

# ***REGISTRATION OF VESSELS AND MORTGAGES UNDER THE LAWS OF PANAMA GENERAL INFORMATION***

## **Introduction**

The following is a brief outline of the procedures and requirements set forth in the laws of the Republic of Panama about the registration of vessels and relevant aspects of ship mortgages under same legislation. Basic to the registration requirements is the fact that the owner of a vessel registered under the Panamanian Laws can be an individual or a corporation. Also, the owner may be Panamanian or foreign, resident of Panama or abroad. There are no minimum tonnage or age limitations.

## **I. REGISTRATION OF VESSELS**

### **A. PRELIMINARY CONSIDERATIONS**

Once the name of the vessel to be registered is obtained, the availability of said name must be verified in the Merchant Marine General Directorate of the Maritime Authority of Panama. If the name is available in the registry, it is necessary to verify if the vessel has any outstanding obligations.

When the verifications described above are completed, the petition for registration of a vessel and radio license may be filed.

Where to apply:

If the vessel has a tonnage of more than 500 net tons, the provisional registration may be accomplished at certain Panama Consulates with maritime jurisdiction abroad or in Panama, at owners' option, but either case will require a Panamanian attorney as Representative.

Provisional registration of a vessel can also be obtained expeditiously through the Merchant Marine General Directorate of the Maritime Authority of Panama in Panama. All other proceedings leading to the procurement of the Permanent Navigation License must be handled with the Merchant Marine General Directorate of the Maritime Authority of Panama in Panama.

### **B. PROVISIONAL NAVIGATION LICENSE**

The Provisional Navigation License is valid for six (6) months. Extension periods be obtained through the Panama Shipping Bureau if necessary, to secure complete presentation of the required documentation to apply for the Permanent Navigation License. The extension period will be of three (3) months and a fine of five hundred dollars (US\$500.00) can be imposed if the documentation is not completed.

To request a Provisional Navigation License, the Panamanian Consulate or our law firm must be provided with at least the following basic information about the vessel:

1. Name of the Vessel.
2. Previous Name.
3. Previous Nationality.
4. Name of Owners.
5. Nationality of Owners.
6. Complete Address of Owners.
7. Name of Builders.
8. Place where the vessel was built.
9. Year when the vessel was built.
10. Number of:
  - a. Decks.
  - b. Masts.
  - c. Bridges.
  - d. Smokestacks.
11. Type of Vessel.
12. Material of Hull.
13. Service provided by Vessel.

14. Dimensions in meters
  - a. Length.
  - b. Breadth.
  - c. Depth.
15. Tonnage.
  - a. Net.
  - b. Gross.
  - c. Under Deck.
16. Propulsion.
  - a. Number of engines.
  - b. Type of engines.
  - c. Number of cylinders of each engine.
  - d. Name of engine manufacturer.
  - e. Horsepower.
  - f. Speed.
17. Classification Society: It is important to indicate the name of the classification society which surveys the vessel and issues its technical certificates pursuant to the Panamanian authorities, such as Lloyds Register, American Bureau of Shipping, Bureau Veritas, Den Norske Veritas, etc.
18. Name and Address of the Entity Responsible for the Radio Accounts.

A Provisional Radio License must also be petitioned with the Provisional Navigation License. This permit is valid for three (3) months and a fee of US\$50.00 per each month, for a total of US\$150.00 must be cancelled at the filing of said petition. The Provisional Navigation License and Radio License may be obtained in approximately 24 to 36 hours from time of request.

C. **BILL OF SALE.**

Within a period of thirty (30) days after issuance of the Provisional License (Patente Provisional), the Bill of Sale or the builder's certificate, whichever may be the case, must be registered in Panama.

The Bill of Sale must be authenticated by a Notary Public, who will state, out of his own knowledge, and not by way of deposition: who was the seller of the vessel, the owner of the ship and that the person acting on his behalf is duly authorized to such ends. The Bill of Sale must also contain the acceptance of the sale by the buyer.

**IMPORTANT:**

***Please note that all foreign documents must be duly authenticated before a Notary Public of the place of issuance and legalized by the Panamanian Consul in the country of origin or by "Apostille".***

The builder's certificate should clearly state that the vessel was built for, and delivered to, the owners, that the price has been fully paid, and an expression to the effect that title is being passed by the certificate in question, with the relevant description of the vessel.

This document must also be notarized and legalized before a Panamanian Consulate.

In either case, the registration may be accomplished by the preliminary registration procedure at certain Panamanian Consulates (See Part B, Section III, hereunder).

Other documents to be filed within the same period (30 days after issuance of the Provisional License), if done in Panama, and with the request for provisional registration, if done at a Panamanian Consulate, are:

D. **POWER OF ATTORNEY**

Legalized by a Panamanian Consulate.

**CERTIFICATE OF DELETION OR CONSENT TO DELETION:**

If the ship is not a new construction, this certificate is to be issued by the prior country of registration and must be duly legalized by a Panamanian Consulate.

The Panama Shipping Bureau has eliminated the old requirement of presentation of the so-called "technical certificates" required by the SOLAS or other Conventions for the issuance of the permanent navigation license. In substitution of this, it is now only necessary to mention the name of the Classification Society in the petition for the

permanent navigation license. Notwithstanding the latter, all pertinent technical certificates must be kept aboard the vessel always.

E. **PERMANENT NAVIGATION LICENSE**

Once the title to the vessel has been recorded at the Public Registry, the Panama Shipping Bureau will issue, upon our special request, the Permanent Navigation License for the vessel, which shall be valid, as follows:

1. The Permanent Navigation License (Patente Reglamentaria de Navegación) for yachts shall have duration of two (2) years.
2. The Permanent Navigation License for merchant vessels shall have duration of four (4) years.

Before the date of expiration of said navigation license, the owner must request the issuance of a new certificate for an equal period of time, if evidence is presented of compliance of all fiscal obligations with the Republic of Panama.

F. **REGISTRATION EXPENSES :**

1. The new Registration Fee set forth by Law No. 19 of August 3, 1993, is calculated on the Gross Tonnage (GRT) of the vessel, according to the following scale:

- a. Up to and including GRT 2,000 US\$500.00
- b. From GRT 2,000 up to and including GRT 5,000 US\$2,000.00
- c. From GRT 5,000 up to and including GRT 15,000 US\$3,000.00
- d. In excess of GRT 15,000 US\$3,000.00

Plus US\$0.10 per GRT or fraction in excess of GRT 15,000 up to an overall maximum of US\$6,500

2. The following discounts in the Registration Fee will be applied for a group of vessels:
  - a. Group of vessels from GRT 50,000 up to and including GRT 10,000 Up to 20% of discount
  - b. Group of vessels in excess of GRT 100,000 Up to 50% of discount
  - c. One vessel in excess of GRT 100,000 Up to 50% of discount

If the group of vessels are in excess of GRT 10,000 and will remain in the Panamanian Registry for 4 years, an additional fiscal benefit may apply.

3. Tonnage Certificate.
  - a. Ad measurement is payable once at the time of filing of the petition for the Provisional License. This is calculated as follows:
    1. In the case of vessels from 0 to and including 5 gross tons US\$10.00
    2. In the case of vessels from 10 to and including 20 gross tons US\$14.00
    3. In the case of vessels from 20 to and including 50 gross tons US\$50.00
    4. In the case of vessels in excess of 50 gross tons US\$80.00

A copy of the Ad measurement Certificate of the vessel, which must be issued by an International Classification Agency, duly authorized by the Panamanian Government for such purpose, authenticated by a Panamanian Consul must be filed to obtain the Permanent Registration Certificate.

- b. Appraisal Certificate is payable in advance at the time of application for the Provisional License and computed as follows:
  1. In the case of vessels from 20 up to and including 50 gross tons US\$50.00

A 20 % surcharge over the Title Registration Fees is payable at the time of filing the title documents for registration at the Public Registry Office.

4. Annual Taxes and Duties.
  - a. Annual Tax: An annual tax of US\$0.10 per each gross ton or fraction of a ton is payable by all vessels. An additional discount on the annual tax of

up to 50% may be granted for a group of vessels in excess of GRT 100,000.

- b. Annual Consular Tax: A service fee, in lieu of consular service charges. This tax is payable by all vessels.
  1. For other vessels engaged in maritime commerce, including passenger vessels, fishing, dredging, transshipping, drilling, freight and tugboats, the service fee is, as follows:
    - Vessels of up to 1,000 gross tons US\$1,200 p.a.
    - Vessels of 1,001 up to 3,000 gross tons US\$1,800 p.a.
    - Vessels of 3,001 up to 5,000 gross tons US\$1,800 p.a.
    - Vessels of 5,001 up to 15,000 gross tons US\$1,800 p.a.
    - In excess of 15,000 gross tons US\$3,000 p.a.
  2. Vessels of Foreign Services, such as non-self-propelled vessels and scientific exploratory vessels, exploration, floating dikes and vessels to be employed in nonprofit and local activities, except those stated previously in section 1. above:
    - For vessels up to 500 gross tons US\$850 p.a.
    - For vessels between 500.1 to 1000 gross tons US\$1,400 p.a.
    - For vessels over 1000 gross tons US\$1,800 p.a.
  3. Vessels of Foreign Services employed for sports activities or private use in nonprofit activities:
    - a. Up to 100 GRT US\$1,000.00
    - Up to 100 GRT US\$1,500.00
- c. Annual Inspection Fee: This fee covers the Government's cost of inspecting vessels registered in Panama. The inspection is made to verify that all vessels have at all times the valid technical certificates on board, as required by SOLAS or other conventions. This fee is payable at the time of application for the Provisional License and annually thereafter during the month of January of each calendar year.
  1. In the case of passenger vessels:
    - a. Up to and including 1,600 gross tons US\$900
    - b. In excess of 1,600 gross tons US\$1,800
  2. In the case of tankers and dry cargo carriers:
    - a. Up to and including 500 gross tons US\$500
    - b. In excess of 500 and up to and including 1,600 gross tons US\$750
    - c. In excess of 1,600 and up to and including 5,000 gross tons US\$850
    - d. In excess of 5,000 and up to and including 15,000 gross tons US\$1,000
    - e. In excess of 15,000 gross tons US\$1,200
  3. In the case of pleasure vessels not used for commercial purposes or other vessels used in non-profit activities US\$400
  4. In the case of drilling rigs US\$1,300
  5. In the case of all other vessels:
    - a. Up to and including 500 gross tons US\$500
    - b. In excess of 500 and up to and including 5,000 gross tons US\$800
    - c. In excess of 5,000 gross tons US\$1,000
- d. Fee for Accident Investigation and Government Participation in International Treaties and Conferences: This fee is payable at the time of application for the Provisional License and annually thereafter, during the

month of January of each year. It is calculated based on the following:

1. In the case of tankers, drilling rigs, passenger vessels, gas carriers and chemical transports: US\$850 plus US\$0.03 per net ton
2. In the case of all other vessels:
  - a. Up to and including 500 gross tons US\$300 plus US\$0.03 per net ton
  - b. In excess of 500 and up to and including 10,000 gross tons US\$400 plus US\$0.03 per net ton
  - c. In excess of 10,000 gross tons US\$500 plus US\$0.03 per net ton
3. Payment of this fee is not required for:
  - a. Pleasure boats and other vessels used for non-profit activities.
  - b. Non-self-propelled vessels.

Please note that all of the annual charges (Annual Tax, Annual Consular Tax, Annual Inspection Tax and the Tax for Accidents Investigation and Government Participation in International Treaties and Conferences) must be cancelled in total, during the month of January of each calendar year. At the time of registration of the vessel these charges are considered paid up to the first anniversary of the provisional registration, at which payment will be made of the proportionate amount for the period starting from the first anniversary of the provisional registration to December 31 of said second year. Thereafter, the annual charges must be paid in their totality, at the beginning of the calendar year.

Special periods can be granted for vessel owners or shipbuilders with a group of vessels registered in the National Merchant Marine for the payment of taxes, annual tax and other fiscal obligations. The following requirements must be met in order to petition for a special period:

- The vessels must belong to the same builder or economic group.
- Group of vessels are constituted by more than fifteen (15) and jointly surpass GRT 500,000
- The special period does not exceed the respective fiscal period.

#### G. **DUAL REGISTRATION FOR CHARTERED VESSELS**

A foreign registered vessel may be registered in Panama under charter for two (2) years renewable period, as long as the country of registry consents to the special dual registration of the vessel in Panama. Among the requirements for this special type of registry is the presentation of a copy of the pertinent charter party, duly authenticated by a Panamanian Consul, is registered with Panama Maritime Authority.

Under these circumstances, the advantages of the Panamanian Registry may be temporarily combined with the registry under another flag.

A Panamanian registered vessel may also be registered in another jurisdiction under charter for a two (2) year renewable period, as long as the following requirements are met:

1. The laws of this foreign registry provide for a similar system allowing for the special dual registration of their vessels under charter in the Republic of Panama; and
2. The Panama Maritime Authority consents to such dual registration.

The vessel subject to such dual registration will be subject to the law of the flag of the temporary registration in safety and other matters relating to its operation, but will remain under the Laws of the Republic of Panama, with respect to ownership rights, mortgages and liens, and the payment of annual taxes.

#### H. **SPECIAL TEMPORARY REGISTRATION**

A special registration for a non-renewable period of three months has been established for vessels intended to be scraped. Upon the filing of the petition by the designated legal representatives of the vessel with the Panama Maritime Authority, as well as payment of a single US\$0.40 per net ton tax (US\$0.20 per net ton if the vessel is to be scraped in the Republic of Panama) and the title registration fees, the vessel is issued a Provisional License of Navigation and Radio Permit valid up to three (3) months.

The following documents must accompany this petition or must be presented to the Panamanian Consular Official, who is authorized to issue the special navigation documents:

1. A Power of Attorney to designate the legal representatives of the vessel in Panama.
2. Evidence of ownership of the vessel.
3. Deletion Certificate from the previous registry. On request, presentation of this document may be deferred until after issuance of the special navigation documents.

#### I. **PLEASURE OR SPORT BOATS**

The cost of registration of yachts or pleasure boats and periodic maintenance are US\$1,500. This fee will be of only US\$1,000, provided the ship-owner is of Panamanian citizenship. Accordingly, the ownership by a Panamanian corporation of a vessel will comply with this preferred requirement.

No other annual fees, taxes, rates or other contributions will be payable with respect to pleasure boats, except for the time of registration and thereafter every two years.

There are no minimums nor in length or tonnage.

#### J. **FISHING VESSELS**

This type of vessels follows the normal procedure with the exception that an additional requirement of a special certification issued by the Marine Resources General Directorate of the Maritime Authority of Panama must be filed with the petition.

#### K. **CANCELLATION OF REGISTRY**

In the event the owners decide to cancel the registry of their vessel in Panama, the procedure and costs to be followed are the following:

A petition must be filed at the Shipping Bureau requesting the cancellation of the register.

This procedure may not be done at the Panamanian Consulates.

The documents that should accompany the petition are the following:

1. Power of attorney.
2. Good Standing Certificate of the vessel issued by the National Treasury.
3. A document expressing the cause of cancellation.
4. Good Standing Certificate stating that the vessel has no mortgages registered in the Public Registry Office.

The cancellation fee of US\$1,000.00 is to be paid to the Shipping Bureau. Our fees in relation with this matter are US\$500.00.

## **MORTGAGES ON PANAMANIAN VESSELS**

### **A. GENERAL INFORMATION**

Panama law requires that the registration of a mortgage be dated on or after the date of the Provisional Navigation License.

Also, ship mortgages must be formalized in a Public Deed in Spanish if executed in Panama or before a Panamanian Consulate if executed abroad. Ship mortgages may also be executed abroad subject to the formalities prescribed for such instruments by the laws of the country in which it is executed. This should include the acceptance of the mortgage by the mortgagee. In this case, the signatures and corresponding authority of the parties executing the instrument should be authenticated by a Notary Public and the signature of the Notary Public should be legalized by a Panamanian Consulate.

### **B. REQUIREMENTS**

Regardless of the manner in which it is executed, the mortgage instrument must contain, at least the following information:

1. Full name, civil status, occupation and addresses of the mortgagor and the mortgagee or the corporate identity, its description, nationality and addresses of the parties.
2. The sum secured by the mortgage (or the maximum amount in the event of a credit facility) and the sum or sums to which the lien applies for the payment of costs and interest. The rate of interest if it is a fixed or floating rate. The maximum interest rate allowed is 2 percent (2%) per month.
3. The dates of repayment of principal and interest, and any other provisions and covenants, which the parties may deem advisably concerning, interest, insurance, assignments, and others.  
The interest rate may be stipulated by reference to a rate prevailing in a particular market or bank rate to selected borrowers in a given market. The rate may be adopted by reference to the existing rate at the time of execution of the instrument or to fluctuations during the term of credit.
4. The name and radio call letters that distinguish the ship. Its complete description, registration data at the Public Registry Office, and the number and date of the Navigation License.
5. The amount or price that is assigned to the ship, which will serve as a basis of foreclosure in the event of an auction.
6. When several vessels are mortgaged by the same instrument to cover the same credit, it is possible to determine that each vessel is responsible for the total amount secured or only for a part of the lien. If this determination is not made, the mortgagee may enforce the mortgage for the total sum secured against any of the vessels or against all of them.

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A ship mortgage executed abroad, in English or any other language, will be translated into Spanish in Panama by an Official Authorized Translator, or notarized before a Notary Public, and finally recorded at the Public Registry in Panama.

### **C. PRELIMINARY REGISTRATION OF TITLES AND MORTGAGES**

In order to facilitate shipping operations, Panamanian titles and mortgages may be filed for preliminary registration at certain Panamanian Consulate with maritime jurisdiction, as made effective by Law No. 14 of May 27, 1980.

Titles to vessels registered in Panama may be preliminarily recorded through any Panamanian Consulate with maritime jurisdiction by filing with said Consulate a petition that shall contain at least the following information:

1. Names (and former names, if any) of the vessel;
2. Navigation license number;
3. Gross and net tonnages.

In the case of mortgages the interested party should file a petition with the respective Consulate, at least containing the following information

- The full names and domicile of the mortgagor and the mortgagee;
- The amount secured by the mortgage, the interest rate, the date of payment of principal and interest;

- The name of the vessel (and any former names), the number of its navigation license, its gross and net tonnages and principal dimensions;
- The value assigned to the vessel to serve as a basis in case of foreclosure.

In both cases, once the information contained in the petition has been verified by the Consul and payment of the pertinent taxes and fees have been made, the Consul will communicate the petition to the Public Registry Office in the Republic of Panama.

Upon verification in the Public Registry that no legal impediment exists, the petition will be entered into the Diary of the Public Registry Office and provisionally registered the communication received from the Consulate.

Upon such preliminary registration, the Public Registry Office will authorize the Consul to issue an official Certificate of Preliminary Registration, indicating the registration data, the date and hour of the entry in the Diary.

The aforementioned preliminary registration has the effect of a permanent registration during six (6) months, starting from the date and hour of the annotation or entry in the Diary of the Public Registry Office (this will be certified by the respective Consulate). Within this six month period, the interested party must have the title and/or mortgage notarized and filed for permanent registration at the Public Registry Office in Panama through a lawyer or law firm in Panama.

Panama law requires that all vessels of Panamanian nationality maintain a local legal representative to serve as liaison with the Panamanian authorities. Such representative must be a lawyer or law firm.

If the referred document has not been filed for its permanent registration within said period, its expiration will cause the preliminary registration to be legally void and the Public Registry will automatically make the corresponding annotations.

Once the permanent registration has been accomplished, its effects shall be retroactive to the date and time of entry in the Diary of the Public Registry Office of the petition for preliminary registration.

**D. REGISTRATION EXPENSES :**

1. Government charges regarding preliminary registrations:
  - a. Preliminary registration of titles to property at the Public Registry Office  
US\$450.00
  - b. Preliminary registration of naval mortgages at the Public Registry up to the first US\$ 2MM US\$450.00 for each additional US\$ 1 MM US\$150.00 up to a maximum of US\$1,200.00 plus 20% surcharge
2. Government charges in connection with permanent registration of naval mortgages:  
The registration of naval mortgages fees at the Public Registry is twelve cents (US\$0.12) per net ton, and twenty percent (20 %) surcharge on the registration fees.  
The maximum sum payable is US\$600 (one hundred thousand net tons) and twenty percent (20%) surcharge.