



Panama - Common law

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Incorporating a company in Panama

Panama taxes

If you want to incorporate in Panama, this article explains the tax laws for a Private Interest Foundation and a Corporation (SA) which are the most common offshore legal entities in Panama.

A Panama Private Interest Foundation may be instituted for the gain and benefit of individuals or a specific social purpose. A Foundation is a separate legal entity without requiring members or shareholders. It is established by a founder. The Founder may be a legal or natural person. Besides the Founder, a Foundation must have a Beneficiary and a Foundation Council (which is comparable to a board of directors), with the option to appoint a Protector who can supervise the Council. The assets held by Panama Foundations take on a separate legal identity from the personal assets of the Founder, the Protector, the Council, or the Beneficiaries. There is a minimum contribution required of US\$ 10,000, but may not have to be paid up at time of registration.

Panama Private Interest Foundations are Tax-Exempt. Which means that they are not subject to any form of taxation. A Government US\$ 400 annual fee may apply.

Panama foundations may not be able to engage in direct business or trade, but they may derive earnings from the disposal of assets as investments, sales, deposits...etc.

A Foundation may be used as holding entity, for asset protection (tangible or intangible), for confidentiality and privacy, estate planning, tax planning or philanthropic reasons.

The law does not require the disclosure of the ultimate founder, beneficiaries or protectors. And may be ordered by a nominee founder and Nominee member services.

Since January 1, 2017 a Private Interest Foundation is required to maintain accounting records along with its supporting documentation, for 5 years since transactions contemplated in such registries were done, but there may be no requirement to file them.

Another common Panama Legal entity is Sociedad Anónima (Corporation):

Panama taxes corporations on a territorial basis. This means that offshore income, from our research, and your results may vary, is not subject to taxation. This ranks Panama as 1st overall in terms of corp. taxation rate internationally. Income accrued within the country is subject to CIT at a flat rate of 25% .

The VAT rate in PA is 7.00%, which ranks Panama as 37th when compared to value added tax rate worldwide. In terms of other taxation, an employer will contribute 13.5% to the equivalent of a social security fund and an employee will contribute 9.75%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 144hours. Contributing to this is the number of yearly labor tax payments, which is 4 in PA.

Thin capitalization mandates are not in effect. This refers to any sort of requirements on given company with respect to debt-to-asset ratios. Distribution of dividends may be subject to a withholding tax of 10% on local-source profits and 5% on foreign-source profits (exports). However, a dividend withholding tax exemption may apply if company only earns foreign-source income. Dividends received are not subject to taxation. A dividend is a distribution of a portion of earnings of the legal entity, passed by the board of directors, to a particular class of shareholders. Dividends can be issued as cash payments, shares of stock, or other property.

Capital Gains derived from the sale of securities and negotiable instruments within Panama are taxed at 10%. Companies conducting its business outside Panama are not subject to Capital Gains Tax. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell a capital asset for a price that is higher than the purchase price.

The above is not tax or legal advice for your particular circumstances. We can refer you to a tax advisor in Panama who can answer all your questions. Contact us today. Ready to get started? Click incorporate now if you are in a hurry, or press the free consultation button above.

Panama Legalese

The vat rate in Panama is 7% which ranks 36 in the world.

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in Panama is common law. Common law jurisdictions are generally regarded as easier to structure. One is permitted to electronically sign documents.

✗ **Patent box**

✗ **R&D credit**

✗ **Wealth tax**

✓ **Estate tax**

✓ **Transfer taxes**

✗ **Asset taxes**

✗ **Capital duties**

The country code PA is for Panama and the most common legal entity structure in Panama is an IBC.

The average time to incorporate is 6-7 days to incorporate an IBC in PA. The minimal capitalization, or amount you're expected to put into a bank, is 0. This means you don't have any minimum share capital. The types of cash you can use to setup your company is most commonly any legal tender.

Yes, one is allowed to re-domicile an IBC from PA. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own an IBC in PA by yourself. Corporate Shareholders are permitted, which means you can have a legal entity as a shareholder. Foreign ownership is allowed, up to 100% of the ownership of the IBC.

There is a requirement to have at least 3 directors. Moreover, corporate directors are permitted. Directors are disclosed publicly.

A registered legal firm must be retained for an address, paid by the company on an annual basis, for an address which can receive a service of process on behalf of the registered legal entity. However, a corporate secretary is also mandated by the government.

There is a not currently a requirement to file annual returns. This won't exclude the legal entity or the individual shareholder from other tax or reporting obligations elsewhere and one should seek personal advice on your own tax obligation. On that note, there is usually not a requirement to have an audited set of accounts.

Overall we think Panama is a good option and have given it a score of 93 as an IO score, using the Incorporations.IO proprietary formula.

25 **Tax treaties**

0% **Offshore Tax**

0% **Corp rate**

- **Loss carryback years**

83 **Corporate time**

7% **VAT rate**

0% **Capital gains**

2018 **AEOI planned**

✗ **Directors not disclosed in a public registry**

✓ **Shareholders not disclosed in a public registry**

✓ **Redomiciliation permitted**

✓ **Registered office required**

✓ **Corporate director permitted**

✓ **Local Secretary not required**

✓ **Local Director not required**

✓ **Electronic signature**

1 **Shareholders required**

3 **Directors required**

6-7 days **to form**



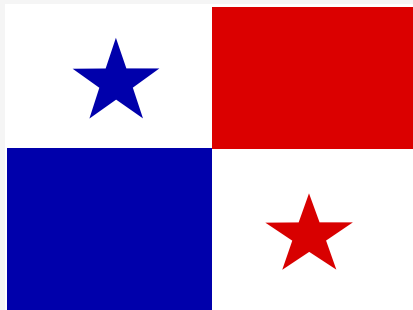
PANAMA

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Country Info



National Flag of

**República de Panamá
(spa)**

\$ Currency

PAB

☎ Area Code

+507

🏰 Capital

Panama City

✈ Region

Central America

🌿 Native Languages

Spanish