

## New Requirements for Panama Entities

Panama is introducing new rules for Juridical Persons through Law No. 52 of 27 October 2016 published in Official Gazette No. 28149-B. The new rules will take effect on 1 January 2017 and will affect all entities incorporated in Panama whose operations take effect outside the territory of the Republic of Panama (offshore entities).

### Panama entities must now maintain accounting records.

- The records must be maintained for a minimum of five years from the termination of a transaction or from the date the entity ceases its operations.
- The records must enable the financial position of the company to be determined with reasonable accuracy and should be sufficient to produce financial statements if required.
- The records may be kept at the entity's Registered Office or at another location. If the records are not kept at the Registered Office, the Registered Agent must be informed in writing of physical address where they are kept and provided with the contact details of the person responsible for maintaining the records.
- If the entity does not inform the Registered Agent of the location of the records, the Registered Agent must resign or face a \$500 fine and forced removal as Registered Agent for the entity.
- If the entity does not comply with its record-keeping obligations, it faces a \$1,000 fine, plus \$100 for each additional day of non-compliance and it will not be able to appoint a new Registered Agent until it complies with the obligations.

Entities that do not pay their government licence fee or other payment or fine for a period of three consecutive years, or which do not have an Registered Agent for more than 90 days, will have their corporate rights suspended.

- Once these rights are suspended, there is a two-year period for them to be reactivated.
- Entities with suspended corporate rights will not be able to initiate legal processes, carry out business or dispose of assets, file claims or exercise rights, or undertake corporate actions.
- Reactivation of corporate rights will require payment of a \$1,000 fine, plus remediation of the issues that caused the original suspension.
- Companies that are not reactivated during this two-year period will be dissolved and liquidated.

Changing Registered Agent requires the consent of the existing Registered Agent, which will need to provide a certificate of consent before the change can be effected.

Registered Agents that have not been able to contact the shareholders of the entity or have not been paid for a period of three years, can resign as Registered Agent to the entity.

Please contact your local Trident Trust representative or our Panama office if you would like to discuss the new requirements.

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