

# Doing Business in Liechtenstein





# Preface

This guide has been prepared by Baker Tilly Kaiser Establishment, an independent member of Baker Tilly International. It is designed to provide information on a number of subjects important to those considering investing or doing business in Liechtenstein.

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This guide is one of a series of country profiles compiled for use by Baker Tilly International member firms' clients and professional staff. Copies may be downloaded from [www.bakertillyinternational.com](http://www.bakertillyinternational.com).

Doing Business in Liechtenstein has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on Liechtenstein matters can be obtained from Baker Tilly Kaiser Establishment, contact details can be found at the end of this guide.

July 2015



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# 1 Fact Sheet

Facts and figures as presented in sections 1 through 4 are correct as at 7 May 2015.

## Geography

Location:	Central Europe
Area:	160km <sup>2</sup>
Land boundaries:	Austria and Switzerland
Coastline:	None
Climate:	Continental; cold and cloudy winters with frequent snow or rain; cool to moderately warm, cloudy, humid summers
Terrain:	Mostly mountainous (Alps) with Rhine Valley in the western third
Time zone:	GMT +1 (GMT +2 during daylight saving time)

## People

Population:	37,129 (December 2013)
Religion:	Roman Catholic (official) 75.9%, Protestant Reformed 6.5%, Muslim 5.4%, Lutheran 1.3%, other 2.9%, none 5.4%, unspecified 2.6% (2010 estimates)
Language:	German is the official language; Alemannic is the main dialect

## Government

Country name:	Principality of Liechtenstein
Government type:	Hereditary constitutional monarchy based on a democratic and parliamentary system
Capital:	Vaduz
Administrative divisions:	11 communes

**Political situation**

The unicameral Parliament (Landtag) has 25 seats, and members are appointed for a four year term. The Head of State is the Prince (the monarchy is hereditary). The Head of Government is the Prime Minister, who is generally the leader of the party or coalition with majority support, and is appointed by the monarch. The cabinet is elected by Parliament and confirmed by the monarch. There are five members of government.

**Economy**

GDP – per capita:	CHF169,540 (2012)
GDP – real growth rate:	6.7% (2013)
Labour force:	19,676 (2012)
Unemployment:	2.3% (December 2012)
Currency (code):	Swiss franc (CHF)

## 2 Business Entities and Accounting

The main company forms in Liechtenstein are the limited liability company and the public limited company. Other business forms include establishments, partnerships, business trusts, branches and sole proprietorships.

### 2.1 Companies

#### 2.1.1 Limited liability companies

A limited liability company may be formed by one or more individuals, companies, or public or private legal entities. Legislation provides that the Government may by regulation limit the maximum number of participants to 30.

The minimum capital requirement for a limited liability company is generally CHF30,000. The capital of the company may also be expressed in euro or US dollars. In such cases, the minimum capital requirement is EUR30,000 and USD30,000 respectively. The liability of members is generally limited to a specified amount.

Limited liability companies are administered by shareholder meetings. The company is managed jointly by all of the members unless the company's articles of association provides otherwise. The company may be managed by one or more members or non-members if provided by the articles of association or by a decision of the company.

A limited liability company is required to appoint an external auditor or auditing company if the company is medium or large (as defined), or is small (as defined) and its securities are admitted for trading on a regulated market in a European Economic Area (EEA) member state.

Limited liability companies are required to be registered in the Commercial Register.

#### 2.1.2 Public limited companies

A public limited company may be formed by two or more founders. The capital of the company is divided into shares.

The minimum capital requirement for a public limited company is generally CHF50,000. The capital of the company may also be expressed in euro or US dollars. In such cases, the minimum capital requirement is EUR50,000 and USD50,000 respectively. The liability of shareholders is generally limited to the payment of their shares. Public limited companies may offer their shares to the public.

Public limited companies are administered by general meetings of the shareholders, and are managed by elected managers. If there are several managers, a board of directors is formed. Public limited companies with a capital of at least CHF1m are generally required to appoint a board of directors with at least three members (certain exceptions apply).

A public limited company is required to appoint an audit committee if its securities are admitted for trading on a regulated market in an EEA member state. At least one member of the audit committee must be independent. In other cases, a public limited company may appoint one or more committees from among the company members to oversee the business performance. Public limited companies must also appoint a statutory auditor.

Public limited companies are required to be registered in the Commercial Register.

### 2.1.3 Establishments

An establishment may be formed by an individual, company, municipality, municipal association or other qualifying legal entity. More than one founder is required.

The minimum capital requirement for an establishment is generally CHF30,000. The capital of the establishment may also be expressed in euro or US dollars. In such cases, the minimum capital requirement is EUR30,000 and USD30,000 respectively.

Establishments are required to be registered in the Commercial Register unless exempted from this requirement by legislation.

## 2.2 Partnerships

### 2.2.1 General partnerships

A general partnership may be formed by two or more partners who may be individuals or legal entities. Partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership.

General partnerships are required to be registered in the Commercial Register.

### 2.2.2 Limited partnerships

A limited partnership may be formed by two or more partners. There must be at least one general partner and at least one limited partner. General partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership. The liability of limited partners is generally limited to a specified maximum amount.

A limited partnership may only be managed by the general partners. Limited partners may inspect the partnership's balance sheet and profit and loss accounts to check their accuracy and have access to books and papers.

Limited partnerships are required to be registered in the Commercial Register.

### 2.2.3 Partnerships limited by shares

In a limited partnership, the capital of the partnership is divided into shares. There must be at least one general partner and at least one limited partner. General partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership. The liability of limited partners is generally limited to a specified amount.

Partnerships limited by shares are required to be registered in the Commercial Register.

## 2.3 Business Trusts

A business trust may be formed by one or more trustees, and may be with or without legal personality. A business trust may have any purpose or object that is not illegal, immoral or dangerous to the state.

The value of the trust fund must be at least CHF30,000. The value may also be expressed in euro or US dollars. In such cases, the minimum value requirements are EUR30,000 and USD30,000 respectively.

Business trusts are required to be registered in the Commercial Register.



## 2.4 Trusts

A trust (treuhänderschaft) may be formed by a written agreement between the settlor and the trustee. The trustee may be an individual, firm or legal person who is required to manage the trust property for the benefit or use of one or more beneficiaries. A trust exceeding 12 months in duration is generally required to be registered in the Commercial Register (certain exceptions apply).

## 2.5 Foundations

A foundation may be formed by one or more natural or legal persons, generally through a written foundation declaration. The minimum capital requirement is generally CHF30,000. The capital of the foundation may also be expressed in euro or US dollars. In such cases, the minimum capital requirement is EUR30,000 and USD30,000 respectively. A foundation is required to be managed by a board of trustees consisting of at least two members.

Non-profit foundations and private foundations that operate on special legal basis and undertake commercial activities are required to be registered in the Commercial Register and become separate legal entities upon registration. Other private foundations may choose to be registered in the Commercial Register.

## 2.6 Branches

A foreign company may generally conduct business activities in Liechtenstein through a branch. A branch is generally required to appoint a representative who is a national of an EEA member state and is permanently residing in Liechtenstein. The Government may dispense with the requirement to appoint a representative in certain circumstances.

Branches are required to be registered in the Commercial Register.

## 2.7 Sole Proprietorships

An individual may undertake business activities in Liechtenstein as a sole proprietorship or as a sole proprietorship with limited liability.

## 2.8 Auditing and Accounting Requirements

Companies and legal entities are required to keep proper accounting records. Annual financial statements must be prepared within six months of the end of the financial year and include the balance sheet, income statement, and any required annexes. Parent companies (as defined) are generally required to prepare consolidated annual financial statements and annual reports (certain exemptions apply).

Financial statements must generally be prepared in accordance with the International Financial Reporting Standards (IFRS) (mandatory in certain circumstances) or Liechtenstein GAAP. Liechtenstein has not adopted the IFRS for SMEs.

Companies are generally required to have their annual accounts, annual reports (if applicable) and consolidated annual accounts and reports (if applicable) audited. Other legal entities are generally required to have their accounts and reports audited if they run a commercial business (unless legislation provides otherwise).

Annual accounts and annual reports by companies and entities engaged in commercial activities must be prepared in German and use the Swiss franc, euro or US dollar. The use of a different language may be permitted by the Government.

Accounting books and records, and business associated documents, must be retained for a period of 10 years.

## 2.9 Filing Requirements

Companies are generally required to submit their annual financial statements/ consolidated annual financial statements and audit reports to the Office of Justice before the end of the fifteenth month following the balance sheet date.



# 3 Finance and Investment

## 3.1 Exchange Control

There are no exchange controls.

### 3.1.1 Due diligence requirements

Legislation requires persons subject to due diligence, including licensed banks and investment firms, licensed e-money institutions, authorised or licensed management companies, licensed insurance undertakings, exchange offices, payment service providers, licensed asset management companies, casinos, real estate agents, and lawyers and law firms in respect of certain activities, to undertake customer due diligence and to report transactions suspected of involving money laundering, organised crime or terrorist financing to the Financial Intelligence Unit (FIU).

## 3.2 Banking and Sources of Finance

As the currency in Liechtenstein is the Swiss franc, monetary policy is the responsibility of the Swiss National Bank (SNB).

Commercial banks operating in Liechtenstein provide the majority of financial services.

### **3.3 Investment Incentives and Restrictions**

For business related incentives, see 5.7.

There are generally no restrictions on foreign business investment in Liechtenstein.

# 4 Employment Regulations

For employment tax considerations, see 5.3.

## 4.1 General Employment Matters

### 4.1.1 National employment standards

Legislation provides minimum rights and conditions of employment in Liechtenstein (certain exclusions apply), including maximum weekly working hours, rest periods, paid annual leave entitlement, parental leave rights, and rights for pregnant women and nursing mothers.

Employers are generally required to provide employees with the conditions of their employment if they are employed for at least one month or are employed on a part-time basis for at least eight hours per week. The conditions must be provided to the employee within two months of commencing employment and include:

- Type of work
- Date that employment commences
- Duration of the contract for fixed term contracts
- Working hours and rest periods
- Place of work and job role
- Holiday entitlement, and
- Notice period required to terminate the contract or the method for determining the required notice period.

A contract of employment may include a trial period which is the first month of employment. The trial period may be extended to a maximum period of three months. The contract of employment may be terminated during the trial period by providing one weeks' notice.

A contract of employment of indefinite duration may be terminated by either party. The terminating party must provide a reason for the termination in writing if requested by the other party. The legislated notice periods required range from one month to three months, depending on the length of employment. A contract of employment may be terminated without notice in certain circumstances.

#### 4.1.2 Pensions and other benefits

Social security contributions (see 5.3.2) generally provide associated benefits.

## 4.2 Visas

The Swiss rules regarding visas apply to entry to Liechtenstein. Visas available for entry into Switzerland include:

- Tourist visa
- Visitor visa
- Business visa
- Cultural visa
- Sports visa
- Official visit visa
- Medical treatment visa
- Student visa
- Transit visa
- Airport transit visa
- Work visa, and
- Residence visa/Family reunion visa.

Liechtenstein issues a small number of residence permits each year to Swiss nationals and to citizens of European Economic Area (EEA) member states. Residence permits may be issued to citizens of other countries in special cases.

Subject to conditions, foreigners may generally purchase real property in Liechtenstein after 10 years of residency in the country.

## 4.3 Trade Unions

Workers' organisations unions may negotiate and conclude collective agreements with employers or employers' associations.



# 5 Taxation

Facts and figures as presented in section 5 are correct as at 7 May 2015.

## 5.1 Corporate Income Taxes

Resident legal entities, which are legal entities established in Liechtenstein or whose place of effective management is in Liechtenstein, are generally subject to tax on their worldwide income (unlimited tax liability). Certain categories of income are not subject to tax for the purposes of unlimited tax liability, including rental and lease income from immovable property located abroad, income from foreign permanent establishments, and capital gains from the disposal of investments in domestic or foreign legal persons.

Non-resident legal entities are generally subject to tax on their Liechtenstein source income (limited tax liability), subject to the terms of any relevant tax treaty.

The standard corporate income tax rate is 12.5%. A minimum tax of CHF1,200 generally applies. Taxpayers who undertake commercial activities are not subject to the minimum tax if their average balance sheet total over the previous three fiscal years does not exceed CHF500,000.

Capital gains tax generally applies at varying rates to gains from the disposal of real estate located in Liechtenstein, subject to exemptions.

Unutilised losses can generally be carried forward and offset against up to 70% of the following year's taxable income. There are no provisions for the carry back of losses.

Group tax consolidation is permitted in Liechtenstein if ownership requirements and other conditions are met; consequently qualifying losses can be offset against the profits of another company in the same group.

The tax year is the calendar year or the taxpayer's financial year.

Tax returns are generally due for filing by the deadline set annually by the Tax Administration. Corporate income tax is generally payable within thirty days of the due date.



## 5.2 Personal Taxes

Resident individuals are generally subject to tax on their worldwide income (unlimited tax liability). Non-resident individuals are generally subject to tax on their Liechtenstein source income, subject to the terms of any relevant tax treaty.

Individuals are generally subject to tax on their income (for example, from employment, self-employment, and pensions) and to a wealth tax on the fair value of their movable and immovable property, subject to exemptions. The tax rates applicable are progressive up to the rate of 8%, increased by a communal surcharge ranging from 150% to 250%.

Capital gains tax generally applies at varying rates to gains from the disposal of real estate located in Liechtenstein, subject to exemptions.

Transfers of movable or immovable property that are not subject to wealth tax, and transfers of movable or immovable property to a non-taxable entity, are generally subject to a transfer (dedication) tax at the rate of 3.5% of the wealth tax value.

Individuals who domicile or reside in Liechtenstein for the first time, or after 10 years of absence, may apply to be subject to an expenditure tax in place of the tax on income and wealth tax. Qualifying conditions include:

- That the individual is not a Liechtenstein national
- That the individual is not in gainful employment in Liechtenstein, and
- That the individual lives off earnings from their income/assets located abroad.

The expenditure tax rate is 25% and applies to the individual's total expenses.

There are no inheritance or gift taxes in Liechtenstein (as of 1 January 2011).

## 5.3 Employment Related Costs and Taxes

### 5.3.1 Fringe benefits

There is no separate fringe benefits tax. The taxable value of taxable benefits-in-kind is taxed as the income of the individual.

### 5.3.2 Social security costs

Employers and employees are generally required to make the following social security contributions (subject to salary ceilings):

Contribution Category	Employer Rate	Employee Rate
Old age and survivors' insurance	4%	3.8%
Disability insurance	0.75%	0.75%
Family allowance fund	1.9%, plus an administrative contribution of 0.4704%	N/A
Unemployment insurance	0.5%	0.5%

Employers and employees are also generally required to make corporate insurance contributions in respect of pension funds, health insurance and mandatory accident insurance.

## 5.4 Withholding Taxes on Payments Abroad

There are no withholding taxes on dividend, interest, or royalty payments made abroad.

A coupon (withholding) tax has generally been abolished. However, coupon tax may still apply to old reserves arising before 1 January 2011. Old reserves must be taxed by 31 December 2015. The tax rate for 2015 is 2.5%.

## 5.5 Value Added Tax (VAT)

VAT is generally levied on the domestic supply of goods and services and on the importation of goods. The term "domestic" refers to both Liechtenstein and Switzerland.

The standard VAT rate is 8%. A reduced rate of 2.5% applies to certain supplies, including certain foodstuffs, medicines, and newspapers, books and magazines. A special rate of 3.8% applies to accommodation services. Certain supplies are VAT exempt, including healthcare services, social services, educational services, cultural services, insurance and reinsurance, certain financial services, and exports of goods and related services.

Traders whose turnover from taxable domestic supplies is less than CHF100,000 in a year are not subject to VAT. However, such traders may waive their VAT exemption.

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

## 5.6 Other Taxes

### 5.6.1 Stamp duty and security transfer tax

Liechtenstein applies Swiss law with regards to stamp duty and security transfer tax.

Companies formed in Liechtenstein whose capital is divided into shares are subject to stamp duty at the rate of 1% if the share capital exceeds CHF1m, subject to exemptions.

Security transfer tax applies to transfers of qualifying securities at the rate of 0.15% for domestic securities (Switzerland or Liechtenstein) and at the rate of 0.3% for other securities.

### 5.6.2 Tax on formation and capital increases

A tax applies to the establishment of a registered office in Liechtenstein and to capital increases by legal entities. This tax only applies in circumstances where stamp duty does not apply. The standard tax rate is 1% of capital exceeding CHF1m. The 1% rate is reduced to 0.5% for capital exceeding CHF5m, and to 0.3% for capital exceeding CHF10m. The tax rate for foundations and asset dedications without legal personality is 0.2% of capital, subject to a minimum of CHF200.

### 5.6.3 Insurance premiums tax

Insurance premium payments relating to risks in Liechtenstein that are not subject to stamp duty are generally subject to insurance premiums tax, subject to exceptions. The tax rate is generally 5% of the cash premium. For life insurance, the rate is 2.5% of the cash premium.

### 5.6.4 Excise taxes

Excise taxes are imposed on certain goods, including distilled spirits, beer, tobacco, petroleum, Co2, cars, and salt.

## 5.7 Tax Incentives for Businesses

### 5.7.1 Intellectual property deductions

80% of income from intellectual property in respect of intellectual property rights created or acquired from 1 January 2011 may be deducted from taxable income. Intellectual property rights are defined as:

- Patents, trademarks and designs that are protected by registration in a domestic, foreign or international register, and
- Software, scientific and technical databases.

### 5.7.2 Private asset structures

Legal entities that qualify as private asset structures are not subject to standard corporate income tax at the rate of 12.5%; only the minimum tax of CHF1,200 applies.

### 5.7.3 Special asset dedications

Special asset dedications that are not separate legal entities are not subject to standard corporate income tax at the rate of 12.5%; only the minimum tax of CHF1,200 applies.

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