

PEREZ CASTILLO & ASSOCIATES

PANAMA CORPORATION OVERVIEW

OVERVIEW OF PANAMA CORPORATION SITUATION SELECT FEATURES, PROVISIONS AND GENERAL FORMATION PROCESS

The principal hallmarks of non-resident Panama corporations are the privacy aspects that are associated with formation and operation - and the variety of the manner in which they can be utilized. Further, such corporations are not subject to any Panamanian taxes (including exemption from capital gains or interest income). Neither are there reporting requirements of any nature to any government or governmental body.

However, to engage in actual trade within the Republic of Panama (for example, activities such as those requiring employees, offices or manufacturing/distribution physical facilities here - or the conduct of business with resident Panamanians), a non-resident Panama corporation must first apply for and receive a business license. However this is a routine procedure and can be readily accomplished along with the corporate filing process.

It is important to point out a very special provision that exists for non-resident Panama corporations that elect to engage in such activities in the Republic as Securities Brokerage and traditional Banking business (such as trading in investment securities or engaging in bank savings account or fixed deposit transactions). None of these type activities are considered to be actual conduct of trade within Panama, and therefore, all income derived from these types of business transactions or investments is totally exempt from Panamanian taxes. To retain its continuing "good standing" status, the non-resident corporation is assessed an annual franchise fee by the government in the amount of \$250.00.

General procedures and certain key provisions, considerations and guidance for setting up your own corporation in Panama are as follow:

1. Select a preferred name - within one business day our firm will inquire with the governmental Registry to confirm the availability of the name you have selected. Although the name may be in any language of your choosing, it must include a specific suffix. You may choose from among: "Inc.", "Incorporated", "Corp.", "Corporation", or "S.A.". S.A. is the abbreviation for "Sociedad Anonima" which is the Spanish language equivalent of "Inc." or "Corporation".
2. The normal time that we require for setting up a new corporation is 3 business days. The firm however maintains an inventory of "shelf structures" that have already been incorporated and are ready for the immediate conduct of business, in the event such an urgent situation arises. The name of the existing shelf corporation can be maintained or the name can be changed to your preference at any subsequent time.
3. The initiating parties need not be physically present in Panama in order to institute the corporate process, but each corporation is required to possess a legal physical address. The Perez, Castillo law firm acting as the Registered Agent for your

corporation will provide this requirement as part of our incorporation formation package.

4. Foreign nationals may initiate, and exercise control over, a Panamanian corporation without restriction as to the nationality or residence of the officers, directors or shareholders. Officers and directors are not required to be shareholders, as in certain other sovereign jurisdictions. Similarly, meetings of board of directors and/or shareholders may be either held in the Republic of Panama or in any country of their choosing at any time. Corporate business activities conducted outside the Republic bear no requirement to obtain a commercial license here.

5. The establishment of a corporation in Panama is not subject to a specific minimum capital contribution requirement. Corporate initiators can have share certificates issued either in Nominee or Bearer form along with the choice of whether the certificates will be without par value or state a specific par value. Accounting records can be organized and maintained in Panama or elsewhere, solely at the choosing of the corporation. Whenever desired, a corporation is eligible to be transferred to an alternative jurisdiction.

6. A specific requirement however is that each corporation must have a minimum of 3 directors and 3 officers (President, Secretary and Treasurer), although the same 3 parties or entities may serve in these roles. By choice of the initiators, the directors/officers can be either persons or juridical entities (i.e. corporations). Two subscribers are required at the time of incorporation but there need be only one shareholder, which can be anonymous if desired. The "Bearer" form of issue is a popular consideration for those desiring portability of the structure and transfer without further registration requirement. The inherent anonymity and confidentiality of these attributes are clearly attractive features for those with important asset protection priorities associated with their overall planning and business strategies.

7. Among the major points of consideration in making corporate formation detailed decisions are the public disclosure aspects of Panama corporations. Only the names of corporate officers and directors appear in the public Registry, not the names of the shareholders. Accordingly, keep in mind a corporate formation client who elects to be appointed as an officer or director will be publically identified when the relevant corporate documentation is filed. However, there is no requirement that beneficial owners of the corporate entity be identified in the public Registry. For optimum privacy, clients often request that we provide them with nominee officers and directors which we are happy to do. In this instance, as we appoint such requested nominee parties, also supplied to the client in already fully executed form is an undated resignation letter that will allow the client to change the directors at any time.

8. While the Registered Agent is not required to keep any records for the corporation, each corporation of course should otherwise maintain its own minute book and stock register. These records can be maintained at any location whatsoever of the corporation's choosing anywhere in the world. Annual meetings, whether for shareholders or directors, are not stipulated requirements. However, if held, the meetings can transpire at any location by proxy and may be accomplished through telephone, email or other electronic media. Annual general meetings of either

shareholders or directors of the corporation are not mandated. If meetings are held, they can take place anywhere in the world by proxy - via telephone, e-mail or other electronic means. Resolutions enacted through such sessions are valid even when accompanying signatures are executed on other dates or in varying jurisdictions.

Summary Comment

The above information is supplied to highlight certain matters that prospective candidates for such services may wish to take into account in evaluating Panama as a siting for possible business or investment activities. It is summary in nature and of course not intended to be a comprehensive discourse of all relevant aspects that are involved or pertinent to any given set of conditions appurtenant to the need of a particular prospective participant or client. If you have questions related to the content or inquiries relative to the services provided by Perez, Castillo, and/or wish to review particulars of importance to you, please feel welcome to contact us at our email, fax or telephone coordinates that are supplied on the Home Page.