

A brief guide to Foundations, Companies, Family Law and Employment Law in Panama

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Foundations

What are Private Foundations?

Typically they are corporate vehicles created through gifts/donations.

The gifts/donations are then managed by the Foundation Council for the purposes set out in the Charter and the Regulations.

Background

- The basis for private foundations in Panama is Law 25 of 1995
- Private foundations were created for succession planning family asset protection
- They are a hybrid between a trust and a company

Requirements

- The Foundation Charter
- The Founder
- Beneficiaries
- Has to be managed by a Foundation Council
- Regulations
- Protector (optional)
- Registered office

Uses

- To replace a will for the succession
- Asset protection - insolvency, divorce
- Circumvent the *portio legitima* (forced heirship)
- Philanthropic and charitable purposes

Companies

Background

- Established by Law 32 of 1927
- The law is a copy from the Delaware Law
- There have been various updated since 1927
- The last modification related to the Bearer Share regime in 2015
- The liability of shareholders is limited

Requirements

- Memorandum and Articles of Incorporation
- Minimum two person as subscribers
- Company has to be divided by shares
- It is acceptable to have only one shareholder
- Has to be managed by three directors, (natural or juridical persons)
- Three officers need to be appointed

Uses

- Is able to execute any kind of business locally or abroad
- Flexible - asset holding or trading
- Taxation - profits and dividends

Family Law

Panama Inheritance Law

- Process is testamentary or by intestacy
- It is regulated by the Civil Code and the International Private Code
- In the intestate process the closest family members have priority to apply
- International resolutions can be recognized by the Fourth Chamber of the Supreme Court

The Marriage Contract

- Share of profits
- Conjugal partnerships
- Separate properties

Labor Law

General Matters

- Work day can be divided into three shifts
 - Day time from 6 am to 6 pm*
 - Night time from 6 pm to 6 am*
 - Mix of both (only three hours of night time)*
- Work contract is mandatory and needs to be registered at the Work Ministry
- Termination is by - dismissal, resignation, leaving the job without reason or mutual

Termination - Part I

Resignation - Mandatory payments

- Salary
- Vacation Salaries
- XIII month (proportional salary)
- Antiquity Premium (Prima de Antigüedad)

Termination - Part II

Dismissal of the worker (Mandatory Payments)

- If is justified dismissal, applies the same rule as the resignation process
- If is unjustified dismissal, the mandatory payments are the previous mentioned plus the compensation and one month of salary

Domestic workers

- Written or oral contract
- Working hours are between 6 am and 9 pm
- Probationary period is two weeks, instead of 3 months
- If the worker is disabled for four months then the employer has the right to terminate the employment contract
- The payment of benefits is different than for regular workers

Thank You

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