

Suspension of Corporate Rights of Panamanian Legal Entities

The Republic of Panama enacted Law 52 of October 27th, 2016 ("Law 52 of 2016") which established the suspension of corporate rights for legal entities.

Law 52 of 2016, which came into effect on January 1st, 2017, states that the Panamanian Public Registry shall suspend the corporate rights of legal entities in the following cases:

- a) If it remains without a Registered Agent for more than 90 days.
- b) If it incurs in non-payment of its annual franchise duties for more than 3 consecutive years.
- c) If the same has outstanding payments of any fine or penalty imposed and duly executed, upon a previous order from the competent authority.

The suspension of corporate rights of a legal entity include:

- a) Inability to initiate legal proceedings, conduct business activities or dispose of its assets.
- b) Inability to raise any claim or exercise any rights.
- c) Inability to exercise any corporate action that will be binding to the legal entity.

Once the suspension has been recorded with the Public Registry, the legal entity shall have a term of 2 years in order to be reactivated, which will result in a fine of US\$1,000.00.

If the abovementioned term expires, then the Public Registry shall proceed with the definitive cancelation, thus considering the legal entity to be dissolved.