**PANAMA . . . with papers**

Peter Hitchins decries our incumbent government for using (in his view) falsely the appellation, “Conservative”. Quite possibly, the only truly conservative voice of the political party of the same name, is Jacob Rees Mogg. We live in highly unusual times when the socialist party of Jeremy Corbyn and his “Momentum” aficionados, are truly Marxist in their politics whereas the Conservative government is merely slightly less left wing, as opposed to being properly in favour of the free market economy espoused by Milton Friedman and Friedrich A. Hayek.

It should come as no surprise, therefore, to read of the apparent sway Labour MP, Margaret Hodge appears to hold over the May government. In which other time would a Conservative government suggest and pass legislation that forces British independent territories to make their register of beneficial ownership open and available to all in the public? In which other time would a Conservative government propose and pass legislation that criminalises professional advisers of HNWI on structures and policies that touch and concern matters of tax mitigation?

It is only in our time that a Conservative administration has deliberately obfuscated the polar opposite concepts of tax evasion and tax avoidance, running roughshod through centuries of well trodden principles enshrined in the Common Law.

This is a disgrace for which the Conservative government should hang its collective face in shame.

What is the current alternative? Does Labour, under its neo-Marxist leader, offer any rays of hope?

Recent reports and articles published in and reported by the Daily Mail[[1]](#footnote-1) lay out a grim view of the UK under a Corbyn led administration. Far worse that the fears of a badly handled “Brexit” is the very real impact that Labour’s stated economic policies would have on wealth creation in the UK.

Can you imagine a scenario in which private property rights, so called “rights in rem” are ignored wholesale? There would be an enormous crash in property prices across the board, followed swiftly by a run on the Pound. Labour has already told the public that they have prepared “contingency plans” fully anticipating a run on the Pound.

You should think in terms of a reintroduction of Exchange Control mechanisms, combined with the imposition of an “exit tax” effectively taxing wealth at the punitive levels of inheritance tax (40%) if not higher. The US, for example, has an egregious exit tax effectively trapping wealth with in the US federal IRS system. Labour would seek to “tax and spend” at the cost of those perceived to be “rich”, which means potentially enormous rises in the rates of taxation including the idea of introducing an annual “wealth tax” on worldwide assets, combined with the ending of the “principal private dwelling” exemption to Capital Gains Tax on the sale of the matrimonial home.

As though this would not be ruinous enough to the fabric and health of the UK’s economy, Labour propose a slew of laws to renationalise the services that were privatised successfully by Margaret Thatcher in the 1980s.

The net effect and impact of these suggestions, would not only make the UK once again the “sick man of Europe” as the think-tank’s report suggests, but far worse, all Foreign Direct Investment would dry up, forcing the Bank of England to raise rates in an effort (albeit a futile one) to attract capital into the British economy. This will cause mortgages to become less affordable, and many home owners will suffer from negative equity as the value of their property plummets below the amount of their mortgage.

A disaster of this magnitude would terrify all but the bravest of investors many of whom would not consider any inwards investment in the UK or its businesses quite probably for twenty or more years following the end of such a ruinous reign by these neo-Marxists. The UK would succeed in one respect, achieving Corbyn’s publicly vaunted desire to make the UK the same that Venezuela has become under its Marxist ruler – a failed economy, with starving impoverished people, fighting in the streets for food from their neighbours.

This bleak scenario seems to forfeit our rights to consider even the possibility of any bright future.

The question becomes, what to do?

The author has recently undertaken extensive research into alternate jurisdictions in an effort to identify a safer and better future than that promised by Corbyn. The key point however is not only to recognise the proverbial writing on the wall, but perhaps of equal if not more importance is the need to see the “second bounce of the ball” and to be ahead of that trajectory. There will be no point in seeking to leave the UK after Jeremy Corbyn steps across the threshold to Number 10, one would need to have a plan of action in place well in advance and be safely out of his reach before he gets his hands on power, if it is not to be too late for you and your own family.

For the sake of brevity, I will not in this paper discuss the benefits of a move to places such as Cayman or The Bahamas (although they commend themselves for a wide variety of reasons). Instead I wish to provide an overview of my findings in Panama City, Panama, which, in many ways for exceed the multifaceted benefits of the various Caribbean jurisdictions.

**PANAMA**

Connecting North American to South America, Panama bridges two worlds, as well as two bodies of water, the City lies on its Pacific coast, to the east lies the Caribbean and Atlantic waters. The Panama Canal generates enormous revenues for the government (by all estimation approximately half a billion dollars a month, taking in to account not only the actual toll revenues but all related and connected revenues as well). Panama City has seen the most tremendous growth in development and infrastructure over the past 20 years with a modern skyline that feels similar to both Hong Kong and Manhattan. The number of residential apartments built and being built has brought the apartment availability number rise exponentially from over one hundred thousand some fifteen to twenty years ago, to something approaching six million (and growing) today.

The government completed its first phase of a new underground “subway” system and is continuing to grow and develop the reach and availability of that public transportation system.

Panama is a business friendly environment and is home to approximately four million inhabitants today.

Panama is also a family friendly place with plenty of schools and international schools as well as plenty of family sized homes to choose from. Unlike many places in the Caribbean, high speed broadband internet and e-commerce facilities are highly developed and at affordable prices.

Lying far to the south of the “hurricane belt” plaguing the Caribbean and Eastern Seaboard of the US, Panama has a temperate climate moving between 72 degrees Fahrenheit and 92 degrees Fahrenheit throughout the year.

**TAXATION**

Forming an IBC in, say, Turks & Caicos, The Bahamas or Belize, whilst residing in Panama, would enable you to run your business from Panama, booking profits in the offshore jurisdiction. Provided your business is offshore, Panama will not raise any charge to tax on those profits or sources of income.

If, however, your business is generated in and from people living in Panama, the first $11,000 of income is charged at 0%, the next tranche of income up to $50,000 is charged at 11% with the balance over $50,000 charged at 25%.

There are no capital or wealth charges or inheritance taxes raised on residents or citizens of Panama other than a very basic property tax on realty owned that is, unless your property benefits from either the 20 year tax holiday on new built homes, or the 10 year tax holiday on renovated older homes.

VAT is set at 7% with marginally higher rates on alcohol and tobacco products.

A slightly more sophisticated structure, involving an offshore IBC together with a Panamanian company or Panamanian Foundation would also afford many other benefits including a fast-track system to gaining permanent residency status in Panama. Having permanent residence would provide other incidental benefits. The reader will be very familiar with the new Common Reporting Standards and banking Exchange of Information Agreements between countries. Once one is a permanent resident of Panama, one could apply for a tax number there (called an RUC) which is similar to the TIN (Tax Identification Number) of many European and US states. But, as a permanent resident, Panama will only then report to Panama. Of course, you would have had to have left the UK from a tax perspective, and this paper assumes precisely as much.

Having a Panamanian RUC number, means that the tax authorities in Panama only report to itself on your tax affairs. For this reason, it would be best to open a local bank account after achieving permanent resident status and, thereafter applying for the RUC number – thereafter, opening a local bank account in Panama would trigger a notification to the Panamanian authorities. Those authorities would see that one has permanent residence status, and accordingly they would report matters no further.

**PROFESSIONALS**

The professional men and women I met whilst in Panama were all highly impressive and I wish to remark that our fellow ITPA member, Derek Sambrook runs his successful Trust Services company from Panama City for many decades now and is highly recommended by many people, this author included.

Unlike the UK today, the professionals and advisers in Panama are not under any legislative threat from its government seeking to prevent or in any way curtail the lawful advice they provide to their client base.

**PROPERTY**

As stated, there is no shortage of high end high quality accommodation to be purchased or rented in Panama City. Whilst there I noted that many billboards advertised apartment homes “from 300 square meters” and many are available for well over 750 square meters but at an affordable price that London has not seen for very many years.

**CONCLUSION**

The life of this UK Parliament will end in a few short years by natural effluxion of time, unless Brexit forces an earlier general election, a distinct possibility. If the reader is concerned about the current trajectory of the UK and its laws and if the reader has any concern about the possibility of a Corbyn led administration and what that could do to the British economy, there are possibilities that should be given due thought and consideration.

One such thought includes leaving the UK and by that I include outside the net of the UK, away from the British Overseas Territories. The government and those MPs such as Margaret Hodge would probably not initially miss the professionals who have so faithfully served the best interests of their clients. However, when those professionals relocate and raise fee notes to clients outside the UK, the losers will be the same politicians who so derided those taxpayers, forcing them to relocate. The offshore industry will continue, in full force and effect, but it may well do so from alternate jurisdictions. More fool the government of the UK.

A safe, modern, affordable alternative would include Panama City, amongst a short list of other quality jurisdictions. Panama is a veritable albeit somewhat hidden pearl in the Americas; independent from the draconian horrors of the US IRS and federal systems, whilst at the same time far safer and stronger than almost any of the other Latin American countries in that part of the world. Unlike the UK and much of the EU, Canada and the US, Panama is a genuinely business friendly country in a world that seems ever more hostile to the notion that wealth creation is to be applauded and encouraged.

If wealth creators are now being shunned by left-leaning democracies, the wealth creators will move with their capital to greener pastures. Since professionals and professional advisers are now also being shunned by leftist governments, these professionals should follow suite and leave the country that abhors both them and the taxes which their fees provide. Perhaps then, when the reality of the consequences of left-politics hits the public purse, the government of the day will change direction and once again encourage wealth creation and all the many professional and highly skilled advisers to return. I doubt that having left, many will want to return.

This paper, and these words are not some ramblings of a doomsday or science fiction writer; this scenario has already happened in France. They experienced a draconian move to far-left of politics which ruined their economy as capital and wealth creators fled the country in droves, as the reader will recall, under Francois Hollande. That disaster has led in part to the current attempts to shift more to the fiscal right under the present incumbent, Monsieur Macron.

If I did not believe that giving advice here in UK could potentially land me in trouble as an “adviser”, I would today be advising those who cared to listen to ignore the rabble noise of the politics-of-envy-peddlers, the likes of the Channel Four News journalists who so shamefully and disgracefully produced the “Panama Papers” and instead, given the prevailing circumstance, I would advise those seeking a safe jurisdiction for their wealth and for those advising HNW and UHNW clients to consider going ***with papers*** applying for permanent residence in Panama whilst the opportunity exists.

1. Research group, “Capital Economics”, reported in the Daily Mail, 10th May 2018, under headline: “UK would become the ’sick man of Europe’ again if Labour leader . . . wins . . . 1 Downing Street says think-tank” [↑](#footnote-ref-1)