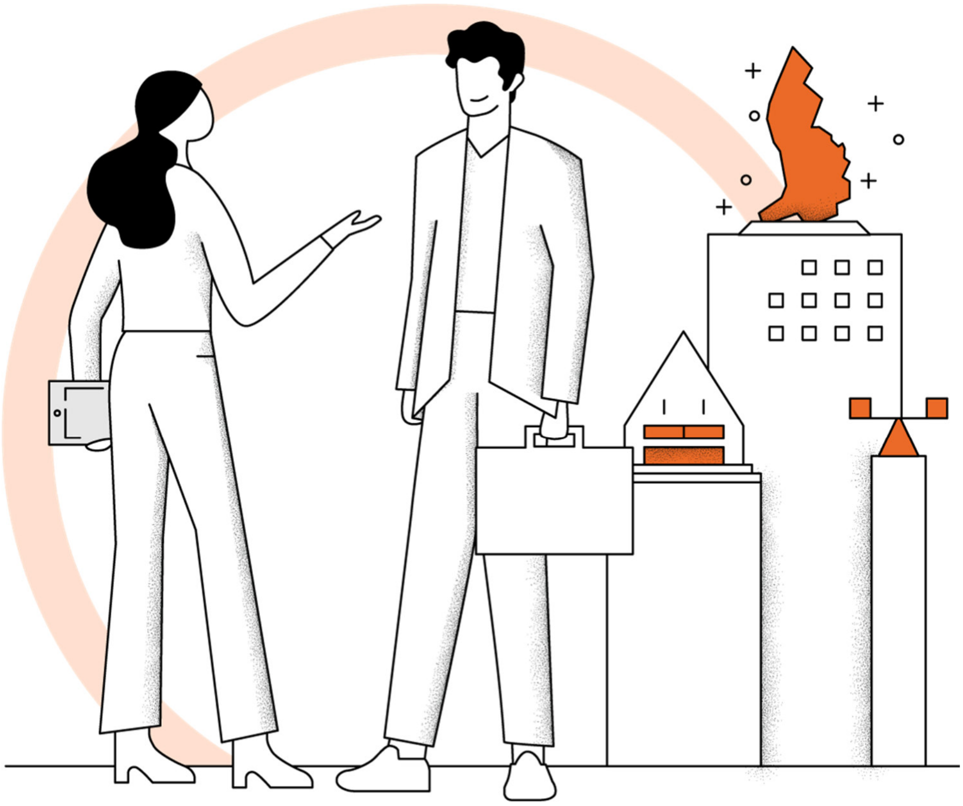
LIECHTENSTEIN INSTITUTE
OF PROFESSIONAL
TRUSTEES AND FIDUCIARIES

Company Forms in the Principality of Liechtenstein



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Preface

Liechtenstein, the world's sixth-smallest country, is an innovative, internationally recognised financial centre that has much to offer. In addition to political stability and legal certainty, as well as liberal company law that has existed for nearly 100 years and modern tax law that is in conformity with EU/OECD requirements, Liechtenstein is a broadly diversified business centre with a stable financial sector. The Liechtenstein financial centre is thinking in terms of generations. As a result, it also affords the ability to dedicate assets to a specific purpose and to preserve them for generations.

Liechtenstein company law offers a wide selection of legal forms in order to accommodate the needs of financial centre clients as best as possible.

The legal forms preferred in practice and explained below in this brief outline are:

- Company limited by shares (*Aktiengesellschaft – AG*)
- Limited liability company (*Gesellschaft mit beschränkter Haftung – GmbH*)
- Establishment (*Anstalt*)
- Foundation (*Stiftung*)
- Trust (*Treuhänderschaft*)
- Trust enterprise with legal personality (*Treuunternehmen mit Persönlichkeit (Trust reg.*))

The following brief summary of the legal forms is intended to provide interested parties with an overview of the various options for asset structuring. However, the Liechtenstein Institute of Professional Trustees and Fiduciaries makes readers expressly aware that this presentation is designed merely to provide an overview, and experts should be consulted in depth before deciding on a specific legal form.

General matters

Name/company

Name means the name under which an entrepreneur registers a company in the commercial register, operates the company and signs for it. The wording of the name is protected (exclusivity of the registered name). Other than where the Office of Justice allows for an exception, names must be registered in German. Add-ons in other languages are permissible, as is the registration of the name in multiple languages. As a general rule, the wording of the name can be freely chosen. Even made-up names are permissible. On the other hand, purely descriptive terms are not permissible and the use of national or international country or city designations in the wording of the name is allowed only in exceptional cases.

Language

German is the official language for documents to be prepared.

Designated purpose

The purpose determines the legal form to be chosen. The purpose may be of a commercial or non-commercial nature, charitable or private-benefit purpose and it must be legally permissible.

Capital and minimum capital

The articles of association can specify that the company's capital is denominated in Swiss francs, euros or US dollars. Depending on the legal form and structure, the law may require that minimum capital be contributed, which may alternatively be contributed in the prescribed amount in Swiss francs, euros or US dollars.

Formation documents and founder

Companies limited by shares, limited liability companies, establishments and trust enterprises with legal personality are formed by means of a deed of formation and articles of association and – with the exception of establishments and limited liability companies with simplified formation – require public authentication. Foundations are formed by means of a declaration of foundation, which requires written form and certification of the founder's signature.

One natural person or legal person is required for the formation of the aforementioned legal forms, with the exception of companies limited by shares, which require two founders.

A settlor and a trustee are necessary in order to form a trust. The fiduciary relationship comes into effect with the signing of the deed of trust.

Coming into being

Companies limited by shares, limited liability companies, establishments and trust enterprises with legal personality (trust reg.), as well as foundations that are required to be registered, first obtain legal personality upon entry in the commercial register.

Unregistered foundations come into existence with the signing of the formation document, and trust settlements, with the signing of the deed of trust.

Supreme governing body

All legal entities have a supreme governing body vested with the highest powers, for example approval of the annual financial statements, adoption of resolutions on appropriation of profit, appointment of other governing bodies and amendments to the articles of association.

Management

The management is the company's executive governing body. Every legal person must have a management (e.g. board of directors, management board, etc.) that – unless specified otherwise – may consist of one or more natural persons or legal entities appointed by the supreme governing body. As a rule, a member of management who is empowered to manage and represent the legal person must meet the requirements of Article 180a (1) or (2) of the Liechtenstein Persons and Companies Act (*Personen- und Gesellschaftsrecht – PGR*). Exempt from this requirement are legal entities under Article 180a (3) that must have a general manager as a result of the Trade Licensing Act (*Gewerbegesetz – GWG*) or another special law or that are supervised by the government, a municipality, the land registry office or another office.

This does not apply to foundations that are subject to supervision pursuant to Article 552 Section 29 PGR, i.e. to charitable foundations and private-benefit foundations that are subject to supervision as a result of a provision in the deed of foundation.

Statutory representative office

If a legal person or registered trust enterprise does not specify a domestic address for service, it must designate a representative office. This office serves as the intermediary between the entity and domestic judicial and administrative authorities, for example the fiscal authority and the commercial register.

If a trust settlement has not appointed a natural person or legal person as trustee who is domiciled in Liechtenstein, a representative must likewise be designated.

Auditor

An auditor must audit the annual financial statements and consolidated financial statements of legal entities that operate a form of commercial business or whose purpose specified in the articles of association permits the operation of same, as well as for foundations that are obligatorily or voluntarily subject to supervision by the foundation supervisory authority. Small and micro-enterprises are exempt from this. Instead, the auditor is to perform a review of them. Micro-enterprises have the option to dispense with an audit review.

Beneficiaries

In the case of companies limited by shares, the shareholders are entitled to the profit and the liquidation proceeds. In the case of foundations, establishments, trust enterprises and trust settlements, the founder (founder, settlor) or – where specified by the articles of association – a governing body determines the beneficiaries of the income and/or assets. In addition to establishing the entitlement, the founder and/or the governing body also specifies in the articles of association and/or bylaws the conditions for and scope of the entitlement. The bylaws – a supplementary deed to the articles of association – is not required to be filed with the commercial register. The bylaws may be structured as revocable or irrevocable, as alterable or inalterable. Also possible is that amendments are initially allowed, but the bylaws become inalterable after the occurrence of a certain event or point in time (e.g. death of the founder, settlor). As a rule, the executive governing bodies must comply with the founder's intent. Under certain statutory conditions or those in the articles of association, the entitlements of the beneficiaries can be made inaccessible to creditors.

Accounting in the case of commercially operating companies

Legal entities that are required to be registered and that operate a form of commercial business are obligated to keep proper accounts (preparation of annual financial statements, consisting of a balance sheet, income statement and, if necessary, notes). The annual financial statements are to be submitted to the fiscal authority and, if necessary, to the commercial register each year.

Accounting records in the case of non-commercially operating companies

Legal entities that are not required to keep proper accounts, as well as trust settlements, must maintain records and preserve receipts that are appropriate to the financial circumstances, taking into account the principles of proper accounting, and that enable an understanding to be gleaned of business and financial performance.

Declaration

The management of legal entities recorded in the commercial register that do not operate a form of commercial business and whose purpose specified in the articles of association does not permit the operation of same (i.e. only investment and management of assets or the holding of participations or other rights without true commercial operation) must prepare a financial statement each year (comparison of assets and liabilities). Within six months of the close of each financial year, the management governing body in Liechtenstein must submit a declaration to the commercial register that at the end of the previous financial year, records and receipts are available that enable an understanding to be gleaned of business and financial performance and that a form of commercial business was not operated in the past year.

Liquidation

In order to protect creditors, legal entities recorded in the commercial register are as a rule liquidated and thus deleted in compliance with the statutory blocking period (six months).

Company Limited by Shares

The company limited by shares is a legal person with its own name whose pre-determined capital (share capital) is divided into partial amounts (shares).
Companies limited by shares can, to the extent permitted by law, pursue any commercial and/or non-commercial purpose, which is set forth in the articles of association in addition to other obligatory and voluntary content. At least two founders are required in order to form a company limited by shares; however, all shares can be assigned to one person immediately after formation (known as the “single-shareholder company limited by shares”). Companies limited by shares first obtain legal personality when they are registered in the commercial register.

Minimum capital

The minimum capital is CHF 50,000, EUR 50,000 or USD 50,000. The minimum capital must be fully paid in or contributed at the time of formation (cash and/or non-cash contribution).

Shares

Bearer or registered shares are permissible, and no minimum nominal value is prescribed. If a company limited by shares has issued bearer shares, it must designate a custodian, who holds the shares and keeps a register. Only those persons who are listed on the register are considered shareholders of the company. The custodian must be recorded in the commercial register.

Governing bodies

General meeting

The supreme governing body is the general meeting. It must be convened at least once a year in order to approve the annual financial statements and fulfil other obligations set down in the statutes and the articles of association. Its powers include the approval of the business report, declaration of the dividend, discharge of the administration, the election of the administration and the appointment of the auditor as well as passing resolutions in connection with the articles of association.

Board of directors

The board of directors manages the business of the company limited by shares and represents it. If the company limited by shares does not operate a form of commercial business, one member of the board of directors who is empowered to manage and represent the company must meet the requirements of

Article 180a (1) or (2) of the Liechtenstein Persons and Companies Act (*Personen- und Gesellschaftsrecht – PGR*).

Companies limited by shares with a share capital of at least one million Swiss francs must have a board of directors of at least three members (exception: companies with only their registered office in Liechtenstein, with or without business premises, or if they manage assets but do not operate other business in the country).

Auditor

Companies limited by shares must appoint an auditor, who must be recorded in the commercial register. Under certain conditions, the company can dispense with the appointment of an auditor.

Liability

For liabilities of the company limited by shares only the company assets are liable. Shareholders are not personally liable for the company's liabilities. Governing bodies may be liable pursuant to general liability provisions.

Accounting rules

Companies limited by shares are obligated to keep proper accounts, regardless of whether they operate a business in a commercial manner or not.

Limited Liability Company

The limited liability company is a legal person with separate legal personality. The purpose of a limited liability company may be of a commercial or non-commercial nature. Whether a limited liability company operates a form of commercial business must be discernible from the provisions concerning the purpose. The limited liability company must be registered in the commercial register in order to come into existence.

Minimum capital

The minimum capital for limited liability companies is CHF 10,000, EUR 10,000 or USD 10,000. The minimum nominal capital must be fully paid in and/or contributed through cash or non-cash contributions at the time of formation. The nominal capital may be set at any amount, but each member's contribution must be at least CHF 50.

Governing bodies

Members' Meeting

The members' meeting forms the supreme governing body of the company.

Management

All members are jointly responsible for managing and representing the limited liability company, unless management has been assigned to one or more persons under the articles of association or by resolution of the members. If the limited liability company does not operate a form of commercial business, then as a rule, one person who is empowered to manage and represent the company must meet the requirements of Article 180a (1) or (2) of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – PGR).

Possible auditor

As a rule, an auditor is to be appointed if the limited liability company operates a form of commercial business.

Liability

Limited liability companies are liable for their obligations solely to the extent of the company assets. Governing bodies may be liable pursuant to general liability provisions.

Accounting rules

All limited liability companies are obligated to keep proper accounts, regardless of whether they operate a form of commercial business or not.

Establishment

The private-law establishment is unique to the Liechtenstein legal system. It is a legally autonomous and organised, permanent undertaking dedicated to economic or other objects with legal personality. The establishment may be structured similar to a corporation (“typical establishment” and “establishment structured like a corporation”) or similar to a foundation (“establishment organised like a foundation [with no founder’s rights]”). The establishment must be registered in the commercial register in order to come into existence.

Minimum capital

The minimum capital for establishments is CHF 30,000, EUR 30,000 or USD 30,000 and must be paid in in cash at the time of formation. It may be divided into establishment shares.

Governing bodies

<u>Typical establishment and establishment structured similar to a corporation:</u>

Bearer of the founder’s rights

The bearer or bearers of the founder’s rights (founder and/or his/her legal successors) constitute the supreme governing body. The founder’s rights may be sold, inherited or otherwise transferred. In practice usually a blank deed of assignment is issued which constitutes a document of evidence.

Board of directors

The board of directors is responsible for managing the establishment and representing it.

Possible auditor

If the establishment operates a form of commercial business, or if the purpose specified in the articles of association permits the operation of same, an auditor must be appointed.

<u>Establishment organised similar to a foundation (with no founder’s rights):</u>

Board of directors

The board of directors – as the sole governing body of the establishment, in addition to a possible auditor – handles the responsibilities of the bearer of the founder rights and is bound by the founder’s requirements as specified in writing.

Possible auditor
If the establishment operates a form of commercial business, or if the purpose specified in the articles of association permits the operation of same, an auditor must be appointed.

Beneficiaries
The bearer of the founder’s rights specifies the beneficiaries in the articles of association or the bylaws. Beneficiaries may be natural persons or legal entities, and they are entitled to the income from the establishment’s assets and/or to the assets themselves. As long as no third parties have been appointed as beneficiaries, there is a statutory presumption (article 545 paragraph 1bis) of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – PGR)) that the bearer of the founder's rights is the beneficiary. The bearer of the founder’s rights may make the entitlement contingent, limit it, place a condition or restriction on it and revoke it at any time.

Liability
Establishments are liable solely to the extent of the establishment assets. Governing bodies may be liable pursuant to general liability provisions.

Accounting rules
Establishments that operate a form of commercial business or whose purpose specified in the articles of association at least permits the operation of same are obligated to keep proper accounts.

Establishments that do not operate a form of commercial business must maintain records and preserve receipts that are appropriate to the financial circumstances, taking into account the principles of proper accounting, and that enable an understanding to be gleaned of business and financial performance.

Foundation

The foundation consists in legally and economically independent special-purpose assets which are formed as a legal person through the unilateral declaration of intent of the founder. The founder allocates the specifically designated foundation assets and stipulates the purpose of the foundation (charitable or private-benefit purpose) and also determines the beneficiaries.

The foundation is formed through a declaration of foundation, which must be made in writing and the signatures of the founders must be certified (deed of foundation). In the case of direct or indirect representation, the signature of the representative shall be certified on the foundation deed.

Charitable foundations must be registered in the commercial register and thereby obtain legal personality.

The same applies to private-benefit foundations operating business in a commercial manner on the basis of a special law. Private-benefit foundations that are not subject to the duty to be registered are required to deposit, within 30 days following formation, notification of formation at the commercial register. They come into existence and obtain legal personality upon completion of the transaction of forming the foundation. However, private-benefit foundations that are not subject to the duty to be registered may register with the commercial register voluntarily.

Minimum capital

The minimum capital for foundations is CHF 30,000, EUR 30,000 or USD 30,000. The minimum capital must be fully paid in and/or contributed at the time of formation (cash or non-cash contribution).

Governing bodies

Foundation council

The supreme governing body of the foundation is the foundation council. It shall manage the business of the foundation, represent it and is responsible for the fulfilment of the foundation's purpose. It is composed of at least two members, who may be natural persons or legal persons.

Possible auditor

As a rule, charitable foundations and private-benefit foundations that are subject to the duty to be registered are obligated to appoint an auditor.

Private-benefit unregistered foundations that voluntarily submit to the Foundation Supervisory Authority (STIFA), as well as private-benefit foundations that are not subject to the duty to be registered and have voluntarily registered in the commercial register, are likewise obligated to appoint an auditor. In the case of voluntary registration in the commercial register, the auditor must also be registered in the commercial register.

Optional bodies

The founder may designate other bodies. Common to all of them is that they do not have any power of representation. The additional governing bodies (curators or advisory board etc.) may be given not only supportive and monitoring functions but also decision-making powers. For their part, the other bodies are bound by law, the foundation purpose and the founder's intent. Instructions that are contrary to law or the foundation purpose are of no relevance. Likewise, optional bodies may be granted approval or veto rights.

Beneficiaries

Beneficiaries are deemed to be the natural or legal person which, with or without consideration, in fact, unconditionally or subject to certain prerequisites or conditions, for a limited or unlimited period, with or without restrictions, with or without the possibility of revocation, at any time during the legal existence of the foundation or on its termination, derive or may derive an economic benefit from the foundation (beneficial interest). Beneficiaries are divided into entitled beneficiaries, prospective beneficiaries, discretionary beneficiaries and ultimate beneficiaries.

Liability

For liabilities of the foundation only the foundation assets are liable.
The foundation board is personally liable for the proper fulfilment of the founder's requirements. In order to monitor this, the founder can provide for a supervisory board, which monitors the foundation council and initiates appropriate legal steps in the event of any misconduct.

Accounting rules

Foundations that operate a form of commercial business or whose purpose specified in the deed of foundation at least permits the operation of same are obligated to keep accounts. For all other foundations, the foundation council shall, in respect of the management and appropriation of the foundation assets and taking into account the principles of orderly bookkeeping, maintain records appropriate to the financial circumstances of the foundation and keep supporting documents that allow the course of business and the development of the foundation assets to be traced.

If a foundation registered in the commercial register does not operate business in a commercial manner or same is at least not permitted pursuant to the deed of foundation, it must submit to the commercial register a declaration in accordance with Article 182b) of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – PGR (compliance with the declaration obligation)) within six months of the close of the financial year.

Foundation supervision

Charitable foundations and private-benefit foundations required to be registered are subject to the supervision of the Foundation Supervisory Authority (STIFA).

Private-benefit foundations that are not required to be registered may voluntarily submit to supervision by the STIFA.

STIFA examines whether the foundation assets are managed and appropriated in accordance with their purposes. Where necessary, it applies with the court for appropriate measures. In the case of unregistered foundations, it is entitled to monitor the accuracy of the notifications of formation and amendment.

Trust Settlement

The trust settlement is based on the Anglo-American model of the trust. The trust settlement is a legal instrument designed to protect and/or preserve assets, and it is not subject to any restriction as to purpose – within the limits of the law.

The settlor transfers to the trustee moveable or immoveable property or a right (as trust property), of whatever kind with the obligation to administer or use such property in the trustee's own name as an independent legal owner for the benefit of one or several third persons (beneficiaries) with effect towards all other. The trustee may be a natural person or legal person.

The trust settlement is not a legal person and does not have legal personality. The trust is a contractual legal relationship and comes into being through a written agreement (deed of trust) between the settlor and the trustee or through a unilateral declaration of trust and its acceptance. The assets transferred to the trustee no longer form part of the settlor's assets.

If the trust settlement is established for a period of more than 12 months, it must be registered in the commercial register within 12 months of its establishment, provided that the trustee or one of the co-trustees has his/her/its place of residence and/or registered office in Liechtenstein or a simple or certified copy of the deed of establishment is to be filed with the Office of Justice in accordance with the requirements concerning deed filing.

Minimum capital

No minimum amount (minimum trust property) is prescribed.

Involved parties

Settlor

The settlor may be any natural person or legal person with capacity to contract. As a rule, the settlor loses his/her/its ability to exert influence after the trust settlement is established, unless he/she/it reserves revocation or amendment rights.

Trustee

The trustee or trustees is/are responsible for the management. The trustee manages the assets in his/her/its own name, with the obligation to do so in the interest of the beneficiaries. The trustee is entitled to dispose of the trust property like an owner; the trustee is the legal owner. However, the trustee must observe the general duties of care, the duty of loyalty (avoidance of conflicts of interest), the requirements in the deed of trust and the obligatory statutory provisions.

Controlling bodies

In order to ensure compliance with the provisions in the deed of trust, an auditor, a protector (advisor), a curator or a "Kollator" may be appointed.

Liability

As a rule, the trustee is personally liable to the extent of his/her/its entire assets in the event of a breach of duty. The trustee must manage and use the assets with the care and diligence of a prudent businessperson, under strict observance of the deed of trust. In addition, in the event of a breach of his/her/its duty of loyalty, the trustee must surrender the profits, irrespective of fault ("the fruit belongs with the tree").

Beneficiaries

The settlor may designate himself/herself as beneficiary during his/her lifetime and specify how the assets are to be utilised after his/her death or appoint third parties as beneficiaries. If no references to beneficiaries are evident, there is a legal presumption that the settlor himself/herself is the beneficiary. Beneficiaries have rights comparable to those of ownership.

Applicability of foreign law

In Liechtenstein, trust settlements can also be formed under foreign law. In such case, the provisions of foreign law concerning trust settlements are to be adopted broadly in the deed of trust and will apply between the settlor, the trustee and the beneficiaries. With respect to third parties, however, Liechtenstein law is applicable.

Accounting rules

As the persons responsible for managing the trust settlement, the trustees are obligated to provide an extensive account of their activity. They must keep the trust property strictly separate from their own assets (separate assets). In some circumstances, the trustees must keep orderly accounting records. The trustee must at a minimum set up a special asset register concerning the trust property and update it annually.

Minimum corporate earnings tax

The assets of a Liechtenstein trust settlement are subject only to minimum corporate earnings tax of currently CHF 1,800.

Trust Enterprise with Legal Personality (trust reg.)

The trust enterprise is a special form of trust and expands the possibilities for using the trust. There are two types of trust enterprises: the trust enterprise without legal personality and the trust enterprise with legal personality (trust reg. = registered trust enterprise).

The following addresses the trust enterprise with legal personality (trust reg.), which is the relevant type in practice.

The trust reg. is an undertaking managed or further operated on the basis of the trust articles by one or several trustees (as fiduciary owners), under their own name or legal name which, as a legally autonomous undertaking, pursues organised, economic or other objects with its own assets (legal person).

This corporate form can be used in a very flexible manner, since it can be structured like a corporation (pursuing commercial purposes) or like a foundation (serving ideal purposes, e.g. estate planning or asset or rights management). However, it must be clearly visible from the designated purpose whether or not commercial activities are to be pursued.

To establish a trust reg. a written trust charter (articles of association) signed by the settlor or the trustee(s) is required, and the signatures must be certified. One legal person or natural person is sufficient to form a trust reg. The trust reg. must be registered in the commercial register and with the registration obtains legal personality.

Minimum capital

The minimum capital for a trust reg. is CHF 30,000, EUR 30,000 or USD 30,000. The minimum capital must be fully paid in and/or contributed at the time of formation (cash or non-cash contribution). The trust fund may also be divided into units, with or without a securities character, and be successively increased or decreased.

Governing bodies

Settlor

The supreme governing body of the trust reg. is the settlor. He/she/it provides the capital.

Board of trustees

The board of trustees (consisting of trustees) exercises the management responsibilities for the trust reg. Management may be assigned to individual trustees or to third parties.

Possible auditor

The appointment of an auditor is mandatory if a business is operated in a commercial manner or could be operated in a commercial manner according to the articles of association.

Beneficiaries

Beneficiaries (trust beneficiaries) are those who, according to the articles of association or by-laws, are entitled to derive a benefit (present or future) from the trust reg. as a share of income or the trust assets. The benefit may be conditional, limited in time, subject to conditions and revocable if granted gratuitously.

Beneficiary rights may be assigned (in whole or in part), bequeathed, encumbered and pledged – unless excluded in the articles of association or a personal right exists.

Liability

The trust reg. is liable for its debts solely to the extent of the trust assets and/or the trust fund.

Accounting rules

If the trust reg. operates a form of commercial business or its articles of association at least permit the operation of one, it is obligated to keep proper accounts.

If the trust reg. does not operate a form of commercial business, it must maintain records and preserve receipts that are appropriate to the financial circumstances, taking into account the principles of proper accounting, and that enable an understanding to be gleaned of business and financial performance.

Special forms

Protected cell company (PCC)

The PCC is not a legal form but rather an organisational form that as a general rule enables legal persons to split up into various segments through transformation. The field in which each segment operates must be legally permissible and fit the purpose of the legal person.

Legal persons may be segmented if they exclusively pursue one or more of the following aims:

- public-benefit or charitable purposes as referred to in Article 107(4a) of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – PGR)
- Acquisition, management and realisation of holdings in other undertakings (subsidiaries)
- utilisation of copyrights, patents, trademarks, models or patterns
- Deposit guarantee and investor-protection schemes in accordance with the applicable EEA law.

Every PCC must appoint an auditor, with the obligation to record the auditor being dependant on the respective legal form of the PCC.

Segmenting must be provided for in the articles of association.

For the purpose of protecting creditors, a special report by an auditor or expert must establish that any creditor claims are fully covered, even despite conversion.

The conversion must be officially announced. The PCC must be registered in the commercial register after two months have elapsed.

The PCC organisational form must be recognizable from either the suffix “Segmentierte Verbandsperson” or the abbreviation “SV” or the suffix “Protected Cell Company” or the abbreviation “PCC”.

The introduction of the PCC provides attractive structuring options for limiting liability, including for foundations with an exclusively public-benefit purpose and for holding foundations.

Private asset structure (PVS)

The PVS is a legal person that may not carry out any economic activity in the pursuit of its purpose. It is tax privileged, by being subject to only the minimum corporate earnings tax of CHF 1,800 per year. The status as PVS is approved by the fiscal authority upon request. In order for a legal person to qualify as a PVS, it must meet the following requirements:

- In the pursuit of their objective do not perform any economic activity
- Limitation of the investor group – commercial enterprises must not be investors in a PVS
- No solicitation of unit owners or investors
- No public offering of shares or units
- No remuneration of the activity of the PVS
- Articles of association must confirm the PVS restrictions
- No exercise of influence over the management of affiliated companies, unless the affiliated company also does not engage in commercial activities, for example is itself a PVS.

Entering the liquidation phase by a legal person does not lead to a change in the tax regime, i.e. in the liquidation phase, legal entities are liable for tax pursuant to Article 64 of the Tax Act (*Steuergesetz – SteG*) only if they were already liable for tax pursuant to Article 64 of the Tax Act (Steuergesetz – SteG) prior to commencement of the liquidation phase.

Further information

Obligations with respect to AEOI/FATCA/DDA

As a general rule, companies are established in Liechtenstein by a trustee licensed in the country or by a company with a trustee licence. Acting in a fiduciary capacity, the trustee or trust company forms a company in its own name but for the account of the client. When a business relationship is established with a trustee (e.g. setting up a company), as well when bank accounts are opened at Liechtenstein banks, the beneficial owner must be disclosed in satisfaction of the disclosure requirements relating to the automatic exchange of information (AEOI) and the Foreign Account Tax Compliance Act (FATCA).

In addition, the trustee/trust company must assure itself – particularly as a result of the obligations incumbent on it pursuant to due diligence legislation – that the assets being contributed were not unlawfully acquired. The involved persons must be identified and/or determined, the review must be documented and a comprehensive profile of the business relationship must be created.

Register of Beneficial Owners (VwbP)

The Act on the Register of Beneficial Owners of Legal Entities (*Gesetz über das Verzeichnis der wirtschaftlich berechtigten Personen von Rechtsträgern – VwbPG*) entered into force on 1 April 2021. The VwbPG transposes the requirements of the 5th EU Anti-Money Laundering Directive (Directive (EU) 2018/843) concerning the register of beneficial owners of legal entities. The Register of Beneficial Owners is maintained for the purpose of preventing money laundering, predicate offences to money laundering and terrorist financing. It contains data about the beneficial owners of legal entities. According to VwbPG, legal entities are companies, foundations and also trust settlements. They are obligated to record beneficial owner data in an online register provided for that purpose.

Taxes and duties

Liechtenstein has a modern, attractive and internationally recognised tax system. Legal entities are subject to corporate earnings tax. The corporate earnings tax rate is 12.5% (flat tax) with a minimum corporate earnings tax of CHF 1,800.

The Liechtenstein tax system offers attractive framework conditions for trade and industry as well as for holding structures, funds, trust companies, insurance companies and banks due to the low corporate earnings tax.

The taxable net income consists of the total income reduced by the business-related expenses.

In addition to the corporate earnings tax rate of 12.5%, the effective tax amount also depends on deductible interest on equity, which can be claimed as a business expense and thus lowers the corporate earnings tax assessment basis. The equity interest deduction is calculated on the modified equity. The rate is set each year. The current equity interest deduction is 4%.

Capital tax

The levying of a capital tax is waived.

Withholding tax

No national withholding tax is imposed on interest, dividends or licences.

Stamp duties

As a result of the Treaty of 29 March 1923 regarding the inclusion of Liechtenstein in the Swiss Customs Union, the Swiss Federal Act on Stamp Duties (StA; *Bundesgesetz über die Stempelabgaben – StG*) is also applicable in Liechtenstein. Swiss stamp duties are stamp taxes, a form of a transaction tax that is levied when securities are issued or traded.

The issuance stamp duty is imposed when domestic issuers issue participation rights (shares, participation certificates, limited liability interests and cooperative shares) or increase their nominal value. The duty amounts to 1%. Exempt from this are, in particular, capital increases in the case of an open reorganisation as well as in the case of certain types of restructuring, such as company mergers. Since 1 March 2012, an issuance stamp duty has no longer been levied on the issue of bonds and money-market securities. In addition, CHF 1,000,000 is exempt from the issuance stamp duty in the case of a formation or a capital increase.

In addition to the issuance stamp duty, stamp duties include the transfer stamp duty (imposed when securities are transferred in exchange for payment) and the insurance stamp duty (duty on insurance premiums).

Fees

Pursuant to the Fee Regulation, fees are payable to the Liechtenstein Commercial Register for registering in the commercial register, filing formation documents and recording signing authorities or functions, as well as for recording a representative office and address for service of process.

Value-added tax

As a result of treaty agreements between Liechtenstein and Switzerland, the territories of the two countries form a common area for value-added tax purposes (called “VAT domestic territory”). Since 1 January 2018, various tax rates have applied to turnover that is not excluded or exempt from tax (such as exports): normal rate: 7.7% (new as of 01.01.2024: 8.1%); reduced rate: 2.5% (new as of 01.01.2024: 2.6%); and special rate: 3.7% (new as of 01.01.2024: 3.8%). Liability for value-added tax and thus the obligation to periodically account for turnover depends on the scope of the services provided each year domestically and abroad that are not excluded from tax. If the amount of turnover specified by statute (CHF 100,000) is generated, or if it is already clear when the entrepreneurial activity is commenced that the relevant amount will be exceeded, an enterprise is required to registers as the taxpayer, and it is assigned a value-added tax number. Liable for tax are, specifically, natural persons (sole proprietorships), partnerships (general and limited partnerships), legal persons under private and public law, dependent establishments and groups of persons without legal capacity that generate turnover under a shared name.

Note:
The choice of the suitable legal form is only one of many aspects that play a role when forming a company. The members of the Institute of Professional Trustees and Fiduciaries will be pleased to provide you with advice and a comprehensive location analysis.