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LEGAL CONSULTANTS - REAL ESTATE CONSULTANTS

MOVING TO PANAMA
FRIENDLY NATIONS VISA
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In May 2021, the requirements for an application under the *Friendly Nations Visa* were changed by the National Immigration Service, and after a transition period of three months, the list of required documents was updated again in July 2021. The *Friendly Nations Visa* was created in 2012 by the former President of Panama, Ricardo Martinelli, with the intention that **"citizens of friendly nations with professional and economic ties to the Republic of Panama" can apply for an permanent residence permit in Panama.**

Which are the "Friendly Nations"? Great Britain and Northern Ireland, Germany, Argentina, Australia, Republic of Korea, Austria, Brazil, Belgium, **Canada**, Spain, **USA**, Slovakia, France, Finland, Netherlands, Ireland, Japan, Norway, Czech Republic, Switzerland, Singapore, Uruguay, Chile, Sweden, Poland, Hungary, Greece, Portugal, Croatia, Estonia, Lithuania, Latvia, Cyprus, Malta, Serbia, Montenegro, Israel, Denmark, South Africa, New Zealand, Hong Kong, Luxembourg, Liechtenstein, Monaco, Andorra, San Marino, Costa Rica, Mexico and Paraguay.

What changes are there now to consider for an application under the Friendly Nations visa?

The most important change concerns the method of application: **the Friendly Nations visa has been changed to a TWO-step procedure.** This means that, as before, the applicant(s) must submit an application through a Panamanian lawyer. Once the application is submitted, they will receive a temporary residence permit for six (6) months. **Once the file is successfully processed and the application has been approved, the applicant(s) will be granted a residence permit for two (2) years.** Previously, it was possible to obtain a permanent residence permit by submitting a single application. Now, **all applicants must submit a second application after two**

(2) years (the second application must be submitted three months prior to the expiration of the 2-year residence permit), by presenting practically the same documents that were required in the first application (with the exception of the government application fees and the repatriation deposit), in order to obtain their permanent residence permit in Panama. Applicants go through more or less the same stages in the second application as in the first application.

The second important change relates to the *proof of economic activity* in Panama and the *proof of financial solvency*. Until now, it was mandatory to open a bank account in Panama and to incorporate a Panamanian company to meet these requirements (although the exact requirements have been continuously changed since 2012). **The obligatory opening of a bank account has now been abolished as a requirement for the Friendly Nations visa if you apply as SINGLE applicant, as well as the prerequisite to incorporate (or acquire) a Panamanian company** with the intention of carrying out economic activities in Panama. **If you apply as spouses or family under the Friendly Nations Visa it is still mandatory to open a bank account in Panama** (in order to proof economic solvency to maintain your dependents in Panama) with a **minimum balance of 5,000US\$.-**

What are the new requirements to qualify for the Friendly Nations Visa?

There are three options to qualify for the new Friendly Nations Visa. It is not possible to combine the investment options. *Which documents you need for which option will be explained in detail later.*

Option 1: Real Estate Investment in Panama: Investment in a real estate property in Panama with a minimum value of two hundred thousand US dollars (US\$200,000.00). *The acquisition of the real estate must take place BEFORE the first application is submitted. The land register extract of the acquired real estate is an important requirement for the application.*

Option 2: Investment in a time deposit - CD (Plazo Fijo) with a Panamanian bank:

The CD must be at least two hundred thousand U.S. dollars (US\$200,000) and have a minimum term of three (3) years. *The investment in a time deposit must be made BEFORE the initial application.*

Option 3: For professional reasons: By means of a job offer in Panama. In this case, you must also apply to the Ministry of Labor for a work permit.

WHAT DOCUMENTS DO I NEED?

The general requirements are the same for ALL applicants (including spouses and children) and all three options mentioned above.

General requirements (to be met by ALL applicants):

1. Complete copy of the valid passport (cover page, photo page with name, date of birth, passport number, date of issuance etc. and all other pages), notarized by a Panamanian notary public. Please note that the passport must be valid for at least another six (6) months at the time of application.

2. Criminal Background Check, issued by the competent authority in the country of origin or permanent residence: For any Residency application, the Panamanian National Migration Service requires an authenticated Criminal Background Check issued by a “federal”, “central”, or “national” police force or criminal investigation authority. This means that the applicant’s **Criminal Background Check must cover the entire country** in which he or she is from, and **the document must be authenticated by Apostille or by the Panamanian Consulate in that country.**

In the **USA**, this would be the **Federal Bureau of Investigation (FBI)**. In Canada it would be the Royal Canadian Mounties (RCMP). In England, it would be The Association of Chief Police Officers.

All applicants must be of good repute and, regardless of their country of origin, must not have any criminal record in the USA - FBI Register.

In the past, the National Migration Service used to accept local police reports from county sheriffs, city police, and constables, however after changes in the Law all criminal background checks must be issued by the national investigative authority of the country of citizenship of the applicant, or the country where the applicant has been a permanent resident for the previous seven (7) years.

If the country of permanent residence is not the same as the country of origin, a proof of residence (with apostille) must also be submitted stating that the residence has been in that country for more than seven (7) years.

IMPORTANT NOTICE: The Criminal Background Check is **valid for six (6) months** (unless stated otherwise), except if the applicant LEAVES THE PANAMANIAN TERRITORY. **If the applicant leaves Panama the document loses its validity automatically.** The document must be duly authenticated (Apostille or local Panamanian consulate).

3. Certificate of Good Health issued by a licensed physician in Panama. The certification must not be older than three (3) months.

4. State application fees:

4.1. Cashier's check for USD\$ 250 in favor of the National Treasury (application fee) per applicant.

4.2. Cashier's check for USD\$ 800 in favor of the National Migration Service (repatriation deposit) per applicant.

NOTE: *The checks are not refundable by the Republic of Panama, no matter if the application was assessed positively or negatively. Children under twelve (12) years of age are excluded from the USD\$800 Repatriation Deposit.*

5. Affidavit (application form with personal information).

6. **Five (5) passport sized photos** (white background).

7. **Power of Attorney and Formal Application**, signed by a licensed Attorney in Panama.

IMPORTANT! Authentication and translation of documents:

- A. All documents NOT issued in Panama must be duly authenticated (by means of apostille or diplomatic certification).
- B. All documents NOT issued in Spanish must be translated into Spanish by an authorized interpreter in Panama.

If you are applying as a MARRIED COUPLE or a FAMILY, you must also submit the following documents:

8. **Proof of family relationship: marriage certificate (married couple) and/or birth certificate (ONLY if children are included in the application).** The marriage certificate and birth certificate must not be older than six (6) months (date of issuance). The documents must be duly authenticated by apostille or diplomatic certification. *The birth certificate must only be presented if children are included in the application.*

9. **Declaration of liability (duly notarized).** *Only necessary if the application is filed as a married couple or family.*

10. **Proof of domicile in Panama:** Electricity bill OR water bill OR landline telephone bill in the name of the main applicant OR (notarized) rental agreement (rental period of at least one year) OR land register extract (in case of real estate investment). *Only necessary if the application is submitted as a married couple or family.*

11. **Proof of Economic Solvency in Panama:** Bank reference letter issued by a Panamanian bank showing a minimum balance of US\$5,000 in the name of the main

applicant. *The letter must not be older than 30 days and must be duly signed and sealed by a clerk of the bank.*

ADDITIONAL DOCUMENTS OPTION 1 - REAL ESTATE INVESTMENT IN PANAMA:

A) Land register extract: Acquisition of ONE (1) property in Panama whose cadastral value is at least two hundred thousand U.S. dollars (US\$200,000).

The property must be acquired BEFORE the FRIST application is submitted. It is not possible to purchase several properties (e.g. three apartments) and combine their value to reach the required minimum investment amount. There are no legal requirements regarding the use of the property: it is possible to invest in a house, apartment, commercial property, agricultural land or waste land, etc. However, the property must be titled, *Derechos Posesorios* or *Rights of Possession (ROP)* are not accepted by the National Immigration Service.

The extract from the land register must not be older than six (6) months.

The investment can be made either as a natural person or in the name of a legal entity (company or foundation), as long as it can be proven that the main applicant is the final beneficiary of the company or foundation which is the legal owner of the property (in this case, additional documents must be submitted).

ADDITIONAL DOCUMENTS OPTION 2 - INVESTMENT IN A TIME DEPOSIT (CD) IN PANAMA:

B) Bank Certificate: which confirms that the time deposit (CD) exists, the name of the investor, the value of the CD, the term and that the deposit is free from encumbrances. *The bank's certificate must not be older than thirty (30) days and must be duly signed and sealed by a clerk of the bank.*

Besides investing in real estate in Panama, the National Immigration Service also offers a second option: investment in a CD (*Plazo Fijo*) with a Panamanian bank. **The CD must be at least two hundred thousand U.S. dollars (US\$200,000) and have a minimum term of three (3) years.** It is possible that the CD is held under the personal name of the main applicant or in the name of a Panamanian company or foundation, as long as it is proven that the main applicant is the final beneficiary of the company/foundation. *According to the current Tax Code of Panama, any interests generated from a savings account or time deposit in a bank in Panama are not taxable in Panama.*

INFORMATION ABOUT CD INVESTMENT OPPORTUNITIES IN PANAMA

On the internet you will find information about interest rates of 5 to 6% at Panamanian banks, but are these figures realistic and feasible? In fact there are promotions of investment opportunities of up to 7% in Panama, but the trustworthiness of those offers is questionable. *If an offer sounds too good to be true, it usually is.* This rule also applies for Panama.

We work exclusively with reputable banks in Panama, which also have a good international rating. *For example, a time deposit of 200,000US\$ with a term of three (3) years and monthly payment of interests you can expect an interest rate of 3%. If the term is longer (up to 5 years) or the interest is paid annually (or at the end of the term), the interest rate will also increase.*

OPENING A BANK ACCOUNT IN PANAMA

All banks in Panama offer savings and checking accounts (checkbook), as well as time deposits (CD), ATM (*tarjeta clave*), debit and credit cards, and many offer full online banking. There are currently 78 banks operating in Panama, 29 with international license. The government owns two banks (*Banco Nacional* and *Caja de Ahorros*) which make it easier for locals to obtain bank products, but generally impose extensive requirements on foreigners.

The leading banks in Panama with their respective ratings are (as of 2021), *in alphabetical order*:

- BAC International (BB+ / July 2021)¹
- Banco General (BBB- / May 2021)²
- Banesco (Panama) (A- / April 2021)³
- Banistmo (BB+ / July 2021)⁴
- Capital Bank (A- / December 2020)⁵
- Credicorp Bank (BB+ / February 2021)⁶
- Global Bank (BB+ / February 2021)⁷
- Multibank, Inc. (BB+ / July 2021)⁸

Each bank has its own (internal) regulations regarding the opening of bank accounts for foreigners in Panama. Many banks only accept foreign clients if they already have a (permanent) residence permit in Panama. Other banks approve the opening of an account within the framework of the application for a residence permit (*generally, this must be certified by a lawyer*).

¹ FitchRatings <https://www.fitchratings.com>

² FitchRatings <https://www.fitchratings.com>

³ FitchRatings <https://www.fitchratings.com>

⁴ FitchRatings <https://www.fitchratings.com>

⁵ Moody's <https://www.capitalbank.com.pa/portfolio-items/https-www-capitalbank-com-pa-wp-content-uploads-2021-07-para-pestaña-2020-1-1-jpg/>

⁶ FitchRatings <https://www.fitchratings.com>

⁷ FitchRatings <https://www.fitchratings.com>

⁸ FitchRatings <https://www.fitchratings.com>

BANKS LETTER HEAD

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Email: international@bankxy.com

Website: www.bankxy.com

To:

BANK NAME

Panama, Republic of Panama

March 6th, 2014

Bank Reference - *Person's Name*

At the request of our client, Mr./ Mrs. ***PERSON'S NAME*** holder of Passport No.*** with birth date ***, we are pleased to state that he/she has been client of this Bank since *Date When Account was opened* (must be more than a year). The current average balance in the account(s) as of March 6th, 2014 varies from low four-figures to low six-figure range.

Furthermore, we confirm that the account(s) held by the subject have been conducted properly up to our satisfaction.

We give the foregoing information without any responsibility on the part of the Bank or any of its officers.

Yours faithfully,

Name and signature Banker
Bank XY International

SAMPLE: BANK REFERENCE LETTER

Generally speaking, we advise our clients to prepare the following documents for a fast and easy bank account opening process in Panama:

a) **Bank Reference Letter:** At least one (1), preferably two (2) bank reference letters from two different banks in the country of origin or country of permanent residence.

The bank reference letter must contain the following important information:

A. Duration of the business relationship (preferably 3 years or longer).

B. That the business relationship has always been satisfactory.

C. Direct contact details (name, telephone number, address, e-mail, fax, etc.) of the responsible person in charge of the bank (The Panamanian bank wants to verify the information provided).

D. The original signature of the employee of the bank issuing the bank reference letter. Letters signed with an electronic signature are most of the times not accepted by the bank in Panama.

E. The bank reference letter must be written in English or Spanish, otherwise the document must be translated in advance by a licensed translator in Panama.

b) Proof of Income: Due to the legal regulations in Panama, the bank is obligated to determine the source of income of the client. The bank must ensure that the funds that will be deposited in the bank account in the future derived from legal sources. If the bank registers irregularities in the account movements, transfers may be cancelled, the account will be blocked and a report will be made to the UAF (*Unidad de Análisis Financiero* - hence the state authority for financial analysis).

Proof of income can usually be provided by means of the following documents:

A. The last two income tax returns **OR**

B. The three (3) most recent pay slips along with a certificate of employment issued by the employer or the employment contract (the document must include information such as the amount of the monthly salary, position, and length of employment).

Due to Panamanian law, wire transactions over US\$10,000 must be approved and authorized in advance by the bank. *This means that in addition to your monthly income,*

you must provide the bank with a proof of origin of the funds being invested in the time deposit. For example, a certificate of inheritance, real estate sales contract, certificate from your bank confirming the closure of a previous savings accounts, etc.

c) Passport and second identification document (driving license or identity card).

d) Commercial reference letter, and in some cases a **certificate issued by a licensed attorney in Panama** that the client is opening the account for immigration purposes (foreigners without residence permit in Panama).

e) Proof of domicile in Panama: Electricity bill or water bill in the name of the main applicant or (notarized) lease agreement. (Lease term at least one year). *Not required at all banks.*

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