

Liechtenstein Tax Highlights

Located in the heart of Europe and as a member of the European Economic Area, Liechtenstein serves as a hub for multinational corporations of multiple industries. Thanks to a longstanding history and a competitive legislation, Liechtenstein is home to many banks, insurances, wealth managers and family offices. Especially in the area of asset protection and wealth management, Liechtenstein has been able to maintain a competitive edge.

Basic information

GDP – CHF 6.1 billion

Population – 38,000

Relevant international agreements

– European Economic Area, European Free Trade Association, Schengen Area, customs union with Switzerland

Currency – Swiss franc (CHF).

Principal entities – corporation (AG), limited liability company (GmbH), foundation (Stiftung), establishment (Anstalt), trust (Treuhanderschaft) and trust reg. (Treuunternehmen).

Accounting principles – Liechtenstein GAAP financial statements must be prepared annually in CHF, EUR or USD.

Corporate taxation

Residence – A company is resident in Liechtenstein if it is incorporated in Liechtenstein or if it is effectively managed from Liechtenstein.

Basis – Resident companies are taxed on their worldwide income, except for profits derived from foreign permanent establishments and foreign immovable property. Non-resident companies are taxed on the income related to the local permanent establishment / immovable property and Liechtenstein sourced director's fees.

Taxable income – Corporate income tax is levied on a company's profit

before tax (consisting of business and financial income) allowing for tax-related adjustments. Typical adjustments include the 4% notional interest deduction on the adjusted equity and interest rates on related party loans.

Taxation of dividends – Dividends received by a resident entity are exempt from taxation.

Capital gains – Capital gains are as a general rule treated as ordinary income (losses deductible), regardless of the holding period. An exemption applies to capital gains on share investments that are not taxable; regardless of the holding period and the amount of investment (recaptured depreciations are taxable). For capital gains on immovable property see separate section. Transactions with related parties are reviewed under the arm's length principle.

Losses – Losses may be carried forward indefinitely. The utilization in any given tax year is limited to 70% of the profit before utilization.

Taxation of investment fund companies – Income on assets under management of investment funds is not subject to tax at the level of the investment fund company.

Rate – 12.5%

Minimum tax – CHF 1,800 (exceptions for small operating businesses available)

Tax year – accounting year

Consolidated returns – available

Advance rulings – available

Incentives – Notional interest deduction on adjusted equity. Exemption from income taxation for private wealth structures (conditions apply). Special taxation rules for the operation of merchant ships.

Withholding tax

Dividends – No

Interest – No

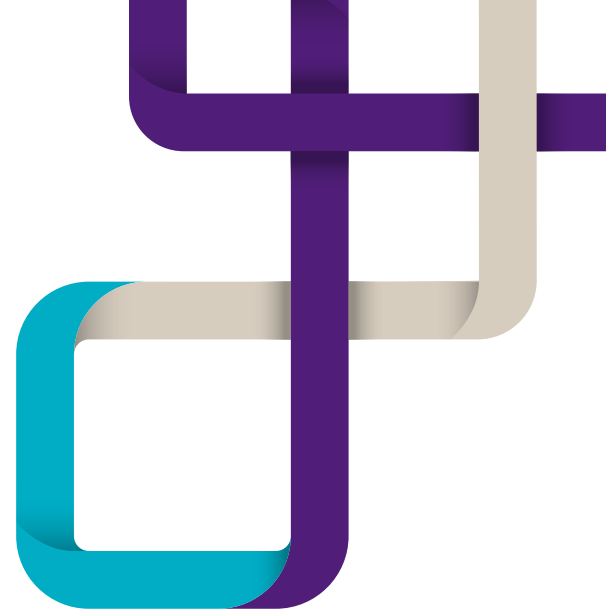
Royalties – No

Other taxes on corporations

Payroll tax – The employer is required to withhold wage tax on a monthly basis.

Stamp duty – Liechtenstein is subject to Swiss stamp duties based on the customs union agreement, which imposes a 1% issuance stamp tax on corporate entities known by Swiss law or with equity divided into shares (various exemptions apply). A local stamp duty between 0.3% and 1% applies to the registered share capital of Liechtenstein-specific entities.

Securities transfer tax – The Swiss securities transfer tax of 0.15% - 0.3% is also applicable in Liechtenstein based on the customs union if a securities dealer for tax purposes is involved in the transaction.



Personal tax

Basis – Resident individuals are taxed on their worldwide income and wealth except for foreign permanent establishments and foreign immovable property. Non-residents are taxed on Liechtenstein employment income (including directors fees), business profits and local immovable property.

Taxable income – Income tax applies to all income derived from employment and to deemed income from capital (calculated as 4% on net wealth from movable and immovable property).

Taxation of dividends – Dividends are not part of taxable income.

Capital gains – Liechtenstein levies a separate capital gains tax on capital gains from domestic real estate or from the sale of real estate companies. Capital gains on the sale of movable property are not taxable if the deemed income on the property has been subject to tax.

Rate – Rates for national income tax are progressive from 1% to 8%. Municipal multipliers range between 150% and 200% resulting in a combined maximum tax rate of 24% (which applies to taxable income above CHF 400,000 for married couples).

Special tax regimes – An expense based lump-sum taxation regime is available

to foreign nationals subject to certain conditions.

Inheritance and gifts tax – No

Social security – Old age and disability insurance as well as pension plans are mandatory for all employees.

Value added tax

Taxable transactions – Liechtenstein is considered as part of Switzerland for VAT purposes based on the customs union. VAT applies to the sale of goods and services in Liechtenstein/Switzerland and to the import of goods and services. Exports are zero-rated.

Rates – The standard VAT rate is 8%. Certain goods and services are subject to a reduced rate of 2.5% and others (e.g. banking services, insurance premiums, residential real estate, education, health and regulated casinos) are exempt. A special 3.8% rate applies to the hotel and lodging industry.

International Tax treaties

Double tax treaties – Liechtenstein has currently 17 double tax treaties in force as per 2017 including treaties with its neighbours Switzerland, Austria and Germany.

Tax information exchange

agreements – Liechtenstein has currently 27 tax information exchange agreements in force as per 2017.

Other international tax agreements – Automatic exchange of information, Mutual Administrative Assistance in Tax Matters, Country by Country Reporting, FATCA

Contact



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