



Tax Alert

Compliance obligations to bear in mind for business groups with legal entities registered in Panama within their corporate structure

The legal certainty and tax neutrality that Panama offers for legal entities that do not have operations within Panama, that do not carry out active operations, but rather fulfill a strategic function in business groups (Holding entities, entities that implement succession plans in family businesses, etc.) has caused many Guatemalan groups to include legal entities in Panama in their corporate structures. That is why on this occasion we share this information prepared by our experts in Panama.

To comply with the standards and recommendations of international organizations such as the OECD and the Financial Action Task Force (FATF), Panama has been introducing a series of changes to its legal and regulatory framework to enhance its ability to effectively respond to information requests for tax or regulatory purposes. Changes have been introduced gradually, with the latest being implemented between 2020 and 2022. The type of legislation that has been enacted to fulfill these purposes includes the following:



The implementation of a custodial regime for bearer shares, under which authorized custodians are required to keep identity information on the owners of bearer shares issued by Panamanian corporations;



Revised anti-money laundering (AML) regulations, under which attorneys acting as registered agents are required to hold detailed records about their clients, including records about final beneficiaries. Based on the relevant regulations, attorneys must corroborate the activities reported by their clients and regularly examine their validity, among other information and verifications that they must conduct;



The introduction of new accounting requirements. For safekeeping purposes, accounting records and supporting documentation of companies that do not conduct business operations within Panama, including legal entities that only act as investment vehicles, must be provided to the entity's Panamanian resident agent within four months following the end of each fiscal year. In the event of the dissolution of a Panama registered entity, accounting records and supporting documentation for the last five years prior to the dissolution must be provided to the agent. No later than 30 April of each year, the resident agent must receive the originals or copies of the accounting records of the immediately preceding fiscal year (for calendar-year companies). Failure to provide accounting records and supporting documentation (either in original and/or copy) to the attorney acting as registered agent is subject to the following:

- The submission of a non-compliance report to the office of the Superintendence of Non-Financial Subjects;
- The compulsory resignation of the attorney acting as resident agent of the non-compliant company;
- The suspension of the legal entity's corporate rights;
- The inability to register any document in the Public Registry and to obtain certificates issued by the Registry;
- The compulsory administrative liquidation of the legal entity; and
- The imposition of non-compliance fines ranging from USD 5,000 to USD 1 million, depending on the seriousness of the offense and the number of prior offenses;



The obligation for Panamanian registered agents to keep updated records of the shareholders and/or beneficial owners of legal entities in which they act as such, with the responsibility of reporting and updating this information on the national system for the registration of beneficial owners adopted by the Superintendence of Non-Financial Subjects. Failure to comply with this obligation is subject to sanctions for both the entity and the resident agent; and



The suspension of the legal entity's corporate rights if it fails to pay the annual incorporation fees for three consecutive years or fails to comply with the obligations to report beneficial owners or send accounting information. The effect of this suspension means that no act, document, and/or agreement may be registered in the Panama Public Registry, nor may certifications be issued, except those ordered by a competent authority or requested by third parties in order to assert their rights.

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