Liechtenstein tax highlights

Located at the heart of Europe and a member of the European Economic Area (EEA), Liechtenstein serves as a hub for multinational corporations in many industries. Thanks to its long-standing history and competitive legislation, Liechtenstein is home to many banks, insurance undertakings, wealth managers and family offices. Especially in the areas of asset protection and wealth management, Liechtenstein has been able to maintain a competitive edge.

Basic information

GDP – CHF 6.5 billion
Population – 38'400
Relevant international agreements – European Economic Area (EEA), European Free Trade Association (EFTA), Schengen Area, customs and currency union with Switzerland.
Currency – Swiss franc (CHF)
Principal entities – corporation (AG), limited liability company (GmbH), foundation (Stiftung), establishment (Anstalt), trust (Treuhänderschaft) and trust reg. (Treuunternehmen).

Accounting principles – Liechtenstein financial statements must be prepared annually in CHF, EUR or USD pursuant to the Liechtenstein Persons and Companies Act (PGR).

Corporate taxation

Residence – A company is subject to unlimited tax liability in Liechtenstein if it is incorporated in Liechtenstein or if it is effectively managed from Liechtenstein.

Basis – Companies with unlimited tax liability are taxed on their worldwide income, except for profits derived from foreign permanent establishments and foreign immovable assets (in particular real estate). Non-resident companies are subject to a limited tax liability that applies only to local income. This includes income related to local permanent establishments, local immovable property, and remuneration for positions held on the board of directors of Liechtenstein companies, foundations and trusts.

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 – Dividend income is generally exempt from taxation. Dividends from qualifying foreign holdings are, however, subject to a low tax rate if the foreign entity›s income is derived from a passive business activity (interest, dividends, royalties).
Capital gains from the sale of holdings in companies – Capital gains from the sale of holdings in companies are generally exempt from taxation. Capital gains from the sale of qualifying foreign holdings are, however, subject to a low tax rate provided that the income of the foreign entity is derived from a passive business activity (interest, dividends, royalties).
Losses – Losses may be carried forward indefinitely. The amount that may be carried forward in any given tax year is limited to 70% of the taxable profit before the loss was offset.

Taxation of investment fund companies – Income on assets under management of investment funds is not taxed 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 of 4% on adjusted equity. Exemption from income taxation for private wealth structures (PWS), subject to certain conditions. 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 tax on wages on a monthly basis.
Liechtenstein formation tax – Specific Liechtenstein legal entities (in particular establishment, trust reg., foundation) and asset endowments without legal personality (in particular trust) are subject to the Liechtenstein formation tax of between 0.2% and 1% unless the Swiss issuance stamp tax applies (see below).
Swiss issuance stamp tax – Based on the customs union agreement with Switzerland, Liechtenstein legal entities whose capital is split into shares are subject to the Swiss issuance stamp tax of 1% when issuing new equity securities (various exceptions and exemptions apply).

Securities transfer tax – The Swiss securities transfer tax of 0.15% to 0.3% is also applicable in Liechtenstein based on the customs union if the buyer or seller qualifies as a so-called securities dealer for tax purposes.

Personal tax

Residence – Individuals are subject to unlimited tax liability in Liechtenstein if their domicile or usual place of residence is located in Liechtenstein.
Basis – Individuals with unlimited tax liability are generally taxed on the basis of their worldwide income and worldwide assets. Income and the assets of foreign operations and foreign immovable assets (in particular real estate) are excluded from the tax basis. Non-resident individuals have limited tax liability in relation to their Liechtenstein income and assets only. These include income and assets resulting from employment in Liechtenstein, services rendered to the state, social security and pension funds, agriculture and forestry, permanent establishments, immovable assets (in particular real estate), director's remuneration from Liechtenstein companies, foundations and trusts.
Taxable income – Income tax applies to all income derived from employment and freelance activity. In addition, deemed income from capital (calculated as 4% on net wealth from movable and immovable property) is subject to income tax.

Taxation of dividends – Dividends are not part of taxable income if the deemed income on the shareholding has been subject to tax.

Taxation of interest – Income from interest is not part of taxable income if the deemed income on the underlying loan has been subject to tax.

Capital gains – Capital gains from movable and immovable property are generally not included for the purpose of income tax. Capital gains from the sale of properties in Liechtenstein and of real estate companies that own Liechtenstein properties are subject to Liechtenstein real estate capital gains tax.

Rates – Rates for national income tax for individuals fall between 1% and 8%. Municipal multipliers range from 150% to 200% depending on the municipality in which the individual resides. The maximum tax rate is therefore 24%, which applies to taxable income above CHF 400,000 for married couples.

Special tax regimes – An expense-based lump-sum tax regime is available to foreign nationals who wish to move their domicile or usual place of residence to Liechtenstein, subject to certain conditions.

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

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 of goods and services are zero-rated.

Rates – The standard VAT rate applicable to goods and services is 7.7%. Certain goods and services (particularly food, medicines, newspapers and books, etc.) are subject to a reduced rate of 2.5%. A special 3.7% rate applies to the hotel and lodging industry. Moreover, other sectors (e.g. banking services, insurance premiums, health and education) are exempt altogether.

International tax treaties

Double taxation treaties – Liechtenstein currently has 19 double taxation treaties in force as at 1 January 2020, including agreements with its German-speaking neighbours Switzerland, Austria and Germany.

Tax information exchange agreements – Liechtenstein currently has 27 bilateral tax information exchange agreements in force as at 1 January 2020. Furthermore, Liechtenstein has entered into an agreement with the European Union (EU) on the automatic exchange of information in tax matters and is a signatory to the multilateral agreement on the automatic exchange of financial account information.

Other international tax agreements – Mutual Administrative Assistance in Tax Matters, Country by Country Reporting, FATCA.

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