

Global Tax Alert

News from EY Americas Tax

Panama publishes law on beneficial owner register for legal entities

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access information about the tool and registration [here](#).

EY Americas Tax

EY Americas Tax brings together the experience and perspectives of over 10,000 tax professionals across the region to help clients address administrative, legislative and regulatory opportunities and challenges in the 33 countries that comprise the Americas region of the global EY organization. Access more information [here](#).

Panama published, in *Official Gazette* 28985-C, Law 129 of 2020 (the Law), which creates the Registry System for Beneficial Owners of Legal Entities. The purpose of the Law is to establish the regulatory framework for the creation of the registry system to facilitate access to information about beneficial owners of legal entities collected by attorneys who provide resident agent services. The Law also is aimed at assisting the competent authority with preventing money laundering, the financing of terrorism and the proliferation of massive weapons.

Background

On 19 December 2019, the Panamanian National Assembly approved Bill No. 169 (the Bill), which would have created a free Register of Beneficial Owners of Legal Entities to allow resident agents to file information on the beneficial owner of all legal entities incorporated in Panama for which they are agents (see EY Global Tax Alert, [Panamanian National Assembly approves bill on a beneficial owner register for legal entities](#), dated 6 January 2020). The Bill was vetoed by the President because specific phrases and words did not constitute adequate and technical language for the effective implementation of the regulation. The President suggested changes, which were approved by the National Assembly.

Law 129 of 2020

Competent authorities

Under the Law, the competent authorities include the Superintendence of Non-Financial Institutions, the Financial Analysis Unit for the prevention of money laundering and terrorism financing crimes, the Public Ministry, the Ministry of Economy and Finance and any other governmental institution that is attributed competence in the prevention of money laundering, the financing of terrorism and the proliferation of massive weapons.

Beneficial owner

The Law defines the final beneficiary as any individual who directly or indirectly owns or controls, or has a significant influence on, the business or individual benefitting from a transaction, including individuals who ultimately control the legal entity's decisions. Final beneficiary also includes any individual who has a significant influence on accounts and contracts. The Law also contains criteria for determining possession, control or influence over a legal entity.

Resident agent's obligations

In accordance with the Law, every lawyer or law firm that provides professional services as a resident agent for one or more entities incorporated in Panama must register with the Superintendence of Non-Financial Institutions to obtain a unique registry code (i.e., a non-transferable code) to access the beneficial owner register and complete the information required for each legal entity for which they render services as resident agents.

The resident agent must carry out due diligence to comply with the provisions of this Law but will not be responsible for the truthfulness or accuracy of the information, provided there is evidence of due diligence. If the resident agent resigns, the resident agent must notify the Superintendence of Non-Financial Institutions, within 30 business days of the date the resignation is registered with the Public Registry of Panama. The Superintendence of Non-Financial Institutions will remove the resident agent's access to the information provided about an entity. The information, however, will remain in the registry system, and the competent authorities will be able to access that information.

The registry system

Access to the registry system will be strictly limited to the resident agent of the legal entities to which the agent provides services and two officials assigned by the Superintendence of Non-Financial Institutions. The officials may access the

registry system to make the required information available to the competent authorities, in accordance with the provisions of Law 23 of 2015, its amendments and regulations. The information may be used to prevent money laundering, the financing of terrorism and the proliferation of massive weapons, and for compliance with Panamanian laws and international cooperation obligations established in treaties or conventions ratified by Panama.

The registry system will be free, private and have limited access with security controls and technological protection. The system will ensure the integrity, confidentiality, traceability and computer security of the data stored under the highest international standards on personal data protection. However, the Superintendence of Non-Financial Institutions, in its capacity as custodian and administrator of the information contained in the registry system, will not be liable for the inaccuracy of the information provided; therefore, the Superintendence cannot be sued or subject to injunctions for data contained in the registry system. Also, non-authorized individuals will not be able to access the information in the registry system by bringing judicial or administrative actions.

Sanctions

The Law will suspend the corporate rights for legal entities whose resident agents do not comply with the registration obligation. As a consequence, the suspended legal entity will not be able to file any document or agreement with the Panamanian Public Registry. Legal entities will be allowed to change resident agents to comply with the provisions of the Law without paying any registration or qualification fees.

The Law establishes sanctions for resident agents, including fines of US\$1,000 to US\$5,000 for each legal entity whose information is not registered or updated in the beneficial owner register. For each day, the registration or update is not completed, the Law imposes progressive fines on 10% of the fine previously imposed, up to a maximum of six months. If false information is provided or filed in the beneficial owner register, the Law imposes additional sanctions.

Grandfathering

Resident agents will have six months from the notification of the Superintendence of Non-Financial Institutions to register with the Superintendence and obtain from the legal entities the information to be filed in the beneficial owner register. Resident agents that are unable to update the information on the legal entity's beneficial owner will be required to resign as the entity's resident agent before the Panamanian Public Registry, without any costs.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Limited Corp., Panama City

- ▶ Rafael Sayagués rafael.sayagues@ey.com
- ▶ Luis Eduardo Ocando luis.ocando@pa.ey.com
- ▶ Carlos Márquez carlos.marquez@pa.ey.com
- ▶ Ana Clement ana.clement@pa.ey.com

Ernst & Young LLP (United States), Latin American Business Center, New York

- ▶ Ana Mingramm ana.mingramm@ey.com
- ▶ Pablo Wejcman pablo.wejcman@ey.com
- ▶ Enrique Perez Grovas enrique.perezgrovas@ey.com

Ernst & Young LLP (United Kingdom), Latin American Business Center, London

- ▶ Lourdes Libreros lourdes.libreros@uk.ey.com

Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific

- ▶ Raul Moreno, *Tokyo* raul.moreno@jp.ey.com
- ▶ Luis Coronado, *Singapore* luis.coronado@sg.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

EY Americas Tax

© 2020 EYGM Limited.
All Rights Reserved.

EYG no. 001654-20Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com