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Panama: Legal changes that could impact your business

The National Assembly approved a series of legal amendments that introduce changes in matters of international fiscal transparency.

After the approval by the National Assembly of Law 254 of November 11, 2021, which introduces amendments that impact matters of international fiscal transparency, the prevention of money laundering, financing of terrorism and the proliferation of weapons of mass destruction, many wonder how these changes could impact their businesses or investments in our country.

This is what we need to know:

The objective of Law 254 is to amend a series of laws on international tax transparency, in order to improve the image and reputation of the jurisdiction and avoid the inclusion of Panama in discriminatory money laundering lists, which ultimately impact on investments.

Law 254 modifies Law 52 of October 27, 2016, "which establishes the obligation to maintain accounting records for certain legal persons and dictates other provisions."

The Law also includes amendments to Law 51 of October 27, 2016, "which establishes the regulatory framework for the implementation of the exchange of information for tax purposes and dictates other provisions"; and Law 23 of April 27, 2015, "which adopts measures to prevent money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction and dictates other provisions."

It also introduces certain changes to Law 129 of March 17, 2020, "which creates the Private and Unique System for the Registry of Final Beneficiaries of Legal Persons"; Law 124 of January 7, 2020, "which creates the superintendency of non-financial subjects and dictates other provisions"; and the Fiscal Code of the Republic of Panama.

What does this mean for your business?

These changes require every legal entity organized under Panama law, operating or not in the country, to send a copy of its accounting records every year to its resident agent, no later than April 30 of each year.

As we mentioned, this applies to Panamanian entities, even if they do not have operations in Panama, or even if they are only asset holders, in Panama or abroad.

Thus, as of April 30 of each year, every Panamanian entity must send its accounting records to its resident agent, corresponding to the previous fiscal year.

Currently, all Panamanian entities must notify their resident agents about where their accounting records are and who keeps them. Now, they will not only have to notify this, they will also have to send a copy of them annually to the resident agent. It is a more onerous obligation that implies keeping the records in order to be able to send a copy to the resident agent every year.

Failure to comply with the provisions of Law 254 regarding accounting records brings monetary penalties that range from US $ 5,000 to US $ 1,000,000.

Greater control and monitoring

Another important element that Law 254 introduces is that resident agents have the obligation to send to the competent authority every year, on July 15 of each year, an affidavit with a list of the legal entities for which they provide resident agent services. The list must specify whether the entity in question maintains its accounting records in the agent's office, or, if it maintains them elsewhere, that the entity has complied with sending a copy of them, and the contact details of the person who maintains them, as required by law.

The Law defines “competent authority” as the Ministry of Economy and Finance, the General Directorate of Income of the Ministry of Economy and Finance, the Public Ministry and the Financial Analysis Unit for the prevention of the Crime of Money Laundering and Financing of Terrorism.

These provisions provide for increased monitoring of Panamanian entities, and greater responsibilities for resident agents in terms of the information that they must have in respect of the entities to which they provide the service.

With the adoption of these measures, Panama is getting closer to complying with the transparency and prevention of money laundering requirements demanded by international organizations.

Good progress for Panama

The adoption of Law 254 can be seen as a positive step for Panama.

It consists of an additional step towards adopting measures to promote transparency and the prevention of money laundering. In fact, it provides further tools for monitoring entities that are organized in the country, which facilitates their supervision.

The new law helps the international image of Panama, since it is in line with the requirements and recommendations of international organizations, such as the OECD.

In the future, a better image and international reputation for Panama could naturally result in attracting high-caliber investors to the country.

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