

PANAMA

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Alvaro Almengor — Alvaro is a Panamanian lawyer with more than 15 years' legal experience in Litigation, Corporate and Taxation law. In 2005, he qualified as a lawyer with distinctions at the University of Panama. In 2017, he also qualified as a Certified Public Accountant with distinctions at the University of Panama.

Alvaro specializes in civil, commercial, employment and administrative law and Panamanian tax. He advises international clients on cross-border transactions and offshore structures and provides local Panamanian legal and tax advice to international and local business and high net worth families and individuals.

Manuel Carrasquilla — Manuel specializes in Corporate, Commercial and Immigration Law. He advises high net worth individuals and foreign companies on Panama immigration matters, company establishment and regulation and the acquisition of local properties. Manuel studied Law and Political Science at the University of Panama as is currently studying for a Masters Degree in Private Law with emphasis on Commercial Law.

Tell us about Hatstone

Hatstone is a leading multi-jurisdictional group providing legal, investment fund administration, trustee and corporate services with offices in BVI, Jersey, London, Panama and South Africa.

About Panama

Following demand from our clients and intermediaries, over 6 years ago the Hatstone Group helped to establish the Panamanian law firm Hatstone Abogados to promote the services it offers throughout Latin America and the US. Being based in Panama, means the team are able to meet regularly with our Latin American and US clients and their advisors, providing assistance to them in their time zone.

From our Panama City office, we market the full spectrum of Panama legal and corporate services including immigration, tax, litigation, private client and commercial legal advice together with company and foundation incorporation.

Panama is a leading international finance centre. It is a commercially active and expanding jurisdiction that has great connections with Latin America and the US. Panama is widely known as a strategic hub for commerce in the Americas with its dollar-based economy and well-established services sector. With the canal expansion project there has been a boom in economic growth in Panama during the last few years.

QUESTION 1 — TAX

What issues determine tax liability in your jurisdiction – for instance, residence and citizenship – and in which contexts are they relevant?

Panama operates a straightforward and favourable territorial tax regime. In simple terms, this means Panamanian citizens and residents are only subject to Panama tax on Panama source income. Income generated outside of Panama is not subject to Panama tax.

Panama offers various residency/visa programmes to attract international companies and HNW individuals such as the Friendly Nations Visa, Retiree visa, Self-economic solvency visa and the Reforestation investor visa (see below).

A visa does not automatically guarantee tax residence in Panama, as this is linked to the number of days spent in Panama and/or the generation of Panama income that is subject to Panama tax. A passport may be applied for once a person has spent at least five years in Panama.

QUESTION 2 — SUCCESSION

What is the basis of the inheritance tax in your jurisdiction and the main characteristics of the succession regime?

There is no inheritance tax in Panama. Individuals may also make donations to family members at any time during their lifetime free of Panama tax.

HNW individuals in Panama will tend to deal with their estates by way of holding assets in a Panama foundation. Using a foundation helps to circumvent a lengthy probate process involving the courts.

Should a foundation not be used then it is possible to deal with all assets by way of a Panama will. There is no restriction on how assets shall be dealt with under the will as there are no forced heirship provisions in Panama.

If a person dies intestate, then the matter shall be dealt with by the civil courts. This can be a lengthy process, and, like other countries, intestacy rules shall apply dependent on who dies, and which family members survive.

QUESTION 3 — TRUSTS

Are trusts recognised in your jurisdiction and what alternative structures are available?

Yes, trusts are recognized in the jurisdiction of Panama. It is little known internationally, but Panama enacted its first trust law in 1925. This has been superseded by Law 1 of 1984, as amended by Law 21 of 2017.

The provision of trustee services by Panama companies is regulated in Panama and a licence must be obtained from the Superintendency of Banks.

The use of trusts is not as popular in Panama for succession purposes as in other countries, since the tendency is to use a Panama foundation or will. Panama trusts are mainly used as part of local transactions.

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A Panama foundation remains popular as they are private and confidential and can be self-administered by the HNW individual and his/her family – perhaps more akin to a private trust company arrangement in the trust world.

QUESTION 4 — IMMIGRATION

What immigration options are available to HNW's wishing to relocate to your jurisdiction?

There are various visa options in Panama but the most popular are:

Friendly Nations Visa – this is generally regarded as very straightforward. The nationals of more than 50 countries are eligible for this visa based on the understanding that such countries maintain friendly economic, professional and investment relations with Panama. Examples include: Australia, Brazil, Canada, France, Germany, Ireland, Spain, South Africa, the United Kingdom and the US. This visa has several requirements that must be satisfied, with arguably the most important being the need to establish either a professional or economic relationship in Panama.

Self-economic solvency visa – allows HNWI's to obtain permanent residency by investing in a property which has a value of US\$300,000 or depositing this amount in a governmental bank on a fixed term deposit. This process is also relatively straightforward.

Retiree/pensioner visa – this visa applies to individuals who receive income from a retirement scheme or pension from a foreign government, international organisation or private company that wish to move to Panama to retire.

Reforestation investor visa – an individual may seek permanent residency as a 'forest' investor. The individual may invest personally or through a corporation whose main activities shall be reforestation, forest plantation activities or other activities authorized by the National Environmental Authority in Panama. There must be a minimum investment of US\$80,000 and in an area not less than five hectares.

Top Tips – What are the most common tax relief options available in Panama?

Simply, for Panama residents there are the three 'no's', which, in the order of general life-cycle planning, are:

- No tax on overseas income and gains (the territorial tax regime);
- No donations tax between family members; and
- No inheritance tax.