

# P A N A M A

## PRIVATE INTEREST FOUNDATIONS

With the purpose of providing the international community with a flexible and simple instrument, but vested with the seriousness and security of the Panamanian Registry system, in which investors and the local and international banking community have trusted for all kinds of financing and transactions, the Republic of Panama has put into force law No.25 of June 12, 1995, on Private Interest Foundations.

For these purposes, the foundations used in Liechtenstein and Bermuda has been taken as a model, bringing in sensible improvements.

### **What is a Private Interest Foundation?**

A Private Interest Foundation is but a specific patrimony (assets constituted by chattels, real estates, cash, etc.), to whom the law acknowledges a restricted legal capacity for the purpose to which said patrimony is affected or destined.

### **Which are the advantages offered by a Private Interest Foundation?**

The Private Interest Foundation constitute a simple, secure and confidential manner of managing and disposing of an specific patrimony, totally segregating it from the patrimony of its founder, with the following specific advantages:

- a) The acts which establish, amend, or terminate the foundation, as well as transfer, transmit or encumber assets of the foundation and any profits arising from these, or any other act in connection with these, shall be exempt from all taxes or charges of any kind, if they relate to the following:
  - Assets located abroad.
  - Any money deposited by either a natural or legal personal, whose income does not derive from any Panamanian source or is not taxable in Panama for any reason.
  - Stocks or other securities, which are not issued by any Panamanian corporation or whose income derive from the same, or which are not taxable for any reason, even if these are deposited in the Republic of Panama.
  
- b) The assets which constitute the patrimony of the foundation are not liable for the obligations of the Founder or the beneficiaries; and therefore, may not be the object of seizure or attachment for such obligations; unless same were transferred to the foundation by fraud to the creditors and even in hid case the action prescribed at the third year.

- c) The Founder may irrevocably or revocable dispose of, as he deems convenient, of the patrimony of the foundation, without being subject to any kind of testamentary limitations.
- d) The Founder may increase, when he so wishes, the patrimony of the foundation, incorporating new assets to the same. The assets of the foundation may be placed or invested in any country of the world.
- e) The Foundation organized pursuant to a foreign law, may take refuge in the Panamanian law; as well as the Panamanian private interest foundations, likewise the assets which comprise its patrimony may be transferred or subjected to the laws and jurisdiction of another country, according the Foundation Charter or its By-laws.

**What are the typical uses of a Private Interest Foundation?**

- f) To segregate certain assets of the general patrimony of the Founder, with the purpose of excluding them from the risks and responsibilities to which they shall be normally submitted to, if they are maintained and liquid assets in a separate manner from the rest of the Founders patrimony and in a confidential manner.
- h) To dispose of in expedite and effective manner certain assets or goods of the Founder upon the death of same, without being subject to the formalities and restrictions of the testamentary provisions (legal, compulsory heirs, etc.)
- i) To handle family bank accounts.
- j) To ensure the support and/or studies of the children or other family members. We are hereby enclosing a list of expenses and fees incurred in the constitution and annual representation of a typical Private Interest Foundation, with a patrimony not greater then US\$10,000.00 dollars.

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