; therefore, it shall be necessary to submit the pertinent documents and information.

### The Foundation Charter must contain the following:

- a) The name of the Foundation expressed in any language, with characters of the Latin language, which shall not be identical or similar to the name of another Foundation already existing at the Public Registry of Panama. The name must include the word Fundación (in Spanish) or Foundation to distinguish the same from other natural or juridical persons;
- b) The initial patrimony of the Foundation must be expressed in any legal tender, which shall in no case be less than the sum equivalent to ten thousand dollars (US\$10,000.00);
- c) The full name of the member or members of the Foundation Council, which might include the founder, setting forth their physical addresses. The Foundation Council shall be responsible of the compliance of the purposes and objects of the Foundation;
- d) The domicile of the Foundation;
- e) The name and domicile of the Resident Agent of the Foundation in the Republic of Panama, which must be an attorney-at-law or a law firm, who must sign the Foundation Charter before it is filed before the Public Registry;
- f) The purposes of the Foundation;
- g) The manner in which the beneficiaries of the Foundation are appointed, among which the founder may be included;
- h) The reservation of the right to amend the Foundation Charter, whenever it is deemed advisable;
- i) The duration of the Foundation;

- j) The use to be made of the assets of the Foundation, and the manner in which the same may be liquidated in the event of dissolution;
- k) Any other lawful clause, which the founder may deem convenient.

### **Governmental Annual Tax**

All private interest foundation must pay an annual tax of four hundred dollars (US\$400.00) to the government in order to maintain its good standing. The due date of the annual tax is as follows: June 30th of every year for foundations registered in the first semester of the calendar year and December 31st of every year for foundations incorporated in the second semester. The delay in the tax payment shall cause a surcharge of US\$50.00 per year and for two periods not paid, it shall generate a fine of US\$300.00. After three years of nonpayment of the annual tax, the Public Registry shall suspend the corporate rights of the Foundation, prior order of the General Directorate of Revenues. If two years had elapsed without restoring the Foundation, a fine of one thousand dollars must be paid for its restauration; otherwise, the Public Registry shall remove the same definitely and shall consider it dissolved.

### **A brief description of the Foundations**

- The Private Interest Foundations may not pursue profit, nevertheless, they may engage in commercial activities in a non-habitual manner or exercise the rights arising from titles representative of the capital of mercantile corporations, which constitute its patrimony, provided that all economic proceeds be used exclusively for the purposes of the Foundation.
- The foundations may be organized to be effective as of their creation or after the death of the Founder.
- For all legal purposes, the assets of the Foundation constitute a patrimony separated from the personal assets of the Founder. Such assets may not seized or attached, neither be subject to any action or precautionary measure, except in the case of the own obligations of the Foundation or for the lawful rights of its beneficiaries. In no case, said assets shall be liable for the personal obligations of the Founder or of the beneficiaries.
- The assets that are transferred to the foundation shall be administrated by the Founder in the Foundation
- Charter or in the bylaws.
- Panamanian Foundations are not subject to tax payment for earnings obtained outside the Republic of Panama.

- The constitution instrument of a Foundation is the Foundation Charter, submitted by the Founder, and recorded at the Public Registry of Panama. Nevertheless, confidentiality may be assured in different ways, among which is the constitution of the Foundation through a founder agent, in place of the Founder. On the other hand, the information regarding the name of the beneficiaries of the Foundation and the manner of distributing the properties among them shall be expressed in the By-Laws, which have a private character and are not subject to registration at the Public Registry.
- A Panamanian Foundation may continue its legal existence in other jurisdictions or a foreign foundation may be continued in Panama.
- The existence of the legal provisions in inheritance matters in the domicile of the Founder or the beneficiaries shall not be enforceable against the Foundation; neither shall affect its validity nor prevent the achievement of its objects in the manner provided in the foundation charter or its bylaws. This means that a foreign judgment declaring the nullity of the contributions or the existence of the foundation itself shall not be accepted to be executed in Panama.

We are at your disposal for any additional query or to assist you in the organization of your Foundation.

--  
End of document