

Foreign companies and their establishment in Panama

To register a foreign corporation under the laws of the Republic of Panama, or to re-domicile to Panama, it is important to understand the requirements that must be met and the documents that must be submitted.

Panama is an ideal place for international business. Its geographical position, the air hub, the use of the dollar, and its international banking center generate a favorable environment for foreign investment and the establishment of companies, their headquarters, or branches, as they expand into the region.

Starting a business in Panama could be a challenge for any foreign company from the point of view of the procedures to be carried out. However, with prior knowledge of all the commercial aspects, corresponding market studies, and, of course, the appropriate legal advice, this process can be simplified.

Foreign companies registered in Panama are essentially branches of companies legally incorporated abroad or in other jurisdictions. These companies have their headquarters in another country and their arrival in Panama is another step in their expansion into the region.

There are multiple reasons why a foreign company or corporation decides to take the step of establishing itself in our country. In some cases, it is to have operations or investments in Panama. In these cases, the foreign company may decide to establish a subsidiary in our country, for which it could incorporate a new Panamanian company, or it has the option to establish a branch in Panama, for which it must register as a foreign company in the jurisdiction. Foreign companies may also be required to register in Panama as foreign companies in order to carry out other types of procedures such as mergers or spin-offs with Panamanian companies.

There are certain cases in which foreign companies make the decision to change jurisdictions and choose to re-domicile to Panama. The re-domiciliation process is very simple and below we detail the steps to follow.



Requirements to register as a Foreign Corporation

To register a foreign corporation under the laws of the Republic of Panama, it is necessary to submit the following documentation:

1. Authentic copy of the incorporation document and any amendments thereto, duly legalized with Apostille.
2. Certification regarding the current Directors and Officers, duly legalized with Apostille.
3. Certificate from the corresponding authority certifying that the company is duly organized and that it exists in the place of its organization, duly legalized with Apostille.
4. Copy of the last financial statement, duly legalized with Apostille.
5. Minutes of the Board of Directors meeting indicating the amount of capital to be invested in Panama and appointing a Resident Agent in Panama (who must be a lawyer or a law firm), duly legalized with Apostille.

Once this documentation is collected, it is delivered to the resident agent and notarized in a public deed to be filed in the Public Registry of Panama.

It is important to appoint a legal representative in Panama for the foreign corporation. Although it is not a requirement that the legal representative be a Panamanian national or resident, it is advisable that this person be physically present in Panama.

TO REGISTER A FOREIGN COMPANY, IT IS IMPORTANT TO HAVE THE REQUIREMENTS AND DOCUMENTS THAT MUST BE PRESENTED

Redomiciliation and its requirements

The re-domiciliation is a different tool than the incorporation of a Panamanian subsidiary or registration of a foreign corporation because it is a matter of continuing the existence of a corporation previously incorporated abroad and transferring it to Panama as a Panamanian corporation; that is to say, it is the conversion of a foreign corporation into a Panamanian corporation.

According to Article 11-B of the Commercial Code, a corporation based in another jurisdiction can be re-domiciled to continue operations according to the laws of Panama, as if it were a Panamanian corporation.

Unlike the registration of a foreign corporation, in which a branch of an existing corporation is established in Panama, the re-domiciliation changes the jurisdiction of such corporation, converting it into a full-fledged Panamanian corporation.

The requirements are as follows:

- Certificate of Good Standing of the corporation, issued by the competent authority, duly apostilled.
- Agreement, Resolution, or Minutes of the competent body with the authorization to continue the existence of the corporation according to the laws of the Republic of Panama, duly apostilled.

Additionally, the articles of incorporation of the foreign corporation must be adapted to the format and content of the articles of a Panama corporation, and must also comply with other requirements of Panama's Corporations Law, such as the minimum number of directors and the appointment of a resident agent in Panama. Due diligence requirements dictated by Panamanian law must also be complied with.

Once this documentation is collected, it is delivered to the resident agent and notarized in a public deed to be duly filed with the Public Registry of Panama.

Those interested in this process must have qualified lawyers in the jurisdiction of origin to advise them on the steps to be taken for the deregistration of the company in said jurisdiction.

Finally, we would like to point out that when a foreign company intends to carry out mergers or spin-offs in Panama, for which it must register as a foreign corporation or redomicile to Panama, it must also take into account the regulations of the jurisdiction of origin to understand which of the former options can be used. It is important to choose the correct option to ensure that there are no problems when registering the procedure in the jurisdiction of origin.

Finally, we would like to point out that when a foreign company intends to carry out mergers or spin-offs in Panama, for which it must register as a foreign corporation or redomicile to Panama, it must also take into account the regulations of the jurisdiction of origin to understand which of the former options can be used. It is important to choose the correct option to ensure that there are no problems when registering the procedure in the jurisdiction of origin.

Visit: www.focusalcogal.com