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**AROSEMENA, NORIEGA & CONTRERAS - Panama****PRIVATE INTEREST FOUNDATIONS****By: Julio Cesar Contreras III, Esq.**

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Private Interest Foundations are regulated by Law No. 25 of 1995, which has been inspired by the law regulating the Family or Mixed Foundation (Stiftung) of the Principality of Liechtenstein. While there are great similarities with the Liechtenstein law, there are a few innovations, which makes the Panamanian law more flexible:

- The Panamanian law does not differentiate between the Family Foundation and the Mixed Foundation
- The minimum amount of assets required to constitute a foundation is US\$10,000.00, which does not have to be deposited in advance.
- The yearly tax is US\$150.00.
- The adoption of the figure of the "Protector"
- The "Forced heirship" rules of other countries are not applicable to private foundations.

The following are a few of the salient features of Law No. 25:

- The foundation may be formed by one or more natural or juridical persons either personally or through third parties.
- The foundation becomes a legal entity once the charter has been recorded at the Public Registry Office.
- The foundation charter can be drafted in any language that uses the Latin alphabet.
- It is a nonprofit organization that may, nevertheless, engage in commercial activities on a non-habitual basis provided all proceeds derived therefrom are used exclusively towards the purposes of the foundation.
- The foundation is irrevocable unless otherwise provided for in the foundation charter.
- Assets must be endowed for a specific purpose.
- The foundation charter need only contain general information.
- All persons dealing with the foundation must keep confidential their knowledge of the activities, transactions, or operations of the foundation.
- The administrative body is the Foundation Council. Unless the council is a juridical entity, the number of members shall be no less than three persons.
- The foundation can be created by means of a private document. Even foundations with mortis causa effect can be created by private document

without need for a will.

- The founder may create a private document called "regulations" to designate beneficiaries.
- The assets of the foundation constitute a separate estate from that of the founder. Therefore, they may not be seized, attached or subject to any lawsuits or seizures, except for obligations of the foundation or legitimate rights of the beneficiaries.
- Limitation of three years for creditors to exercise their rights to contest validity of transfers made to the foundation.
- The foundation charter and/or regulations can provide for arbitration in resolving disputes.
- Foundations with assets located abroad and income arising therefrom are exempt from all taxes and contributions of any kind.
- A foreign foundation may re-domicile in Panama through a Certificate of Continuation and a Panamanian foundation may transfer to another jurisdiction if so provided in the foundation charter and/or regulations.

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