

**Law 52  
of October 27, 2016**

**By which the obligation of certain legal entities to keep accounting records and other provisions is established**

**THE NATIONAL ASSEMBLY  
DECREES:**

**Chapter I  
Accounting Records and Supporting Documents**

**Article 1.** Legal entities, whose operations are not perfected, carried out or having their effects in the Republic of Panama are required to keep accounting records and supporting documents at the offices of their resident agent in the Republic of Panama, or at any other place in the Republic of Panama or abroad as determined by its administrative organs.

Accounting records and supporting documents shall be kept and be available for a period of no less than five years counted from the last date of the calendar year when the transactions such records apply to were completed, or the last day in the calendar year in which the legal entity ceases to operate.

**Article 2.** In those cases where the accounting records and supporting documents are kept in a place other than the office of the resident agent, legal entities shall be required to provide to the resident agent in writing, the following information:

1. The physical address where the accounting records and supporting documents are kept;
2. The name and contact details of the person keeping them in custody.

Legal entities shall notify the resident agent in writing of any change in the physical address or contact information of the place where the accounting records and supporting documents are kept in a term no greater than fifteen working days counted from the date of approval of such change.

**Article 3.** In case of legal entities keeping the accounting records and supporting documents outside the Republic of Panama, they shall be required to provide them to the resident agent prior request by competent authority, in a term no greater than fifteen working days counted from the notice of said request for information to the resident agent of the legal entity on which the information is requested.

**Article 4.** Failure by the legal entity to provide the resident agent the accounting records and supporting documents in the term established in the preceding paragraph, the resident agent shall be required to resign as resident agent of such legal entity in a term no greater than ten working days counted from the date following expiration of the term established in the preceding paragraph. Said resignation shall be filed in writing with the Public Registry of Panama, who shall register it free of charge. In this case, use of stamped paper shall not be required.

In the event the resident agent fails to file its resignation with the Public Registry of the Republic of Panama in the term of ten working days established in the preceding paragraph, the competent authority will impose a penalty of five hundred dollars (\$500.00) and order the Public Registry to permanently remove said resident agent from the legal entity. The removal will cause that the resident agent may not be registered as such for the same legal entity again.

In case of removal of the resident agent as set forth in this article, the Public Register of Panama shall not register a new resident agent for the legal entity being penalized until notified by competent authority that the causes of the penalty have been cured.

**Article 5.** The resident agent is required to keep on all legal entities whose operations are not perfected, carried out or having their effects in the Republic of Panama a register of the place where the legal entities keep their accounting records and supporting documents, when they are kept at a place other than the resident agent office. The aforesaid register shall include:

1. Name of the legal entity;
2. Physical address where the accounting records and supporting documents are kept;
3. Name of the person keeping the accounting records and supporting documents in custody.

Likewise, the resident agent is required to keep a copy of the register of shares and shareholders of corporations for which it acts as such.

## **Chapter II Definitions**

**Article 6.** For purposes of this Law, the following terms shall be understood as follows:

1. *Competent Authority:* the General Revenue Office of the Ministry of Economy and Finances of the Republic of Panama.
2. *Supporting Documents:* includes agreements, invoices, receipts or any other documentation needed to support transactions made by a legal entity.
3. *Administrative Organs:* directors, managers, foundation council or any other such body that administrates a legal entity.
4. *Legal Entity:* any corporation, of limited liability or any other kind with commercial purposes, as well as private interest foundations constituted and in force under the laws of the Republic of Panama.
5. *Accounting Records:* information that clearly and accurately shows the business operations of legal entities, their assets, liabilities, equity, and allows determination of the financial situation of the legal entity, as well as the financial statements of said legal entity.

The extent of the accounting records shall depend on the complexity and size of the activity carried out by the legal entity.

### **Chapter III Penalties**

**Article 7.** Legal entities failing the obligations established in this Law shall be penalized by competent authority with:

1. A one thousand dollars (\$1,000) fine;
2. A one hundred dollars (\$100) fine for each day elapsed without curing the cause of the default.

### **Chapter IV Additional Provisions**

**Article 8.** Article 73 of the Code of Commerce shall read as follows:

**Article 73.** The essential accounting records that every businessperson shall keep are: a Journal and a Ledger. Business companies shall keep also a Register of Minutes and a Register of Shares or Shareholders or, in its stead, a Register of Quotas or Equity Participation Contributions.

**Article 9.** Article 318-A of the Tax Code shall read as follows:

**Article 318-A.** Corporations, limited liability companies and any other legal entity, domestic or foreign, shall pay upon registration and on subsequent years a sole annual tax of three hundred dollars (\$300.00) to remain in good standing. Private interest foundations shall pay upon registration a sole annual tax of three hundred and fifty dollars (\$350.00). On subsequent years, payment under this concept shall be four hundred dollars (\$400.00) for the foundation to remain in good standing. For legal purposes, valid registration at the Public Registry of Panama shall be understood as being fully in force. Payment obligation of the annual tax does not extend to non-profit organizations, unions and civil associations.

The first annual tax referred to hereunder shall be settled upon registration of the legal entity together with all registration fees applicable as if it were part of said Registration Fees. Upon collection of the first annual tax, the Public Registry of Panama shall remit said amount to the General Revenue Office on the first working day of the week following its collection date and notify the name and registration number of the respective corporation or foundation.

The second and subsequent annual taxes shall be settled as follows:

- a. By July 15 every year, legal entities whose registration date of the articles of incorporation or constitution document at the Public Registry of Panama falls within the months of January and June included.
- b. By January 15 the next year, legal entities whose registration date of the articles of incorporation or constitution document at the Public Registry of Panama falls within the months of July and December included.

Said payments shall be made through the legal representative or registered/resident agent of the legal entity.

Upon settlement thereof, the legal representative or registered/resident agent shall declare the date on which the articles of incorporation or constitution document were recorded at the Public Registry. This sworn statement shall be made in the form provided to such end by the General Revenue Office.

Late payment of this tax shall cause a single surcharge of fifty dollars (\$50.00) a year or portion thereof. To such end, the provisions in articles 1 and 2 of Law 60 of 1973 shall not apply.

Taxpayers may settle the tax in advance, in which case said payment shall be understood final for the terms covered.

**SECTION 1.** Failure by a legal entity to settle the sole annual tax within the term due shall cause the non-recording of any corporate act subject to registration at the Public Registry of Panama and no certification shall be issued for such legal entity. Without prejudice to the foregoing, the Public Registry of Panama shall issue certifications on delinquent legal entities on request of competent authority or third parties only for the purpose of enforcing their rights, in which case the certification shall be issued to such end exclusively, indicating that it is delinquent.

Delinquency in the payment of the annual tax by legal entities will not prevent the registration at the Public Registry of Panama of unilateral resignations by any member of its administrative organs or its resident agent.

**SECTION 2.** The Public Registry of Panama shall suspend all corporate rights of any legal entity that fails to appoint a resident agent for a term greater than ninety calendar days after resignation, removal or termination of existence of the previous resident agent.

In addition, the Public Registry of Panama will suspend corporate rights to any legal entity delinquent in the payment of annual taxes for a term of three consecutive years prior order of the General Revenue Office of the Ministry of Economy and Finances. To such end, this Office will deliver biannual reports to the Public Registry of Panama listing the legal entities that are delinquent for three consecutive years.

Likewise, the Public Registry of Panama shall suspend the corporate rights of any legal entity that is delinquent in the payment of any penalty or sanction imposed and duly enforced prior order of competent authority.

The Executive Organ shall regulate the form in which the suspension order is presented.

**SECTION 3.** Filing at the Public Registry of Panama of a suspension of corporate rights for any legal entity shall have, while in force, the following effects:

1. Impossibility of filing any legal actions, doing business or disposing of its assets.
2. Impossibility of filing any claims or exercising any rights.
3. Impossibility of carrying out any corporate act that is binding on the legal entity.

Nevertheless, when corporate rights of a legal entity are suspended, it may:

1. Apply for restoration;

2. Carry out the defense of any action filed against it;
3. Continue with any legal actions filed in its name prior to the date of the suspension.

**SECTION 4.** Upon registration of a suspension on a legal entity at the Public Registry of Panama, the legal entity shall have a term of two years to be restored.

During said period, any administrative organ, shareholder, partner, resident agent or third party with an interest may request its restoration.

Once restored, the legal entity shall enjoy its full capacity and may restart its activities.

The Executive Organ shall regulate the restoration process.

**SECTION 5.** The administrative organ, shareholder, partner, resident agent or any third party with an interest applying for restoration of a legal entity under suspension shall pay a restoration penalty of one thousand dollars (\$1,000.00) to the competent authority that issued the suspension order and cure the causes that gave rise to said suspension.

**SECTION 6.** Upon expiration of the two-year term indicated in Section 4 without the legal entity being restored, the Public Registry of Panama shall proceed with its final deregistration and in consequence, said legal entity shall be deemed finally dissolved with all legal effects inherent to it.

Once the legal entity is dissolved as established in this Section, the liquidation process of the legal entity shall begin in accordance with the law.

**Article 10.** Article 9-A is added to Law 2 of 2011 as follows:

**Article 9-A.** The resident agent certification is hereby established to evidence consent and that no fees are owed for services rendered and which shall be issued when legal entities through their administrative organs decide their removal as resident agents. Notaries public shall not close the notarial deeds without the resident agent certification.

**Article 11.** A paragraph is added to article 10 of Law 2 of 2011 as follows:

**Article 10. ...**

Resident agents may resign at any time from the pertinent corporation without any obligation of paying any registration or review fees for filing at the Public Registry and the expenses of the notarial deed when declaring under oath that they have lost the required communication with the shareholders or have not receives payment of their resident agent's fees for three consecutive years.

**Article 12.** Article 21 of Law 47 of 2013 shall read as follows:

**Article 21.** Failure to deliver into custody share certificates issued to bearer prior to the validity of this Law. In cases where the owner of bearer shares has failed to deliver into custody the pertinent certificate, political and economic rights inherent to such shares shall be deemed forfeited under the law.



**Chapter V**  
**Final Provisions**

**Article 13.** This law amends article 73 of the Code of Commerce, article 318-A of the Tax Code, and article 21 of Law 47 of August 6, 2013, and adds article 9-A and a paragraph to article 10 of Law 2 of February 1<sup>st</sup>, 2011.

**Article 14.** This Law will be effective as of January 1<sup>st</sup>, 2017.

**BE IT NOTIFIED AND ENFORCED.**

Bill 383 of 2016 approved in third debate at the Justo Arosemena Palace, in Panama City, on the nineteenth day of the month of October of the year two thousand sixteen.

The Chairman,  
(Signed)  
Ruben De Leon Sanchez

The Secretary General,  
(Signed)  
Franz O. Wever Z.

THE NATIONAL EXECUTIVE ORGAN. PRESIDENCY OF THE REPUBLIC.  
PANAMA, REPUBLIC OF PANAMA, ON OCTOBER 27, 2016.

(Signed)  
JUAN CARLOS VARELA R.  
President of the Republic

(Signed)  
DULCIDIO DE LA GUARDIA  
Ministry of Economy and Finances