

Title:

Legal Details for Panama Offshore Corporations

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Summary:

In Panama, two or more natural persons may create a corporation by executing a charter of incorporation.

Keywords:

asset protection, offshore banking, offshore bank account

Article Body:

Articles of Incorporation.

In Panama, two or more natural persons may create a corporation by executing a charter of incorporation. The incorporators need not be citizen or residents of Panama. According to Article 2 of the General Corporation Law or Number 32 of 1927, the charter must contain the follow information:

The Name of the Corporation.

The name of the corporation must include a word, phrase or abbreviation indicating that is a corporation, and distinguishing it from other types of business organizations. The usual abbreviations are: "S.A.", "Inc." and "Corp.". The name may not be the same as, nor be similar to the name of any other existing corporation.

The General Purpose or Purposes of the Corporation.

Panamanian law expressly allows a corporation to engage in any business activity. Thus, the enumeration of particular corporate purposes does not preclude the corporation from pursuing other activities not expressly set out in the charter.

The Amount of the Authorized Capital.

The amount of the authorized capital, as well as the par value of the shares into which the capital is to be divided, may be established by the incorporations since the law does not establish any minimums or maximums. The authorized capital and the par value of the shares may be expressed in the currency of the Republic of Panama or in any other currency. The Panamanian legal tender, the "Balboa", has always been at par with the United States

dollar.

Shares with No Par Value.

The law permits corporations to issue shares with no par value. If all the corporate shares are to have no par value, the charter must indicate the number of shares the corporation may issue. It is not required that the amount of authorized capital be stated. The value assigned to non par value share may be determined in the charter itself or, if the charter so provides, by resolution of the board of directors or the stockholders. The charter may provide for the issue of both par value and non par value shares.

Different Classes of Shares.

If different classes of shares are to be issued, the charter of incorporation must state the number of shares of each class and all specifications, priorities, privileges, voting rights, restrictions or qualifications of each class of shares. Alternatively, the charter may provide that the specifications, priorities, privileges, voting rights, restrictions or qualifications of each class of shares be determined by resolution of the majority of the stockholders or the majority of the directors.

Registered and Bearer Shares.

The articles of incorporation must state if the shares are to be issued in registered or bearer form. With registered shares, the name of the owner appears on the stock certificate and on the stock register of the corporation, which is not the case for bearer shares, however. The articles of incorporation may also provide that both types of shares, once issued in one form, may be converted into the other form. It should be noted that bearer shares might only be issued if they are fully paid and non-assessable.

The Number of Shares that Incorporators Agree to Subscribe.

Some countries require that in the act of incorporation a certain percentage of the authorized capital be subscribed for and/or paid-in. This is not the case in Panama. Rather, it is sufficient to state in the articles that the incorporators subscribe a minimum of one share each. Once the corporation has been recorded, the incorporators are then free to assign their subscription rights to other parties.

The Domicile of the Corporation.

It is sufficient to state that the corporation will be domiciled in the city of Panama or in any other particular city in the world.

Resident Agent.

Panamanian law requires all corporations to have a resident agent domiciled in

the Republic of Panama. The agent's name and address must appear in the charter of incorporation, and he or she must be an attorney admitted to practice in Panama.

First Directors.

Panamanian law requires that the charter of incorporation include the full names and addresses of the first directors of the corporation. A minimum of three directors is required, who may be non-residents of the Republic of Panama. The law further allows for the appointment of a variable number of directors, with a minimum of three (3). In this case, the exact number of directors is determined by the board of directors itself or by the stockholders, as provided in the articles of incorporation.

Director and Officers.

Unless the articles of incorporation provide otherwise, neither the directors nor the officers have to be stockholders. Furthermore, the officers need not be directors, and the shareholders, directors and officers may be of any nationality. The only exception is in the case of corporations that intend to engage in certain business activities within the Republic of Panama, that are expressly reserved by law to Panamanian citizens.

Meetings and Voting.

The meetings of shareholders and of the board of directors may be held outside Panama where this is expressly provided for in the articles of incorporation or by-laws.

Similarly, where permitted by the articles of incorporation, the directors may be represented and vote at the meeting of the board of directors by proxy. Proxies need not be directors and may be appointed by private or public document, with or without the power of substitution.

Stockholders may do the same at stockholders meetings.

The Board of Directors.

The stockholders elect the board of directors, but vacancies on the board of directors may be filled by the vote of the majority of the directors in office.

The corporation must have a president, a treasurer and a secretary. Furthermore, it may have such other officers as the board of directors or charter of incorporation may determine, such as vice presidents, assistant treasurers, assistant secretaries. It is common for the first officers to be appointed in the charter of incorporation, and any person may hold more than one office.

Other Provisions.

Usually the articles of incorporation state that the existence of the corporation is perpetual, but that it may be dissolved and liquidated at any time by the vote of the owners of the outstanding shares with voting rights.

The articles of incorporation may include various other provisions, for example restrictions on the transfer of shares, pre-emptive rights in the event of the issuance of new shares, and the powers of the officers to bind the corporation. The Process of Incorporation.

Articles of incorporation executed in a foreign country must be legalized by a notary public in that country and authenticated by a local Panamanian consul. Articles of incorporation may also be executed directly before the local consul of Panama since, according to Panamanian law; a consul may act as a notary public.

In either case, the articles must be registered with a notary public in Panama before they are filed with the Mercantile Section of the Public Registry Office.

The articles of incorporation must, in all cases, be filed with the Mercantile Registry in order for the corporation to be deemed to exist with regard to third parties.

The articles of incorporation may be executed in any language, but must be translated into Spanish by a certified public translator. The public deed may contain both the original version and its Spanish translation.

The real parties in interest need not travel to Panama to carry out the process of incorporation.

Two persons domiciled in Panama may execute articles of incorporation before a Panamanian notary public in accordance with instructions received from parties abroad. As mentioned above, each incorporator must subscribe at least one share of the authorized capital. Once the articles of incorporation have been recorded in the Public Registry, the incorporators may then assign their rights to the real parties in interest, thereby turning over control of the corporation. Some of the main advantages and features of an Offshore Company are:

- * Exemption from tax and stamp duty.
- * Confidentiality.
- * Minimal government tax and filing fees.
- * Flexible administrative features.
- * Expeditious incorporation procedure.

- * Both corporate entities and natural persons are permitted as and/or officers.
- * Appointment of corporate and nominee shareholders.
- * Reservation of company names can be arranged.
- * Shares may be issued in bearer form.

Without doubt, the main method of making investment in Panama is by means of the creation of a subsidiary.

The simplicity and flexibility of the Corporation law allows a corporation to organize in a matter of days, joining an economy based on the US dollars and strategic location that makes Panama the ideal place for the establishment of regional offices serving Latin American and Caribbean markets.

The Corporation Law offers investors important advantages that allow corporation to dedicate itself to whatever legal business and to even carry out operations that are not mentioned in the company charter; a minimum capital is not required to be paid at the time of its constitution, and this can be expressed in whatever currency. The corporation can issue bearer or nominate shares, with or without a nominal value and there are no restrictions covering the number of shareholders, nor a public register of shareholders; shareholders are only responsible for that amount which they owe according to the price of the shares; the directors and dignitaries can be individuals or legal entities; although annual or periodic meetings of the corporation's board have never been required, there is now the advantage that directors' and shareholders' meetings can be celebrated by telephone, fax or any other electronic means of communication.

As far as the fiscal aspect is concerned, and in line with the concept of territoriality, only the profits from a Panamanian source, that is to say whatever is produced, earned or created within Panama, is subject to taxation.

Based on the concept of territoriality, the following forms of income are not liable to the payment of income tax since they are not considered to have been generated in Panama:

1. Sales invoicing from an office established in Panama for amounts greater than those billed to the Panamanian office (re-billing), when the handing of the merchandise or products is exclusively overseas.
2. Transactions that are initiated from an office in Panama, but that are completed, finished or take effect overseas.
3. The distribution of dividends or profit sharing corresponding to income not generated in Panama.
4. The provision of services outside Panamanian territory.

5. Interest, commission for financing and similar income received by individuals or legal entities domiciled in Panama, that are derived from loans, deposits or any other financial transaction with borrowers domiciled outside Panama, when the use of the funds is effected outside Panama, even when the repayment of the capital or interest is materialized in Panama.
6. The disposal of stocks and shares of Panamanian corporations, always when the activities of said corporations are accomplished exclusively outside Panama.

A. General Information About Panama Corporations:

Panama offers the most favorable and most flexible incorporation laws available in the world. Individuals from all over the globe who are interested in asset protection, tax minimization, privacy, investment diversification, affordability and convenience use Panama corporations.

Panama corporations can be used for international trade, to settle trust or foundations, to establish and own bank or brokerage accounts, or hold ownership of real estate or any other type of asset. In some cases, Panama corporations are formed for very private and confidential business transactions such as the movement of funds to another jurisdiction for the protection of the assets.

Panama offers the strictest corporate book and banking secrecy laws available in the world, therefore providing legal protection to your assets and your identity through the confidentiality of corporate business and banking transactions. Most other offshore jurisdictions, such as the British influenced countries, have vowed down to recent legislation that has begun the removal of bank secrecy in those British colonies around the globe. Panama is a totally sovereign nation, not governed or controlled by any other country in the world.

B. Panama Corporation Facts:

- * Second Most Popular Jurisdiction in the World: Panama is the registered domicile for over 400,000 corporations and foundations, making it the second most popular jurisdiction to incorporate in the world, next to Hong Kong.
- * No Reporting Requirements or Taxes: Panama does not impose any reporting requirement or taxes for non-resident Panamanian corporations.
- * No Piercing the Corporate Veil: Panama does not allow, "piercing the corporate veil", so your corporate books are maintained 100% private and confidential by law.
- * Anonymous Ownership: Panama corporations share certificates can be issued in Nominative or Bearer form (Bearer Share are an anonymous form of ownership), with or without par value. Neither the directors nor the officers of Panama corporations need to be shareholders.
- * No Capital Requirements: Panama corporations do not require Paid-In

Capital, nor is there a time limit in which authorized capital must be fully paid.

* Directors: Every Panama corporation requires 3 directors/officers (President, Secretary and Treasurer). The directors/officers can be either individuals or entities. Panama Corporation's directors, officers and shareholders may be of any nationality and resident of any country. The director's names and identifications must be presented in the public registry when the corporation is formed.

* Nominee Directors: We offer our clients the optional service of using our ?Nominee Directors? for their corporation(s). For purposes of confidentiality, most of the clients prefer that I provide nominee directors/officers for their corporations. When I appoint nominee directors for the entities that I establish for my clients, I always provide my clients with pre-signed, undated letters of resignation from the directors so that my client can replace those directors at any time.

* Directors or Shareholders Meeting: Annual general meeting of either shareholders or directors of the corporation are not mandated or required. However, if meeting are held, they can take place anywhere in the world by proxy ? via telephone, email or other electronic means. Any resolutions passed are valid regardless of whether they are signed on different dates or in different jurisdictions.

* Corporate Boo