

ROP vs Titled Property in Panama

Titled Property In Panama

Titled property in Panama offers one very important benefit which ROP property does not: A “property identification number” registered in the government’s system and accessible throughout the country as well as on the government’s public registry website. That means your property has its own ID such as 4958358 and this file (both digital and physical) can be accessed using this unique ID allowing the viewer to instantly see who is the owner of the property, when did they become the owner, where is the property located, and much, much more.

PROS of titled property

- You may take out a loan in Panama using your titled property as collateral.
- It is practically impossible for someone to steal your land when it is titled.
- It is much easier to verify that you are buying a legitimate and legal piece of property clean of any issues.
- Titled property is always more valuable, and easier to sell once you decide to do so.

CONS of titled properties

- Titled property is subject to a variable percentage annual tax, paid to the government and based on the registered value of your property.
- The sale of a titled property will come with a nice slap on the cheek in the form of a 5% tax of sale value.
- A titled piece of property can only be segregated 3 times (for a total of 4 parcels including original property) before you must start applying for special permits, or looking for loopholes in the system which often don’t work and can take months and even years to work out anyways.
- For those who prefer offshore privacy, technically speaking a titled piece of property is easier to discover than ROP as the only necessary action is to investigate with the public registry if there are any properties owned under your name or the name of your company/foundation, etc. Put simply, if someone wanted to find out if you own land in Panama, it wouldn’t be all that hard for them to do so.

Right of Possession Property in Panama

Although ROP property does not provide the same security benefit of being equipped with a unique identification number specific to that piece of property, it does provide a range of benefits which may in fact be even more appealing to you than the benefits of titled property!

PROS of ROP Property

- No annual property tax!!! That's right, even if your property is valued at \$1,000,000 USD you will NOT be required to pay property tax to the Panamanian government
- 0-2% gains tax upon sale of the ROP property! Depending on the region of the country in which your property is located, and to which municipal district it pertains, you may not be required to pay any tax on the sale of your property! Imagine pocketing all \$500,000 USD of that sale you just closed (minus commissions, and legal fees of course). In certain districts, a maximum of 2% of sale value is charged by the municipality, but hey, that's still a lot better than 5% right!?
- ROP properties are typically much cheaper to purchase.
- ROP property can be subdivided practically without limit
- Nearly all ROP properties can be titled, at an extra cost to the government, and lawyer facilitating the legal process for you
- If you prefer offshore privacy, ROP properties are registered only on a municipal level (often times maintaining only physical documents as record) with no digital record on a national level, making it much more difficult for an individual/entity/government to discover your real estate asset in Panama

CONS of ROP property

- As previously mentioned, ROP property does not receive a unique identification number, meaning it is a little more complicated to verify the history, current status, and legitimate owner of the property. This also relates to you, once you become the owner, as it will not be possible to simply search the property ID # in the public registry and see that you are the rightful owner
- **YOU MUST POSSESS/OCCUPY YOUR PROPERTY!** This is how horror stories are created. Someone finds a beautiful piece of property on a seemingly endless tropical beach for a great price, pulls the trigger, and then leaves the country for the following 6 years practically abandoning his/her newly acquired real estate asset. If this property is not continuously looked after by a local in the area who maintains the fence, keeps the grass cut, and in general keeps a vigilant eye on your property then there is risk that someone may end up squatting on your property, assuming there is no current owner or the owner has up and left with no concern for his property any longer. If you haven't purchased the property from an honest seller, or perhaps decided to skip the involvement of a real estate broker, then you may have missed crucial elements during the process of purchase that would otherwise protect you should the original seller

decide you clearly no longer care about your property, thus proceeding to attempt yet another sale of it to somebody else (this is not legal)

- You must be absolutely fanatic about keeping both physical and digital record of your purchase and ownership of the property, as these documents and scanned copies will be your only source of proof should someone try to contest your ownership of the property in the future, or in case of a dispute over boundary lines, etc
- Extra due diligence! ROP property always requires extra due diligence and research into the history of the property, its current state legally, relations with neighboring properties and their owners, as well as a look at the seller and his/her credibility as the rightful and honest owner
- You are not permitted to take out a loan using ROP property as collateral
- ROP property may be a little more difficult to sell in the future, as many foreigners and expats prefer the security of titled property
- Well, there you have it. That is the comprehensive list of PROS and CONS for both titled as well as ROP property. If you've read this far, then you likely have seen that both types of property have their numerous advantages, and disadvantages. To be completely honest with you, at the end of the day the property type that will best suit you, will depend completely on you. And who knows you better than you? Nobody! I recommend that you consider both options carefully, while also considering what you plan to use the property for, the purpose of your investment, your timeline for development or future sale of said property, and last but not least you must be brutally honest with yourself in regards to how much time, and attention you will truly be able to spend at your property or looking after it while away.