

Benefits of Panama Corporations and Bank Accounts

We write a lot of articles about Panama as an offshore haven here. This is not an accident, nor an unreasonable bias. We still consider Panama to be an excellent jurisdiction in which to set up an IBC, Corporation, or Foundation... and possibly an offshore bank account. But a reader asked me a question the other day which made me think back to basics... what is the real advantage of a Panama corporation? And what kind of services to Panamanian banks really offer?

The most obvious advantage is that Panama offshore corporations are completely tax free. That's right – as long as they do business internationally (as opposed to in Panama) they don't even have to file a tax return, let alone pay any taxes. Some people love the simplicity this offers.

Perhaps surprisingly, however, tax is not normally the major motivation for my clients who choose to go offshore in Panama. This is partly because most major jurisdictions these days have so-called CFC or "Controlled Foreign Corporation" legislation that severely limits the tax advantages of doing business in offshore havens these days.

No, most clients these days are not tax evaders. Instead, they are looking for offshore asset protection or wealth management strategies – diversification out of the US dollar for example. (This may seem strange given that Panama's national currency is the US dollar, but please indulge me for a moment – more on this below)

Panama Private Interest Foundations are an ideal vehicle for 'family office' type asset protection applications – similar in many ways to a common law trust, but with a strong offshore

privacy advantage. Panama Private Interest Foundations are the instrument of choice for those seeking to pass on their hard-earned assets securely to future generations.

Panama Corporations are often used for trading activities – like import/export, consulting, or – increasingly – e-commerce. You'll find lots more on these topics in my articles and free reports on this subject in the Members' Area. You can start with my Report on Panama Offshore Corporations and Banking that you can [download immediately for free](#), with no obligation – right now!

But what about setting up a Panama Corporation, Foundation or [Panama LLC?](#)

The initial process is straightforward. The cost can vary from about US\$1,500 to US\$5,000. You might find some a little cheaper, but many law firms in Panama have an unpleasant habit of adding hidden charges later for documents you didn't know you needed – so beware. More on this topic too in the free report mentioned above.

Not nearly as straightforward, however, is the process of opening a bank account in Panama. Let's compare this to the USA for a moment. The USA is still one of the easiest places in the world to open a bank account. Answer a few questions, sign some forms, and, hey presto, you've got yourself a bank account.

However, the OECD, American and G20 wars on terror, taxes, drugs, and money laundering have made opening corporate bank accounts in Panama very difficult. These days, Panamanian banks view opening an offshore bank account not as a right but a privilege – especially if you are an American! Expect to jump through hoops.

Up front, you will probably be asked for two bank references. If you have only one bank account currently, you can probably substitute a letter

from a credit card company for the second bank reference. You will also need at least one local professional reference – in other words an introduction from a Panamanian law or accountancy office. “Who you know” is very important in Panama.

A really good introduction might even avoid the need for the bank references, but then your introducer had better be a personal friend of the bank manager! I’ve seen it done (and, yes, I know how to do it for my clients in need)

Then you will need two forms of government-issued ID with photo: your passport of course, then a second ID, such as a driver’s license.

Armed with those documents, make an appointment to meet with a bank representative, and prepare your trip to Panama. During your meeting (which will seem more like a job interview), expect lots of questions. Why are you opening this account? How much money will you be depositing initially? Where is that money coming from? How much money do you expect to receive into the account on an ongoing basis? What will be the source of those funds? How much will you be withdrawing from the account each month?

Can you open an offshore bank account online without traveling to Panama? Yes, in certain special circumstances...but it is frowned upon. It is highly preferable to make the effort to get to know your banker face-by-face.

You might however question if you need a bank account in Panama at all. Of course, most Panamanian lawyers will want to sell you a Panamanian bank account. But do you really need one? If your aim is to diversify out of the dollar, for example, it makes a lot more sense to take your Panama Corporation or Foundation, then go ahead and open your account in an offshore bank in another jurisdiction – maybe Uruguay for example. You’ll find more on this and similar pieces of

advice in my Panama Report available absolutely free for instant download. [Click here to claim your Free Panama Report.](#)