

Key Facts Foundations

The Panama foundation has emerged in recent years as a viable civil law based legal structure for international private wealth and corporate planning. The Panama Foundations Law, enacted in 1995, builds on the experience of the foundations laws of a number of European civil law jurisdictions.

Given its competitive cost structure and the wide use of English among local professionals, use of Panama foundations has broadened beyond civil law based advisors, to include an increasing number of professional intermediaries operating in common law jurisdictions.

Establishment

- A Standard foundation Charter can be used.
- Optional use of Standard foundation Regulations.
- Charter and Regulations can be tailored to client's requirements.
- Minimum Assets to be transferred to the foundation to satisfy statutory requirements is US\$10,000.
- Establishment by registration of the Foundation Charter with the Panama Public Registry.
- On establishment a separate legal persona comes into existence.

Purpose

The foundation cannot be used for commercial purposes but it can hold shares in a company which itself is engaged in a commercial activity.

Governance

- A Foundation Council is responsible for the management of the foundation.

- The Council consists of a minimum of three individuals. A company also can act as the sole member of the Foundation Council.
- The Foundation Council is responsible for preparing financial statements if required by the Charter or Regulations.

Founder Rights

- Disclosure in the Charter of the Founder's identity is required. Nominee Founders can be employed.
- The Founder can retain a right of revocation or assign that right to the Foundation Council.
- The foundation can be irrevocable.

Protectors

- Foundation law recognises the office of Protector to supervise and if necessary intervene in the conduct of the Foundation Council.
- Protector can also be given veto rights over Foundation Council decisions.

Forced Heirship

Rights of forced heirship are not recognised with regard to assets held by the foundation.

Asset Protection

Foundations can be employed for asset protection planning. A transfer of assets to the foundation can

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be set aside within a three year period following the transfer on the grounds that the transfer was made with intention to defraud creditors.

Filings

- The foundation Charter is filed with the Public Registry and is available for public inspection.
- The names of the Founder and Foundation Council members are also filed with the Public Registry and are available for public inspection.

Taxation

- Foundations are exempt from all Panama taxes on assets held by the foundation outside of Panama and on all income earned from non-Panamanian sources.
- The foundation pays a licence fee of US\$350 on establishment and from the second year an annual licence fee of US\$400.

Compliance

- The foundations law expressly makes all foundations subject to the Anti-Money Laundering Regime of Panama.
- A statutorily imposed confidentiality requirement is imposed on all persons dealing with a foundation and unapproved disclosure is punishable by monetary penalties.

Administrative Flexibility

- Administration of a foundation can take place anywhere in the world.
- The Foundation Council can be located outside of Panama.
- The Protector can be located outside of Panama.

Registered Agent

- Each foundation is required to have a Registered Agent in Panama at the time of its establishment and on an ongoing basis.
- TT & Asociados is the Registered Agent for all foundations established through Trident Trust (Panama) S.A.

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