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PANAMA FOUNDATIONS

The enactment of Law no 25 dated June 12, 1995 has made possible the creation in Panama of Private Foundations for the benefit of individuals, named 'Private Interest Foundations'. Panamanian private foundations are conceived in a very much similar manner as the internationally well-known Family Foundations of Liechtenstein.

Private interest Foundations in Panama represent a helpful, practical and uncomplicated legal tool for careful and prudent family or estate planning. The minimum monetary value of patrimony required by law to constitute a foundation is USD 10,000, which does not have to be deposited in advance. A Private Foundation does not have shareholders, but is created by the Founder for the purpose of preserving his/her resources.

BASIC FEATURES

Members	At least three individuals or one legal entity
Must a member be resident?	No – members can be of any nationality
Legal standing (following registration)	Foundations are legal entities with capacity to sue or be used
Registration requirements	Name of Foundation Names of 3 members Domicile of Foundation Duration of Foundation
Commencement	The Foundation may be created to take effect on a certain date, on the occurrence of a certain event or condition, or upon the death of the Founder
Minimum Patrimony	10,000 USD
Privacy of Beneficiaries	Identities are not publically recorded
Assets distributed	Upon death of the Founder
Filing of annual returns	No
Annual taxes due	Annual Franchise Tax of 250 USD
Commercial activities allowed?	Yes

ADVANTAGES OF PANAMA PRIVATE FOUNDATIONS COMPARED TO OTHER ENTITIES

1. Corporation

The Protector, Committee, Custodian, Auditor and/or control entities provide greater security of the patrimony controlled by the Foundation Council, as compared to the Board of Directors of a corporation. The Foundation Council is annually required to disclose its expenditure to the Beneficiaries (unless otherwise provided by the Foundation Charter or the Regulations of the Foundation), which is not obligatory in corporation. This requirement engenders confidence in the Founder.

Those who have knowledge of the Foundation's activities are obliged by law to maintain its privacy and confidentiality. A Corporation lacks this protection.

The Foundation is an instrument that may replace a Will, thus avoiding a judicial process to formalize the transfer of the inherited patrimony, a situation that does not arise in case of a corporation.

2. Trusts

A private Interest Foundation creates a different person, capable of controlling its patrimony, thus avoiding the danger of the assets being transferred into the name of a Trustee.

Any action to revoke contributions or transfers of assets in favour of the Foundation expires three (3) years from the date of such contributions or transfer. In trust law there is no mention of this matter.

Requirements:

- A Private Interest Foundation in the Republic of Panama is a legal entity established under the authority of a public instrument duly authenticated or directly prepared by a Notary Public. The Foundation takes effect as a legal entity by recording this document (named the Foundations Charter), at the Public Registry.
- It must contain the following:
 - The name of the Foundation. The name must be in any language, but must include the word 'Foundation' in order to distinguish Private Interest Foundation from either natural persons or other types of legal entities.
 - The initial patrimony. It can be expressed in any currency, but in no case shall it be less than an amount equivalent to USD 10,000
 - The name(s) and address(es) of the Member(s) of the Foundation Council, which administers the patrimony
 - The domicile of the Foundation

- The name and domicile of the Foundation's resident Agent in the Republic of Panama. The Resident Agent may be either a lawyer or a law firm.
- The purpose of the Foundation. These must be possible, reasonable, moral and legal.
- The way in which the Beneficiaries are selected. It is legally permitted for the Founder to additionally be a Beneficiary of the Foundation.
- Reservation of the right to modify the Foundation Charter when deemed convenient
- The duration of the Foundation
- The disposition of the patrimony of the Foundation and the way in which such patrimony shall be liquidated in the event of the dissolution of the Foundation
- Any other lawful clauses, which the Founder may deem convenient.

Foundation Council:

The Foundation Council is the primary body of the Private Interest Foundation, entitled to exercise all the powers of the Foundation. However it is subjected only to the powers conferred by law, the Foundation Charter and any regulations that may be adopted. The Foundation Council shall consist of a minimum of either three natural persons or one legal entity.

The Foundation Council shall have the following general obligations:

- To manage the patrimony of the Foundation in accordance with the Foundation Charter and/or its regulations
- To carry out such acts, contracts or business as may be convenient or necessary to fulfill the purposes of the Foundations; and to include in such contracts, agreements, and other instruments or obligations such clauses and conditions as are necessary and convenient, being consistent with the Foundation's purposes and not contrary to law, morality, good manners and/or public order
- To inform to the Beneficiaries the financial situation of the Foundation, as provided by in the Foundation Charter in its regulations
- To carry out those acts or contracts which the foundation, in accordance to the Private Interest Foundation Law, and other applicable legal or regulatory provisions, may be permitted to carry out.

Foundation Charter:

The Beneficiaries shall hold to or be the owners of the Foundation's patrimony upon either of the following: the date of the termination of the Foundation, upon the occurrence of certain event(s) or conditions, or upon the death of the Founder.

The Foundation Charter contains no requirement to personally name the Beneficiaries of a Foundation.