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Panamanian Private Investment Fund (PIF)



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Panamanian Private Investment Fund (PIF)

A Private Investment Fund (PIF) operating under Panamanian law is a specialized financial vehicle designed for sophisticated investors. Governed primarily by Decree Law No. 1 of July 8, 1999 (the Securities Law) and Agreement No. 5-2004, these funds are distinct from publicly offered funds due to their private nature and specific regulatory exemptions.

GROSS REVENUE
$0

EBITDA
$0

BUSINESS TYPE
Financial Services

COUNTRY
Panama

BUSINESS ID
L#20250981

PIF-20

Under Panamanian law, a specific type of Private Investment Fund (PIF) is designed to serve a limited group of investors without requiring registration with the Superintendence of the Securities Market (SMV). This is commonly referred to as the **PIF-20**, characterized by the following:

- **Limited Investor Pool:** A PIF-20 is strictly limited to a maximum of **20 investors** . This fundamental restriction ensures its private nature and distinguishes it from public offerings.
- **Relationship Among Investors:** The investors in a PIF-20 are typically related by belonging to a common company, association, family group, or other pre-existing affiliation. This non-public relationship reinforces the private nature of the fund and is a key factor in its regulatory exemption.
- **No Public Commercialization or Offering:** A defining feature is that shares or participation units of a PIF-20 cannot be commercialized, distributed, or publicly offered in any way. This means no advertising, general solicitations, or any activities that could be construed as reaching out to the general public. The offering must be genuinely private and restricted to the pre-identified group of up to 20 investors.
- **Regulatory Exemption:** Crucially, PIF-20s are generally exempt from the registration, ongoing supervision, and notification requirements of the Superintendence of the Securities Market (SMV). This significantly streamlines the setup and ongoing compliance, making them an attractive option for private investment groups.
- **Purpose Fund/Equity Vehicle:** These funds are frequently established as low-cost "purpose funds" or "purpose equity vehicles." This implies that they are created for a specific investment objective or to hold particular assets for a defined group of individuals or entities, providing a robust and tailored legal framework for their financial transactions.

Operational Requirements

- **Legal Representative:** All PIFs operating in or from Panama must designate a legal representative in the Republic of Panama. This can be a broker, brokerage house, investment advisor, bank, public accounting firm, lawyer, or law firm, or other persons authorized by the SMV. This representative is crucial for receiving administrative and judicial notifications.
- **No Public Offering (Reinforced):** As emphasized, a fundamental distinction is that private funds like the PIF-20 cannot publicly offer their participation quotas within Panama or internationally.
- **Administrative Services:** While exempt from extensive regulatory oversight, PIF-20s often utilize administrative services such as accounting, secretarial services, provision of domicile or directors, and shareholder relations

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management. These can be efficiently provided by local service providers.
- **Audited Financial Statements:** PIF-20s are generally required to provide copies of their audited financial statements for the last fiscal year to their Panamanian representative within 120 days after the end of the corresponding fiscal year. This ensures a level of financial transparency for the fund's private investors and its representative.

Tax Implications and Confidentiality

Panama operates on a **territorial tax system**, meaning that income generated outside the country is generally not subject to Panamanian taxes. This offers significant tax advantages for PIF-20s whose investment activities and income sources are primarily international.

- **Tax Exemptions:** PIF-20s typically enjoy exemptions from income tax, capital gains tax, interest income tax, sales tax, and various other taxes on transactions and distributions, provided the income is not Panama-sourced.
- **Annual Corporate Franchise Tax:** The only recurring tax for Panamanian entities, including PIF-20s (if structured as a corporation or similar entity), is a flat annual corporate franchise tax, currently around US$300.
- **Confidentiality:** Panamanian law places a strong emphasis on confidentiality. Details concerning the beneficiaries of a PIF-20 are typically kept private and are not filed in any public registry. The entities involved in the creation and operation of PIF-20s are generally bound by strict secrecy provisions, with penalties for breaches. Recent legislation, however, has introduced requirements for resident agents to maintain beneficial ownership information in a private registry accessible to Panamanian authorities, enhancing transparency for AML/CTF purposes.

Benefits of a Panamanian PIF-20

- **Exceptional Flexibility:** Panamanian law offers considerable flexibility in structuring PIF-20s, allowing for various investment strategies and asset classes (securities, real estate, commodities, etc.) tailored to the specific needs of the limited investor group.
- **Streamlined Regulation:** The significant exemption from SMV registration and supervision makes the PIF-20 a highly efficient vehicle in terms of setup time and ongoing compliance burden, compared to publicly regulated funds.
- **Asset Protection:** Assets held within a PIF-20 can be legally separated from the founder's personal assets, offering a layer of protection against potential claims or creditors.
- **Cost-Effectiveness:** Due to fewer registration and supervisory requirements, the setup and ongoing compliance costs for PIF-20s can be relatively lower, making them an attractive option for smaller, private investment groups.
- **Estate Planning:** PIF-20s can serve as an effective tool for estate planning, allowing for the organized distribution and management of assets to a defined group of beneficiaries without lengthy probate processes.

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