

Law 52 Corporations

In consideration of the requirement to keep accounting records, it is important to take notice of the following:

1.The obligation to keep accounting records and supporting documentation is for all Panamanian legal entities, including corporations, limited liability companies or any other legal entity for commercial purposes, as well as private interest foundations.

2.The accounting records and supporting documentation shall be kept and available for a period of not less than five (5) years, counted from the last calendar day within which the transactions for which apply these records were completed, or the last day of the calendar year in which the legal person ceases its operations.

3.Accounting records and supporting documentation shall be kept in the offices of the Resident Agent or anywhere in or outside the Republic of Panama. In the latter case, the Resident Agent must be provided in writing with the physical address where they are located and the data of the person who keeps them in custody; any change in said data must be notified within fifteen (15) business days following the approval thereof. Likewise, accounting records and supporting documentation must be available for a period of not less than five (5) years, counted from the last calendar day within which the transactions for which apply these records were completed, or the last day of the calendar year in which the legal person ceases its operations.

4.In the event that the competent authority requests the accounting records, these shall be provided to the Resident Agent within fifteen (15) working days after the notice of said agent; otherwise, the agent shall be forced to resign within ten (10) working days counted from the day following the failure of delivery by said legal person.

If the Resident Agent does not submit his resignation within the period indicated; that is to say, **within ten (10) working days following the failure of delivery by that legal person**, the competent authority shall impose a penalty for the amount of FIVE HUNDRED DOLLARS (US\$ 500.00), and shall order the Public Registry of Panama for the definitive removal of the Resident Agent from that legal entity; furthermore, the Resident Agent may not be re-registered as Resident Agent for the same legal entity.

5. The legal entity that breaches the obligations described above shall be fined by a competent authority with the sum of ONE THOUSAND DOLLARS (US\$ 1,000.00) plus an amount of ONE HUNDRED DOLLARS (US\$ 100.00) for each day passed without remedying the breach.

ADDITIONAL PROVISIONS:

§ The indispensable accounting records are a journal and a general ledger. Mercantile companies must also keep a record of Minutes and Registration of Shareholders, of quotas or contributions of equity interest.

§ Corporate rights shall be suspended to those legal persons who, after ninety (90) days of the resignation of their Resident Agent, have not appointed a new agent, as well as those that incur in late payment of their annual franchise tax for 3 consecutive years, following an order from the General Directorate of Revenue (DGI, for its initials in Spanish).

§ After the registration with the Public Registry of Panama of the suspension of corporate rights, will begin a period of two (2) years in which the legal person may be reactivated by paying a fine of ONE THOUSAND DOLLARS (US\$ 1,000.00), and repairing the causes of the suspension. In the event that the legal entity is not reactivated within two (2) years, it shall be definitively dissolved and will begin the liquidation process in accordance with the provisions of the law.

§ As a requirement for the change of Resident Agent, the current Resident Agent must submit a certification stating that no fees are owed for the period of the exercise of their position.

§ The Resident Agents may resign, at any time, from the legal entities when they have lost the required communication with the administrative bodies or when they have not received the payment for their fees as Resident Agent for three (3) consecutive years.

§ This law is effective as of January 1, 2017.

Definitions contained in Law 52 of October 27, 2016:

§ **Accounting Records:** Data indicating clearly and precisely the commercial operations of legal entities, their assets, liabilities and equity and allow the determination of the financial situation of the legal entity, as well as to prepare financial statements of said legal person.

§ **Supporting Documentation:** Contracts, invoices, receipts or any other documentation necessary to support the transactions carried out by a legal entity. The extent of accounting records will depend on the complexity and magnitude of the activity carried out by the legal person.

§ **Management bodies:** Officers, directors, foundational council or any other body that manages a legal entity.

§ **Competent Authority:** The General Directorate of Revenue of the Ministry of Economy and Finance of the Republic of Panama.

§ **Legal Person:** Any corporation, limited liability company or any other type of company with commercial purposes, as well as foundations of private interest, constituted and existing in accordance with the Laws of the Republic of Panama.

PANAMANIAN FOUNDATION

Annual Franchise Tax: Panamanian foundations should pay an annual franchise tax of US\$400 to remain in good standing. The deadline for the tax payment depends on when the entity was formed. If the entity was formed between January 1 to June 30, then the tax is due on July 15. If the entity was formed from July 1 to December 31, then the tax is due on January 15. If the tax is not paid on or before the due date, the entity will be charged a late penalty of US\$50. Fail to pay within two consecutive or alternate period will cause a penalty of US\$300.