

Why Set Up a Panamanian Trust: The Ultimate Guide 2025

Offshore

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Panama Country Overview



In this article, we will take a closer look at Panama, the benefits of setting up a Panamanian Trust, and what requirements you must meet.

If **going offshore** is the direction you want to take, Panama remains a fascinating destination. Our nuts and bolts guide shows you how the trust law works in Panama.

Setting up a trust in Panama is a valuable asset protection tool. The country has a territorial tax system and special tax benefits. A Panamanian **offshore trust** provides extra protection for your assets as a jurisdiction with beneficial wealth protection laws and lower taxes.

We help seven- and eight-figure entrepreneurs and investors set up trusts as part of a finely-tuned holistic plan. Feel free to **reach out** to our team if you'd like our expert advice on offshore trusts and help to select a jurisdiction that will best meet your needs.





Panama's trusts are asset protection vehicles.

Panama Country Overview

Panama is a Western Hemisphere country in Central America that links North and South America. Its Atlantic and Pacific coasts are a gateway to more than 1,500 islands, and there are land borders with Colombia to the east and Costa Rica to the west. Panama's capital is Panama City, and the country's estimated 2023 population is 4.46 million.

Panama – Climate

Panama's tropical Western Hemisphere setting brings plenty of sunshine hours and a lot of rain, particularly in the Caribbean north. Despite this, the country's average temperature rarely dips below 78 °F (25.5 °C).

Panama – Economy

Panama's strategic situation led to the creation of the Panama Canal, which, since 1914, has established 180 maritime routes and connected 1920 ports. International trade, as a result, has

recent years, which of course begs the question – why set up a Panamanian Trust?



50% of Panama's population lives in the country's capital, Panama City.

Benefits of Setting Up a Panamanian Trust

Setting up a trust in Panama is a good idea, as writing a trust deed is relatively quick, and getting it signed is similarly straightforward. Asset protection is assured for foreign entrepreneurs by Panama's offshore trusts. Trusts are utilized for estate planning and help you prepare for the future.

Panama's territorial tax regime ensures any assets located abroad generating income remain tax-free. In addition, there is no tax applicable to trusts in Panama.

But, it would be best if you remembered that you might be required to disclose income depending on where you have established your tax residence.

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Nomad Capitalist has helped 1,500+ high-net-worth clients grow and protect their wealth safe from high taxes and greedy governments. Learn how our legal, holistic approach can help you.

BECOME A CLIENT NOW

If you need guidance on how an offshore trust can improve your offshore strategy and need help selecting the right jurisdiction, our expert team is available.

Become a Nomad Capitalist client, and we can help you set up an offshore trust in Panama and other countries. We have assisted HNWI's in strengthening their standing in the international financial community, from opening bank accounts to securing assets.

Requirements for Setting Up a Panamanian Trust

Panama has been regulating trusts since 1925 via numerous laws.

Nowadays, the primary law regulating trusts in Panama is Trust Law No. 1 of 1984. In May 2017, another law, Law No. 21, was passed to modernize and improve the regulations on trusts in Panama.

If it's important to keep trust deeds confidential, Panama's laws provide plenty of privacy protection. However, it's important to note that the Panamanian Public Registry allows people to search online for trusts, the name of the person who set up the trust, the person managing the trust, and the person who benefits from it.

However, generally speaking, you do not have to register trust funds with the Public Registry.

The only time you have to do that is, as we have discussed earlier, when real property located in Panama is involved.

Key trust terminology to get your head around includes the settlor, who entrusts the assets or property to another party, and the trustee, who is charged with asset protection and distribution.

the duration, and the duties, limitations, or powers of the trustee.

The assets of the trust must be distinguished as a separate estate from the trustee's assets.

While the settlors, trustees, and beneficiaries can be natural or legal persons, there is no need to relocate to Panama to establish an offshore trust.

The settlor can also stipulate that, in addition to Panamanian law, foreign law will also apply. This guarantees complete foreign participation.

After the trust agreement is drawn up, both the settlor and the trustee must sign it. The next stage is authentication by a Panama attorney acting as a resident agent.

Panama law dictates that a Panama trust must employ a registered agent, either a lawyer or a law firm. This resident agent activates the trust agreement by signing it. They cannot bind the trust.

Panama Foundation

A Panama foundation is similar to a Panama trust because it is mainly used for asset protection.

Yet it is a separate legal entity without shareholders or directors. A declaration by the founder establishes a Panama foundation. The founder can either be a company or an individual.

To reiterate, a Panama foundation is set up for asset protection which might benefit the founder more than the beneficiaries.

Assets transferred to the Foundation can't be claimed by any other party after three years, so assets owned by the foundation will be immune from seizure by creditors, ex-spouses, lawsuits, bankruptcy trustees, etc.

A Panama foundation is exempt from tax in Panama. Therefore any investment gains made on the foundation's assets will be tax-free worldwide. So that you know, no annual reporting is necessary.

Beneficiaries of the foundation could be family members, any other legal entity, such as a company, or even yourself.

A Panama foundation's normal functions are holding shares and investments to benefit the foundation. Your Panama foundation could own the shares in an operating company you want to protect from creditors.

For example, if you think you may have future liabilities from a divorce, this will protect the asset as you will no longer own it. You will not have to disclose any assets owned by the foundation to anybody as you legally are not the owner of those assets.

A Panama foundation is also used to avoid forced heirship rules that some countries have. Suppose you want to exclude a spouse or other family member from inheriting some of your wealth. In that case, you can place it in a Panama foundation and select the beneficiary you want to inherit that wealth.

Your Panama foundation can also own real estate overseas, offering another layer of protection for this asset.

Panama foundations are an excellent tool for asset protection. It's a superior option to trusts as it offers another level of protection that's much more difficult for any financial foes to penetrate.

There are strict secrecy rules in Panama. They will not disclose information about foundations to any foreign country. Under existing Mutual Legal Assistance Treaties, they can only disclose information about foundations if they're connected to drug trafficking.



Setting up a Panama trust is a winning option for foreign investors.

Setting Up a Panamanian Trust Conclusion

New provisions on trusts were enacted by Law No. 1 of 1984. This introduced other legal instruments to those Panamanian laws provided beforehand.

Although Panamanian law regulates a trust agreement, both the settlor and the trustee can agree to make foreign law applicable. The trust agreement is a private document that doesn't require registration with the Registro Público.

The trustee can be an individual or a corporation duly authorized by law. Tax principles dictate that closing the trust means you pay tax on the gains accrued. However, if the trust fund continues to operate until death, assets will be handed down to your heirs tax-free.

Trust assets must constitute an estate separate from the trustee's assets. An alternative to an offshore trust fund in Panama is a Panama foundation. This offers even more asset protection, and you won't need to go to the extra expense of paying a professional trustee.

At Nomad Capitalist, we believe that you should go where you're treated best. Whether setting up a Trust in Panama or in another jurisdiction, we can help you with your estate planning. **Let us**



Panama City is a financial center strategically located between the Americas.

Setting Up a Panamanian Trust FAQ

Are Trusts Legal In Panama?

Yes. Civil law in Panama, under Law 1 of 1984, permits the setting up of a Panamanian trust.

What Is The Purpose Of Setting Up A Trust?

A trust can allow you to transfer assets from one person to another. Trusts can hold different assets, such as cars, real estate, and investment accounts. They protect your assets from going through probate when you die.

Why Use A Trust Instead Of An LLC?



plans are geared toward satisfying your needs. **You talk, and we listen.**

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Nomad Capitalist has helped 1,500+ high-net-worth clients grow and protect their wealth safe from high taxes and greedy governments. Learn how our legal, holistic approach can help you.

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We create and implement bespoke, holistic strategies for successful investors and entrepreneurs to legally reduce their tax bills, diversify and protect their assets, become global citizens and maximize their freedom.



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