



CHANIS
Legal

How to Expand Your Business to Panama

Company Registration, Tax,
Immigration and AML Compliance
**| A Complete Legal Guide for
Foreign Investors**

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How to Expand Your Business to Panama

Introduction - Panama as an International Business Platform

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Panama as an international business platform

Panama is one of the most business-friendly jurisdictions in the Western Hemisphere. A dollarized economy, a strategic location connecting North and South America, the Panama Canal - one of the world's most critical trade arteries - a world-class logistics hub anchored by Tocumen International Airport, a robust financial sector, and a legal framework designed to attract foreign direct investment: these are not marketing slogans. They are structural realities that have made Panama the Hub of the Americas and a gateway for international business for over a century.

But entering any new market requires more than enthusiasm. It requires a clear understanding of the legal landscape, the right corporate structure, regulatory compliance, and a realistic sense of the timeline and costs involved. Done right, the process is more straightforward than most foreign investors expect. Done wrong, it can mean lost time, unexpected liabilities, and structural problems that are expensive to correct.

This guide walks you through the key steps to expand your business into Panama - from choosing the right structure under Panama corporate law to obtaining the permits and registrations you need to operate legally and efficiently.

Whether you are a foreign executive considering your first Panama operation, an entrepreneur ready to begin the Panama business registration process, or an international lawyer advising a client on their Panama entry strategy, this guide is for you.

01/ What makes Panama attractive for foreign business?

Before choosing a structure or filing a single document, every foreign investor should understand the basic characteristics of Panama's business environment.

A Territorial Tax System

Panama operates under a territorial tax system. This means that income derived from activities conducted outside Panama is not subject to Panamanian income tax, even if the company managing those activities is incorporated in Panama. For international holding structures, regional headquarters, or businesses that generate revenue primarily from foreign clients, this is a significant advantage.

Important: Law 526 of 2026, enacted in May 2026, shall take effect as of fiscal year 2027 and introduces economic substance requirements for companies that are part of a multinational group and earn passive foreign-source income (dividends, interest, royalties, and similar). If your Panama entity will derive substantial income of this type, substance compliance is now part of the picture.





The U.S. Dollar as Legal Tender

Panama's economy is fully dollarized. There is no currency exchange risk between Panama and the United States, and international transactions are conducted in U.S. dollars without conversion costs or restrictions. For businesses accustomed to operating in dollars, this eliminates a layer of financial complexity that affects operations in most other Latin American countries.



Strategic Location and Free Trade Agreements

The Panama Canal, combined with Tocumen International Airport and world-class port infrastructure on both the Atlantic and Pacific coasts, makes Panama the undisputed logistics heart of the Americas. Panama has also signed free trade agreements with more than 20 countries - including the United States, the European Union, and several key Latin American markets - giving businesses incorporated here preferential market access across a broad range of trade relationships.



A Pro-Investment Legal Framework

Panama has no restrictions on foreign ownership of shares in most industries. Foreign individuals and companies can own 100% of a Panamanian corporation in the same manner as Panamanian nationals. There are sector-specific restrictions in areas such as retail commerce, certain regulated professions, and agricultural land, but for the vast majority of business activities - professional services, technology, logistics, finance, real estate investment, and international trade - full foreign ownership capability is the norm, not the exception.

02/ What legal structure should a foreign company use in Panama?

One of the most consequential decisions you will make is selecting the legal vehicle through which you will operate. Panama corporate law offers several options, each with distinct characteristics, costs, and implications.



The Sociedad Anónima (S.A.) - Panama Corporation

The Sociedad Anónima, governed by Law 32 of 1927, is by far the most widely used corporate vehicle in Panama. It is flexible, well-understood by local and international practitioners, and carries strong asset protection characteristics. Key features include:

- Three directors (who may be individuals or corporate entities).
- No minimum capital requirement in practice.
- Directors and officers may be of any nationality and need not reside in Panama.
- Incorporation is handled through a Panamanian licensed attorney (a resident agent is mandatory).



Reasons to Expand Your Business to Panama

Panama combines strategic location, strong connectivity and a business-friendly platform that supports trade, logistics, finance and digital infrastructure across the Americas.



Dollar-based economy

U.S. dollar in circulation since 1904.



Business platform

Territorial tax system and modern investment framework.



Intl. Banking Center

USD 118.2 billion in deposits (Feb. 2026).



Trade access

11 bilateral trade agreements, plus regional agreements.

Panama is a world-class hub for trade, logistics and connectivity



95
international destinations

via 16 passenger airlines



20.9M
passengers in 2025

through Tocumen International Airport



180
maritime routes

served by the Panama Canal



1,920
ports connected

across 170 countries



Digital Hub

robust submarine fiber optic network supporting regional data connectivity

Data updated 2026

Sources: Panama Canal, Tocumen, Superintendence of Banks of Panama, ASEP, MICI.



The Sociedad de Responsabilidad Limitada (S. de R.L.) - Limited Liability Company

The S. de R.L. is Panama's equivalent of a limited liability company. It is less common in international structures but can be a good fit for closely held operations with a small number of partners or for USA tax-based residents who can declare them as pass-through entities. Ownership interests are called quotas rather than shares, and transfer restrictions can be built into the organizational documents.



Branch of a Foreign Corporation

Foreign companies that wish to operate in Panama without incorporating a separate local entity may register a branch. The branch is not a separate legal person - it is an extension of the parent company, which retains full liability for the branch's obligations. Registration requires authentication of corporate documents, a Power of Attorney to a local representative, and registration with the Public Registry. Branches are common in banking, insurance, and construction.



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03/ How do you incorporate a company in Panama?

Once you have selected your structure, the Panama business registration process for a Sociedad Anónima - the most common choice - follows a clear sequence.

DRAFT AND EXECUTE THE ARTICLES OF INCORPORATION

1

This document, executed before a Panamanian notary, establishes the company's name, capital structure, purpose, governance, and initial directors.

REGISTER WITH THE PUBLIC REGISTRY (REGISTRO PÚBLICO)

The notarized Articles of Incorporation is filed with the Registro Público de Panamá. Registration typically takes 3 to 5 business days.

2

3

OBTAIN A TAX IDENTIFICATION NUMBER (RUC)

The company must obtain its RUC from the Dirección General de Ingresos (DGI), Panama's tax authority.

OBTAIN THE CORRESPONDING COMMERCIAL LICENSE

To operate a business in Panama you will need a commercial license issued by the Ministry of Commerce and Industry (MICI).

4

5

REGISTER WITH THE SOCIAL SECURITY OFFICE (CSS)

If the company will employ staff, it must register with the CSS before making its first hire.

A note on the Articles of Incorporation: Treat the Articles of Incorporation as a strategic document, not a formality. A carefully drafted Articles of Incorporation structures your company for smooth day-to-day operations, favorable tax and regulatory treatment, and orderly resolution of shareholder matters - all of which translate into lower costs and fewer complications over the life of your business.



04/ What permits and licenses does a foreign business need in Panama?

Incorporation is necessary, but it is not sufficient to operate commercially in Panama. Depending on your industry and the nature of your activities, you will need one or more of the following:

Commercial License (Aviso de Operación)

Any company conducting commercial or industrial activities in Panama must obtain an Aviso de Operación from the MICI. This is the baseline commercial permit for most businesses. It is renewed annually.

Sector-Specific Licenses

Many industries in Panama are regulated and require specific authorizations from the relevant regulatory body. Examples include:

- Financial services and banking - Banking Superintendence of Panama (SBP)
- Insurance - Insurance and Reinsurance Superintendence (SSRP)
- Securities - Superintendence of the Securities Market (SMV)
- Digital asset service providers (VASPs) - Superintendency of Non-Financial Subjects (SSNF) or SBP depending on the activities
- Healthcare and pharmaceuticals - Ministry of Health (MINSa)
- Construction - Ministry of Public Works (MOP) and municipal authorities
- Mining and natural resources - MICI, with environmental clearances from Ministry of Environment

Municipal Permits

If your business will operate from a physical location in Panama City or any other municipality, you will need a municipal operating permit (paz y salvo municipal) in addition to the national Aviso de Operación. Requirements vary by municipality but generally include fire safety certification, health clearances, and zoning compliance.

05/ How does immigration work for foreign business executives in Panama?

If you or your key personnel will be working in Panama, immigration status must be addressed before anyone begins local operations.

Work Permits for Foreign Executives and Staff

Panama offers a variety of work permit categories for foreign business executives. The most common options include the Work Permit for Corporate Executives, the Work Permit for Foreign Personnel in Positions of Trust, and the special work permit categories available to companies operating in the Panama Pacifico Special Economic Zone, the Colon Free Zone, and other special economic regimes established under Panamanian law.

Panama's Labor Code generally limits foreign employees in ordinary positions to 10% of a company's workforce and up to 15% for technical or specialized personnel. These restrictions should be considered when hiring foreign personnel, although statutory exceptions and special legal regimes may apply.



Investor and Residency Visas

Panama offers a variety of residency options for foreign investors, including the Qualified Investor Visa, the Friendly Nations Visa, and other immigration categories, depending on the applicant's investment structure. Each category has specific eligibility requirements, which may include minimum investment amounts or other statutory criteria.

The most suitable residency pathway will depend on the investor's objectives, the nature of the investment, and the applicant's circumstances. Careful planning and legal advice are essential to identify the most appropriate option.

Panama continues to offer one of the most attractive and flexible immigration frameworks in the region for foreign investors.

06/ What are the tax and compliance obligations for companies in Panama?

Setting up a company is a one-time event. Compliance is ongoing. Here is what you need to stay on top of:

Annual Corporate Tax (Impuesto sobre la Renta)

Companies with Panamanian-source income are subject to corporate income tax at a flat rate of 25%. Tax returns must be filed annually, and estimated tax payments are made quarterly. Companies generating exclusively foreign-source income are not subject to income tax but must still file informational returns.

ITBMS (Value Added Tax)

Panama's equivalent of VAT - the Impuesto de Transferencia de Bienes Muebles y Servicios (ITBMS) - applies at a standard rate of 7% on the sale of goods and provision of services in Panama. Certain goods and services are exempt or subject to differential rates. Registered businesses must file monthly ITBMS returns.

Annual Franchise Tax

All corporations incorporated in Panama - regardless of whether they conduct Panamanian-source activities - must pay an annual franchise tax (tasa única) to the Public Registry. The amount is currently USD 300 per year.

AML/CFT Compliance

Panama maintains a comprehensive anti-money laundering and counter-terrorism financing framework. Companies in regulated sectors - and their professionals, including lawyers, accountants, and real estate brokers - are subject to Know Your Customer (KYC) obligations, suspicious transaction reporting requirements, and record-keeping duties under Law 23 of 2015 and its implementing regulations. Non-compliance is not a technicality; it is a matter with serious administrative and criminal consequences.

07/ What special economic regimes does Panama offer foreign investors?

Panama has created a series of special economic regimes that offer enhanced incentives for specific types of businesses. Depending on your industry and business model, operating within one of these regimes can significantly change your tax exposure, labor conditions, and operational flexibility.



Panama Pacifico Special Economic Zone

ideal for logistics, aviation, multimodal services, back-office operations, and technology companies, with income tax exemptions on foreign-source income and streamlined immigration.



Colón Free Zone

the largest free trade zone in the Americas by volume, designed for re-export and trade of merchandise.



Multinational Headquarters Regime (SEM)

designed for multinationals establishing a regional or global headquarters in Panama, with favorable tax treatment for qualifying services rendered to affiliates abroad.



Tourism incentive regimes

for hotel and hospitality projects meeting specific investment thresholds.

08/ How do foreign companies open a bank account in Panama?

One of the most common pain points for foreign businesses entering Panama is opening a local corporate bank account. Panama's banking sector is internationally supervised and highly competitive, but the KYC and due diligence requirements of Panamanian banks are rigorous - often more so than in other jurisdictions.

To open a corporate account, banks will typically require:

- Certified copies of corporate documents (Articles of Incorporation, board resolutions, officer certificates).
- KYC documentation for all beneficial owners, directors, and authorized signatories (passports, proof of address, source of funds).
- Business plan and description of expected transactions.
- References from existing banking relationships.



The timeline for account opening can range from a few weeks to several months depending on the bank and the complexity of your structure. Working with a Panama law firm that has established relationships with Panama's banking sector can significantly accelerate this process and reduce the rate of rejection or unnecessary delays.

A Note on Realistic Expectations

Panama is a genuinely business-friendly jurisdiction, but the entry process is not automatic. There are bureaucratic steps that require attention to detail, deadlines that must be observed, and regulatory bodies that expect engagement, not just filings.

Most companies can be incorporated within two weeks. Full operational readiness - including all permits, registrations, and a functioning bank account - typically takes between 30 and 60 days, depending on the industry and the completeness of the documentation submitted.

The businesses that navigate Panama's entry process most efficiently are the ones that engage qualified local counsel early, prepare their documentation proactively, and treat compliance as a foundation rather than an obstacle.

Frequently Asked Questions

Q: Can a foreign individual or company own 100% of a Panamanian company?

A: Yes. Panama imposes no foreign ownership restrictions in most industries. Foreign individuals and legal entities may own 100% of a Panamanian company on the same terms as Panamanian nationals.

Q: How long does it take to incorporate a company in Panama?

A: Panama business registration typically takes 3 to 5 business days once the Articles of Incorporation is filed with the Public Registry. Full operational readiness - covering all permits, tax registrations, and a functioning corporate bank account - takes between 30 and 60 days depending on the industry.

Q: Does Panama tax foreign-source income?

A: No. Panama's territorial tax system exempts income derived from activities outside Panama from corporate income tax, even when earned by a Panama-incorporated entity. This is one of the most significant advantages of Panama's tax framework for international businesses.

Q: Do I need a Panamanian lawyer to incorporate a company in Panama?

A: Yes. A licensed Panamanian attorney must serve as the company's resident agent. The Articles of Incorporation must also be executed before a Panamanian notary. Panama business registration cannot be completed without qualified local legal counsel.

Q: What is the annual cost of maintaining a Panama corporation?

A: The minimum annual cost is the USD 300 franchise tax (tasa única) paid to the Public Registry, plus resident agent fees and Compliance/KYC renewals. Companies with operational activity will have additional accounting, compliance, and legal maintenance costs.



Senior counsel. Integrated practice. Direct access.

When your matter crosses a border, it also crosses legal systems, business cultures, and regulatory frameworks. Most firms give you coverage. CHANIS gives you a lawyer who understands where you are coming from — and the integrated practice to resolve the matter in Panama without routing it through separate engagements.

Twenty-plus years in the Panama market teaches you things no manual covers.

Twenty-plus years teach you where structures fail, when negotiations break, where regulators focus, and where a transaction that looks efficient on paper becomes a problem in practice. CHANIS was built around that kind of judgment: legal advice shaped by what actually happens after signing, after growth, and under scrutiny.

CHANIS was founded in 2005. Since then, Panama has reformed its AML framework, enacted data protection legislation, created the MHQ regime for multinational companies, launched EMMA for manufacturing operations, introduced the Qualified Investor Visa as a direct path to permanent residency, and positioned itself as one of the most actively used jurisdictions for regional corporate structuring in Latin America. We have practiced through every one of those developments — advising companies, investors, and family businesses at each stage of that evolution.

That history is why investors from markets as different as Türkiye, Europe, Latin America, and North America trust us to navigate Panama on their behalf — and why we built the infrastructure to serve each of them on their own terms.



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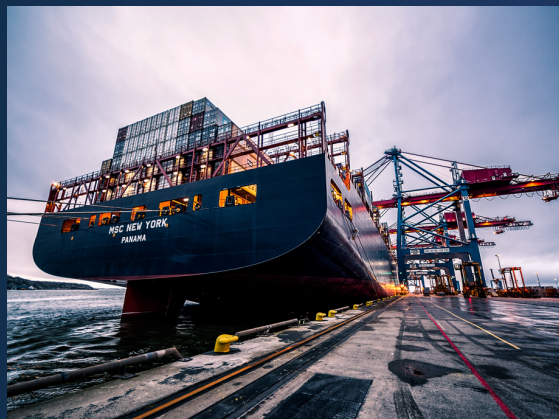
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