

### **Law No. 52 of October 27, 2016**

This new law provides for certain changes and additional requirements with regard to legal entities in Panama starting from 1<sup>st</sup> of January 2017. A brief summary covering the main points of said law follows for your further convenience.

#### **Accounting:**

From 2017, all entities regulated by the laws of Panama (both companies and foundations) need to do compulsory accounting. The law does not stipulate any specific form regarding the accounting records but the accounting should consist of the general ledger and the journal as a minimum. The accounting records including all supporting documents need to be kept for a time period of at least 5 years.

Both accounting records and supporting documents can be done and can be kept outside of the territory of Panama. However, the documents need to be provided to the Registered Agent at all times and within a time frame of 15 days if requested. In addition, the Registered Agent needs to know, where the documents will be kept (physical address) and the contact details of the person that keeps them under custody – this does not need to be the accountant himself. If there will be changes to this person or to the physical address, then the Registered Agent needs to be informed about these changes within 15 days. In case of violations of Law 52, 2016, there is a fine of USD 1'000 and a further fine of USD 100 for each day the default continues. Also, the Registered Agent needs to resign within 15 days if he is not able to organize the accounting records. The consequences of this resignation will be the strike off of the entity – see below.

#### **Share Register:**

The law further stipulates that the Registered Agent will need to keep a copy of the share register. We do think that this requirement will be comparatively easy to handle, as most of the time Nominee Shareholders are being used or the shares of the Panama SA are registered in the name of a foundation / trust. Similar as above, ATU Panama will keep this information for the time being but we will need to be able to provide the Registered Agent with the information on request at any time. In special circumstances, e.g. companies that have not issued shares (as of today there is no such obligation in Panama) we will contact you directly.

#### **Strike Off Procedure:**

From 2017, Panama will also introduce an official “Strike Off Procedure”: An entity will be suspended if it lacks a Registered Agent for more than 90 days or if it has not paid the Franchise Tax for a period of three years. From this moment, the entity will be marked suspended in the Registry. There is a time period of 2 years to meet the legal requirements again and to “reactivate” the entity. In case that this time period will elapse then the Register will strike off the entity irrevocably. Whether there will be any procedure in the future dealing with supplementary liquidation on remaining or newly discovered assets of such an entity remains uncertain at this stage.