



Compliance obligations for legal entities registered 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 implementations being introduced between 2020 and 2024. The type of legislation that has been enacted to fulfill these purposes comprises 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 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 15 July of each year, the resident agent must file an annual affidavit to the Panama Tax Authority regarding the possession and location of the accounting records received of the immediately preceding fiscal year.



Nonetheless, this obligation to file an affidavit has been extended several times, most recently by Resolution No. 201-1754 of March 26, 2024, which granted a leeway to file the annual affidavits corresponding to fiscal years 2021, 2022 and 2023 until August 31, 2024. This extension also extends the term for offshore entities to provide accounting records and supporting documentation to resident agents.

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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:

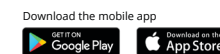
- The submission of a non-compliance report to the office of the Superintendence of Non-Financial Subjects;
 - The compulsory resignation of the attorney acting as resident agent of the non-compliant company;
 - The suspension of the legal entity's corporate rights;
 - The inability to register any document 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.
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- 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. **Just recently, a resolution from the Superintendence of Non-Financial Subjects was published on the 12 of April 2024, adding information to be reported in the national system for the registration of beneficial owners; which includes whether the law firm provided the service of shareholder, director, and attorney-in-fact; and a section to report the jurisdiction where the entity operates and/or maintains assets. Resident agents will have an eight-month term to update the information, which expires on January 12, 2025; and**

- The suspension of the legal entity's corporate rights if it fails to pay the incorporation fees for three consecutive years or fails to comply with the obligation 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 to assert their rights. Once suspended, the legal entity may be reactivated within a period of two years after the suspension. If the period of two years expires without the legal entity's reactivation, the Panama Public Registry will cancel its registration definitively, considering as dissolved will all the legal effects relating thereto.

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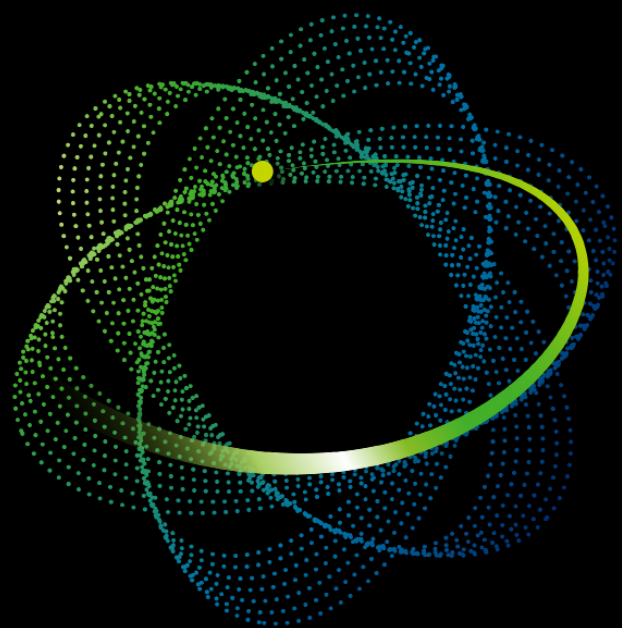
Consistent with the above obligations, a periodically review the status of corporations that are registered in the Public Registry of Panama is recommended, since the lack of contact with the person acting as resident agent can trigger their resignation, with the consequent suspension of the corporate rights of the entity once the resignation is recorded in the Public Registry.

The content of this article is intended to provide a general guidance to the subject matter. Specialist advice should be sought about your specific circumstances.

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