



PANAMA SUCCESSION, ESTATE PLANNING & OTHER TOPICS

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About The Practice

During 40+ years, Pardini & Asociados advised many high net worth individuals and their families on various matters related to their assets, designing and recommending them the best structures. Our law firm then started advising Private Clients from Europe, Asia, Middle East, Russia, LatAm on multiple works and transactions – trusts, foundations, special purpose vehicles, financings, real estate, family offices, yachts, jets, tax planning, successions, etc. – directing us to deal with many jurisdictions and institutions. We aim to provide the Private Client with a One Stop Solution that covers all the wealth, tax, immigration and legal aspects of their situation.



IFLR1000 Corporate



Dr. Pardini's achievements:

- Panama-Canada Chamber of Commerce (President 2005-2017)
- American Chamber of Commerce of Panama (President 1995-1996)
- Panama Council for Investment & Development of Panama (President 1995-2004)
- US-Panama Business Council (Board of Directors 1995-2010)
- Japan-Panama Friendship Association (Board of Directors 1990-2015)



SUCCESSION & ESTATE PLANNING

Highlights

- › Succession and inheritance rights in Panama are governed by the Panama Civil Code.
- › Any assets located in Panama registered or non-registered under the ownership or possession, included or not, in a person's will are subject to inheritance through a succession procedure.
- › Assets can include all liquid and movable such as money, shares of companies, stocks, bonds, art, crypto, etc. and. As well as immovable like real estate.
- › There are 2 types of succession – Testated or Intestated.
- › There are several types of will – The most common are
 1. Handwritten signed by the person in front of 2 witnesses.
 2. Open and done in front of a Notary.
 3. Closed and done in a sealed envelope and delivered to a Notary.
 4. Foreign notarized wills are recognized under Panama law, provided the will complies with the formalities of the country where it was done and it is apostilled following the Hague Convention rules or legalized by a Consulate of Panama.
 5. There are other kinds of more specialized wills.

- › The only way to pass title over the deceased's assets is through a judicial process before a Panama court.
- › Depending on the successor age and conditions, commonly there are no administrators, unless there are under-aged children or persons with limitations.
- › In controversial cases involving multiple heirs from different marriages and situations, there is an administrator.

Estate Planning – Cross Border Issues

- › To avoid issues of wills or non-existence of wills, we recommend all clients a planned Panama succession, where we have available LLCs, Trusts and Private Interest Foundations (PIF) to assist our customers to have a well-organized transfer of wealth upon death or during lifetime.
- › Any type of asset may be placed under a Company, Trust or PIF to form an independent patrimony separate from the personal patrimony of the person.
- › In the case of Trusts and PIFs, there are special legal provisions blocking the rights of creditors to seize the assets under certain conditions.
- › The territorial tax system of Panama immediately assures the settlor or founder that foreign sourced income is not taxable in Panama.

- Panama law expressly provides that, once a beneficiary has received the trust or foundation property in a trust or foundation intended to have effect after the death of the settlor or founder, all income deriving from such transfer is income tax exempt in Panama, making an excellent case for setting up residence arrangements in Panama.
- Besides this, Panama law abolished inheritance taxes 40 decades ago.
- For practical purposes of this presentation, we will focus only on Private Interest Foundations (PIFs).
- PIFs and Trusts are basically the same.
- The PIF structure has traditionally been the most flexible and useful means of establishing an estate plan for Continental Europeans and Latin Americans, while more and more is becoming the vehicle of choice globally.
- Trusts are basically an Anglo-Saxon vehicle.
- The choice is simple. In Panama, trusts are much more complicated than PIFs. Trusts require the appointment of a professional trustee which is not the case of a PIF that could be managed by the founder, appointed persons such as relatives or in many cases our law firm.
- The founder can also appoint a Protector with specific powers.
- Many founders of PIFs with different assets prefer to incorporate Panama LLCs to own assets and keep them separated.
- Of course, the PIF acts as the holding entity of all the shares in the different LLCs.
- Another important advantage only available to PIFs is that they are shielded from forced heirship.

Enforcing Foreign Judgments on Succession

- Enforcing foreign judgments in Panama requires a formal exequatur procedure through the Panamanian courts, starting with the Supreme Court's Fourth Chamber. The judgment must be final, come from a competent court, and have been properly served on the defendant. Additionally, the judgment must not violate Panamanian public policy, and the original judgment country must recognize judgments from Panama, ensuring reciprocity.

Key Requirements

- 01.** Reciprocity: The country that issued the judgment must recognize and enforce judgments from Panamanian courts.
- 02.** Competent jurisdiction: The foreign court must have had the legal authority to hear the case.
- 03.** Final and conclusive: The judgment must be a final decision and not subject to ordinary appeal.
- 04.** Personal service: The defendant must have been personally served with notice of the proceedings.
- 05.** Legal obligation: The obligation being enforced must be lawful in Panama.
- 06.** Public policy: The judgment must not violate Panama's fundamental legal principles or public policy.

IMMIGRATION & RESIDENCE

QUALIFIED INVESTOR VISA

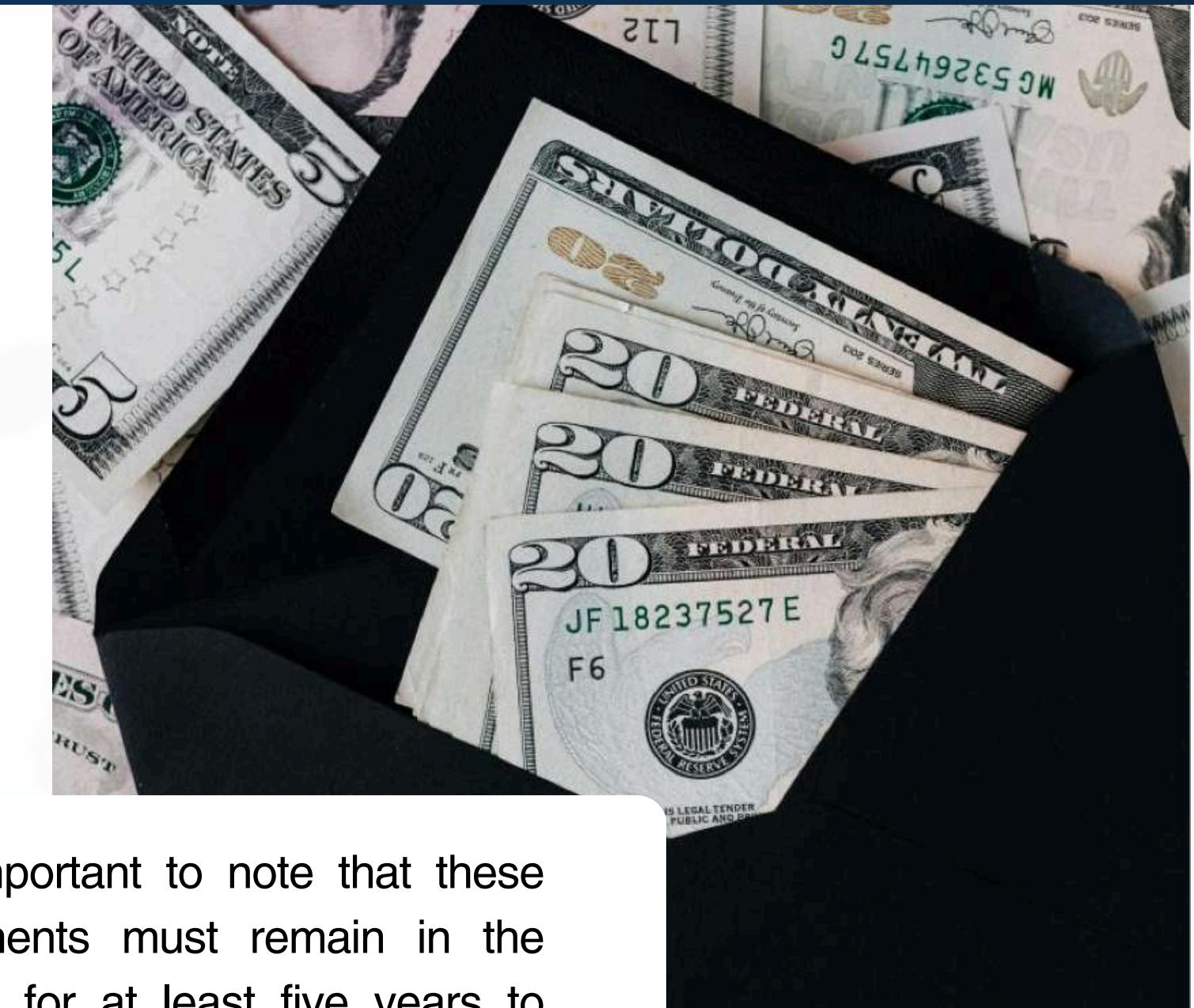
VISA FOR RETIREES (Pensionado)

FRIENDLY NATIONS VISA

QUALIFIED INVESTOR VISA

To qualify for this visa, investors must commit a minimum investment of US\$300,000.00 in real estate or real estate development projects under construction in Panama. Alternatively, they can choose to invest that sum in recognized brokerage houses in the country, or deposit US\$750,000.00 in a Panamanian bank for a fixed term.

5 years



It is important to note that these investments must remain in the country for at least five years to meet the program requirements.

QUALIFIED INVESTOR VISA

MAIN REQUIREMENTS

Real Estate **US\$ 300K**

The purchase of a real estate for US\$ 300K. The purchase of this asset must have no lien or loans. The property can be purchased in a personal name or using a corporation/foundation. Minimum holding is 5 years

Bank Deposit **US\$ 750K**

Setting up a time deposit in any licensed bank in Panama for **US\$ 750K** for 5 years. The deposit must be free of any financial commitment or lien.

Securities **US\$ 500K**

Investing **US\$ 500K** through a licensed securities company for a period of no less than 5 years.

QUALIFIED INVESTOR VISA

BENEFITS

- 1** The application can be submitted without the applicant presence, however, once is approved, the applicant and dependents must travel to Panama to finalize the process.
- 2** The immigration office jointly with the Ministry of Commerce has created a special VIP office for processing the applications.
- 3** The residency application in this program will be approved in 30 days as of its presentation.
- 4** This program grants to the principal applicant and dependents “immediate permanent resident status, and recently approved the benefit of a travel passport”.

VISA FOR RETIREES • Pensionado

Principal applicant must be receiving a public or private lifetime pension of no less than US\$ 1,000 per month. This amount must be increased US\$ 250.00 per each dependent (spouse/children) that applicant includes under its residency application

VISA FOR RETIREES

BENEFITS

- 1** This program grants to the principal applicant and dependents immediate permanent resident status.
- 2** Senior citizen discounts.
- 3** Import of household goods tax free

FRIENDLY NATIONS VISA



Principal applicant must show an Economic link with Panama, which can be accomplished through the following options:

- a. Purchase in of a property for no less than US\$ 200,000.00*. You can have a mortgage to finance the purchase of this property, or
- b. Setting up a time deposit in a Panamanian bank for no less than US\$ 200,000.00* for 3 years.

**Note: It is very important to clarify that such investment (property or time deposit) must be increased US\$ 2,000 per each dependent to be included in the residency application. i.e., A family of 3 members (Principal, spouse, and children) will require to have an investment of no less than US\$ 204K, or*

- c. Another option to opt for this residency program is that the main applicant shows a Professional link with Panama, which can be accomplished by having an employment relation with an employer in Panama. If you are considering this option, please note that we can help in this process by having a direct consultation with us.

FRIENDLY NATIONS VISA

BENEFITS

1

This program grants to the principal applicant and dependents a 2-year temporary residency status initially and further the option to apply and obtain the permanent residency.

Applicant can also obtain work permit.

TAX RESIDENCE

- › It is well known that current economic situation has evolved to a point where the biggest global economies through their governments have tightened their tax regulation and this is a trend that will continue.
- › The procurement of a second residency and/or citizenship has been often a Plan B regarding personal tax exposure.
- › During the last few years, a wise asset protection structure with the use of alternative residency/citizenship status and the procurement of Fiscal Residency Certificate have become a more reliable source of protection against the constant and evolving taxation actions applied by governments, including yours.
- › The Republic of Panama offers a great stability and easy procedures for becoming a permanent resident and/or citizens that may include the option to obtain Fiscal residency, substantially minimizing your current tax exposure.

QUALIFYING FOR TAX RESIDENCE



- By means of physical presence: being in Panama for at least 183 days (they do not need to be consecutive) during a fiscal year or the previous year, or
- Based on having Panama as your center of life means that Panama is the place where your essential personal and economic ties are primarily located.
- Even if you do not meet the 183-day physical presence requirement, you may still be recognized as a Panamanian tax resident if your main home, family, or long-term personal interests are in Panama, or if your principal economic activities—such as employment, business operations, or investments—are established within the country.
- In practical terms, this concept reflects that Panama functions as your habitual base of life and economic stability. Therefore, the Panamanian tax authorities may consider you a resident for tax purposes because your personal and financial affairs demonstrate a substantial and continuous connection to the country.
- Territorial Tax - Foreign Source Income is not taxable.

COMPANY FORMATION & BANK ACCOUNT

Formation Requirements

- › We can assist you incorporate a company in a few days.
- › The Client: does not need to come to our offices. Everything can be done remotely.
- › Shareholders: A minimum of 1 shareholder is needed (can be an individual or a corporation). Shareholder details are not held on public record.
- › Directors: A minimum of 3 directors (who also usually act as President, Secretary, and Treasurer) are required. They can be individuals or legal entities of any nationality and do not need to reside in Panama. We can provide nominees.
- › Share Capital: No minimum paid-in share capital is required. A standard authorized capital is often set at USD 10,000, which does not need to be paid-in before incorporation.
- › Registered Agent/Office: A Panamanian-licensed resident agent and a registered office in Panama are mandatory.
- › Company Name: The name must end with "Corporation," "Incorporated," or the abbreviations "CORP.," "INC.," or "S.A.."
- › Documents: Articles of Incorporation must be prepared, notarized, and filed with the Panama Public Registry.

Opening a Bank Account

- › We work with multiple banks, and we will help you to open a bank account in your name or under a company or PIF.
- › It is not mandatory to have a bank account in Panama.

Taxation

- The Panama tax system is territorial which means that if your income comes from abroad, it does not pay taxes or need to be declared in Panama.

Ongoing Compliance and Accounting Requirements

- Filing/Location of Records: Companies are required to file their accounting records with their resident agent annually (typically by April 30th).

➤ Alternatively, the records can be kept at a foreign location, provided the resident agent is informed in writing of the physical address and contact details of the person responsible for their maintenance.

➤ Our accounting department is capable of offering you or your clients with accounting services, provided through a separate company.



BUYING REAL ESTATE

When someone is planning to retire in a tropical paradise like Panama, buying a condo or house in Panama City, investing in land or acquiring a beach-front property are only some of the reasons why it is important to learn the rules regarding buying real estate in the Republic of Panama.

No matter what purpose the property is purchased, it is important to learn as much as possible regarding the property, including but not limited to limits and boundaries, its encumbrances, registered value, official blueprints, tax burdens and others before buying the property.

Panama law allows for both nationals and foreigners to purchase titled property in Panama.

Panama has titled and untitled (rights of possession) property. Today we will only focus on purchasing titled property.

Panama is blessed with one of the most reliable Public Registry systems in the region. The Public Registry keeps record of all titled properties in all provinces of the Republic of Panama. Information regarding titled properties is readily available through the Public Registry and thus it is simple to undertake preliminary due diligence on condo, home a lot or property.

People interested in acquiring titled property must follow these steps to successfully undertake and minimize the risk of their transaction.

1. Perform a complete due diligence of the property: This procedure includes complete title search, review of cadastral maps, verification of tax good standing of the land, verification of good standing in utility bills (water and sewage, electricity, telephone, etc.), as well as verification of any other special characteristic, limitation of the property, liens or encumbrances over the property. A professional surveyor should perform a physical inspection with the approved blueprints to verify the map points, measurements and boundaries to avoid future land conflicts.

2. Prepare a Promise to Purchase Agreement: This agreement is to secure the property, through a down payment is 15% to 20%, of the total purchase price, generally to have enough time to properly execute the due diligence regarding the property, obtain financing and arrange details to complete the transaction. Parties agree on a purchase price, terms of the agreement and penalties if one of the parties does not comply with the contract. This agreement shall be duly recorded in the Public Registry in order to affect third parties and to ensure the property is not sold to another person.

3. Prepare a Purchase and Sale Agreement: When the term of the contract is due and the final balance is ready to be paid to the seller, it is time to prepare the final sale contract. The seller shall process the Property Transfer Tax and the Capital Gains Tax, obtain a good standing property certificate as well as a good standing water and sewage certificate. The buyer will pay for notaries and registration expenses of this agreement. It is important to include an indemnification clause in the event of hidden defects of the property.

4. Ownership of the real estate property: Once the public deed containing such an annotation is duly registered, title transfer has been completed. Generally, payment is not delivered to owner until the proper transfer of ownership is undertaken, while in other cases, the parties agree to appointing an escrow agent (lawyer or banker) who receives the funds under an escrow agreement which states that payment will be made immediately upon presentation of the deed of transfer of ownership of the property, duly recorded at the Public Registry Office.

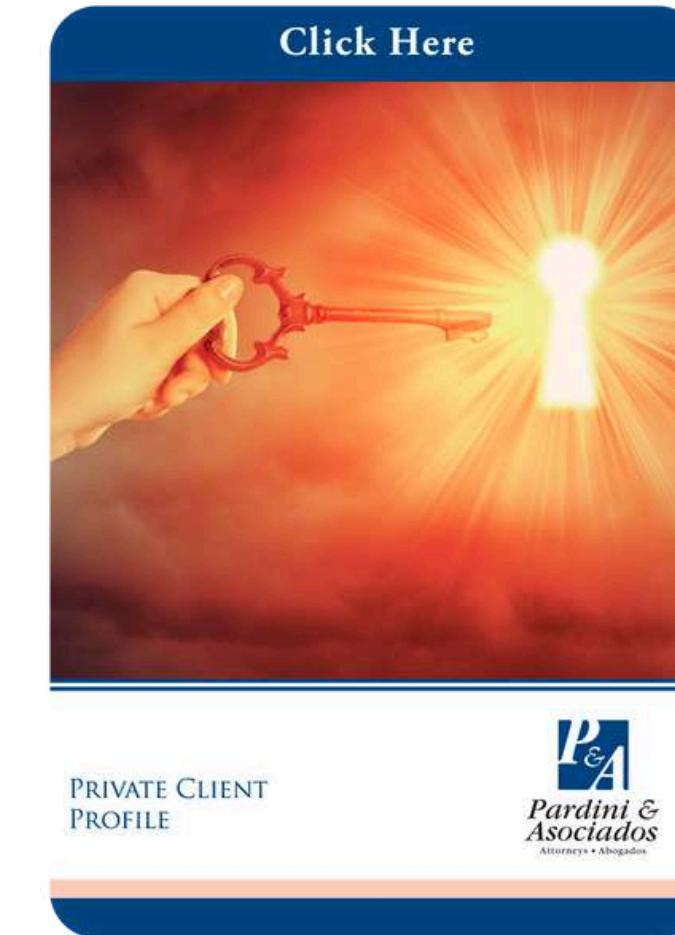
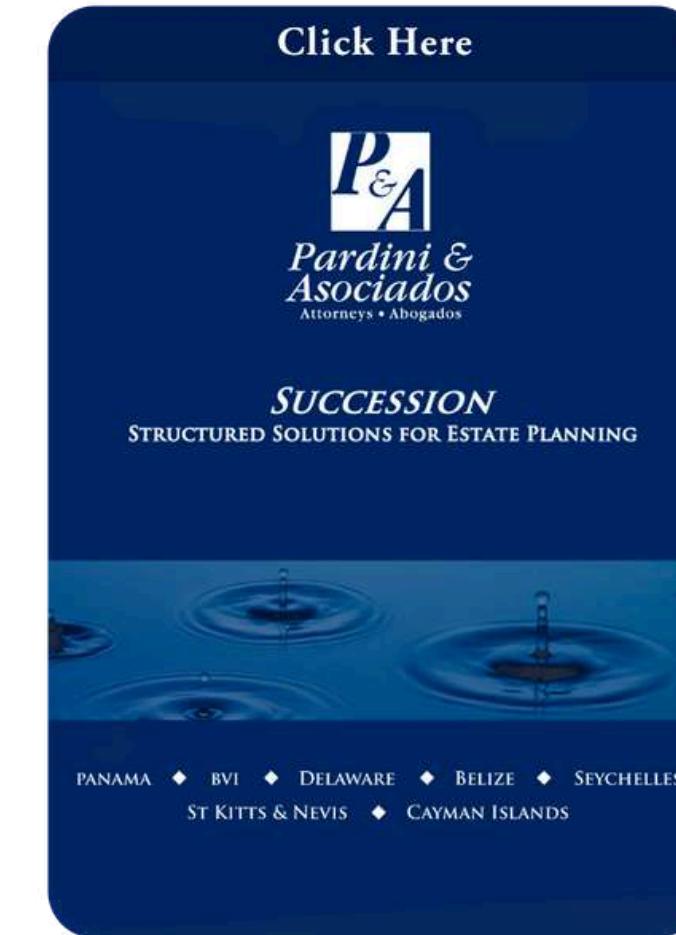
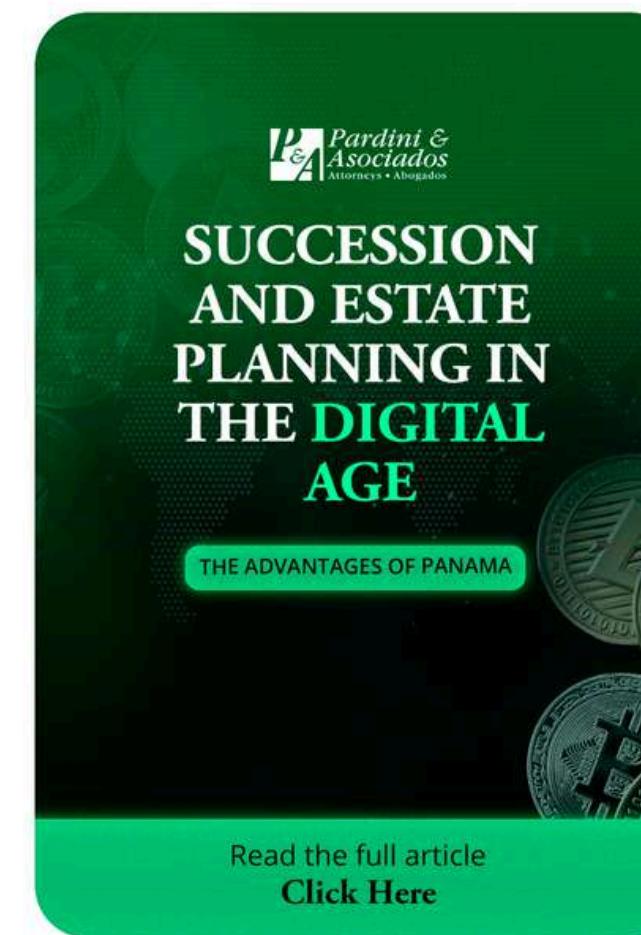
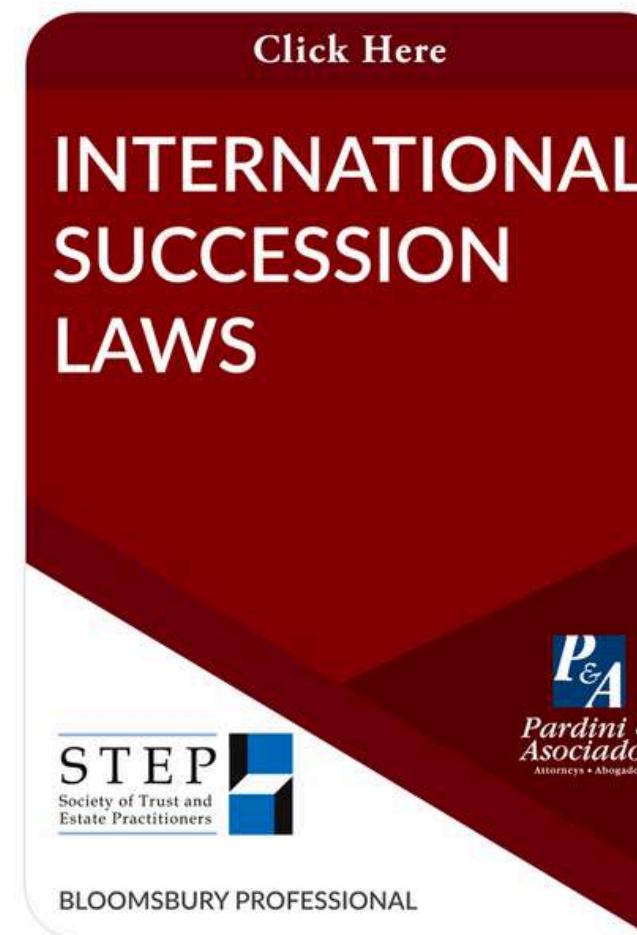


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