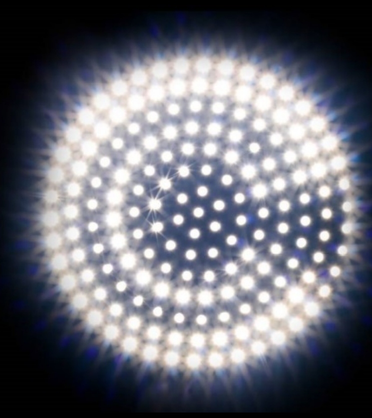
International Tax
Liechtenstein Highlights 2017



Investment basics:

Currency – Swiss franc (CHF)

Foreign exchange control – No restrictions are imposed on the import or export of capital.

Accounting principles/financial statements – Liechtenstein GAAP. Financial statements must be prepared annually.

Principal business entities – These are the corporation (AG), limited liability company (GmbH), foundation (*Stiftung*), establishment (*Anstalt*), trust (*Treuhänderschaft*) and branch of a foreign company.

Corporate taxation:

Residence – Companies with their legal seat (registered office) or place of effective management in Liechtenstein are considered resident for tax purposes.

Basis – Resident companies are taxed on their worldwide income, except for profits derived from foreign branches and foreign immovable property, which are tax-exempt. Real estate capital gains from Liechtenstein sources are exempt to the extent they are subject to real estate capital gains tax. Nonresident companies are taxed on permanent establishment/branch income and/or income from immovable property located in Liechtenstein.

Taxable income – Corporate income tax is levied on a company's profit before tax, which consists of business/trading income, passive income and capital gains, but an exemption is granted for dividend income and capital gains from participations. Recaptured depreciation on participations is taxable. A notional interest deduction of 4% is granted on the modified equity of the company, but the notional interest deduction cannot create or increase tax loss carryforwards.

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

Capital gains – Capital gains are treated as ordinary income (and losses are deductible), regardless of the length of time the assets have been held. If assets are sold to a shareholder or related corporation at a price below market value, gains may be reassessed for tax purposes. Capital gains derived from the sale of a participation are exempt (there is no minimum holding requirement). Recaptured depreciation on participations is taxable. For capital gains on real estate, see below under "Real property tax."

Losses – Losses may be carried forward indefinitely and set off against taxable profits. The reduction in taxable income for a given year is limited to 70% of the profit before the utilization of tax loss carryforwards. Losses may not be carried back. Losses of foreign permanent establishments and foreign group companies may be used, subject to a recapture rule.

Rate – 12.5%

Surtax – No

Alternative minimum tax – A minimum tax of CHF 1,200 applies (except for small businesses).

Foreign tax credit – No credit is granted for foreign tax paid (except for nonrefundable withholding tax on interest and royalties under applicable tax treaties and in cases of reciprocity).

Participation exemption – Capital gains derived from the sale of a participation, as well as dividends from participations, are exempt. There is no minimum holding requirement.

Holding company regime – None, but a full exemption is available for dividends and capital gains from the sale of participations.

Incentives – Liechtenstein allows for a notional deduction of 80% of the net income from intellectual property acquired or created on or after 1 January 2011. There also is a notional interest deduction on modified average equity (currently 4%), capped at the level of the current year taxable profit.

Special rules apply for the operation of merchant ships and to private investment structures.

Withholding tax:

Dividends – There is no withholding tax on dividend distributions. Accrued reserves accumulated before 1 January 2011 were, however, subject to an old reserves practice under which the previous dividend withholding tax rate of 2.5% applied. Irrespective of any dividend distributions, these old reserves were subject to tax on 31 December 2015, at the latest.

Interest – No

Royalties – No

Technical service fees – No

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – The employer is required to withhold wage tax on a monthly basis from an employee's income and remit it to the tax authorities.

Real property tax – None, but the sale of real estate located in Liechtenstein or the sale of shares in a Liechtenstein real estate company is subject to real estate capital gains tax. The real estate capital gains tax is calculated with a municipal multiplier of two, regardless of in which municipality the real estate is situated or the residence of the seller. The holding period has no impact on the real estate capital gains tax rate.

Social security – The employer generally is required to pay slightly more than 50% of the employee's social security and pension fund contributions. The employer must deduct contributions from salary and remit the total amount to the social security authorities.

Stamp duty – Liechtenstein is considered part of Switzerland for stamp tax purposes, based on the Customs Union Agreement of 29 March 1923. As a result, the Swiss stamp duty of 1% is levied on contributions to the equity of a Liechtenstein company, regardless whether the contributions are made in cash or in kind. A CHF 1 million exemption threshold applies to the issuance of shares. Reorganizations, such as mergers, spinoffs of corporate assets or transfers of a company's domicile from abroad typically are exempt from such tax. Where the Swiss issuance stamp tax does not apply due to different private law regulations, a Liechtenstein-specific issuance stamp tax is levied, which ranges from 1% for the first CHF 5 million, to 0.5% for contributions exceeding CHF 5 million and 0.3% for contributions exceeding CHF 10 million. The exemption threshold of CHF 1 million is applicable.

Transfer tax – Also based on the Customs Union Agreement, the Swiss securities transfer tax is applicable to security dealers resident in Liechtenstein. The transfer of securities by security dealers is subject to a 0.15% tax on Swiss and Liechtenstein securities, and a 0.3% rate on foreign securities.

Anti-avoidance rules:

Transfer pricing – Liechtenstein does not have any formal transfer pricing legislation or documentation requirements, although all related-party transactions with Liechtenstein entities must be carried out on arm's length terms. In general, Liechtenstein follows the OECD transfer pricing guidelines.

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – Accounting year

Consolidated returns – Companies within a tax group (common ownership of at least 50%) may opt for group taxation. Both domestic and foreign subsidiaries may be integrated in a group with a Liechtenstein head of the tax group. Losses can be allocated on a pro rata basis to the head of the group and other group members (subject to a recapture rule).

Filing requirements – The tax return must be filed by 1 July of the year following the tax year. Tax payments are due by 31 August following the tax year.

Penalties – Penalties apply for late filing or failure to file.

Rulings – Advance rulings may be requested from the tax authorities to obtain certainty on the domestic tax consequences arising from a contemplated transaction.

Personal taxation:

Basis – Resident individuals are taxed on their worldwide wealth (on which a notional income is calculated) and worldwide income, except for profits from, and net wealth in, foreign businesses, foreign branches and foreign immovable property, which are tax- exempt Nonresidents are taxed on Liechtenstein employment income, business profits and profits attributable to immovable property located in Liechtenstein.

Residence – Residence is determined based on whether an individual has a domicile in Liechtenstein or intends to stay in Liechtenstein permanently, as indicated by the location of the center of his/her personal and business interests.

Filing status – A married couple is assessed jointly, although the couple file an application for separate assessment.

Taxable income – Income tax applies to all income derived from compensation for work performed and to income from capital (i.e. for movable and immovable property), calculated as a notional income of 4% of net wealth.

Capital gains – Liechtenstein levies a separate capital gains tax on the sale of real property situated in Lichtenstein, but no tax is levied on personal capital gains from movable property that is not considered a business asset.

Deductions and allowances – Various expenses may be deducted in computing the taxable income, including certain donations and alimony. Personal allowances are granted to the taxpayer, his/her spouse and dependent children.

Rates – Rates for national income tax are progressive up to 8%. Municipal multipliers range from 1.5 to 2.5 (i.e. the theoretical maximum combined rate amounts to 28%).

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – No, but notional income on the net value of property is subject to income tax.

The sale of real estate located in Liechtenstein or the sale of shares in a Liechtenstein real estate company are subject to real estate capital gains tax, which is imposed according to the general tax rate schedule for individuals. The real estate capital gains tax is not subject to any holding period.

Inheritance/estate tax – No

Net wealth/net worth tax – Net wealth is multiplied by 4% to calculate the notional income from wealth, which is subject to income tax.

Social security – Old age and disability insurance (AHV/IV) is mandatory for all employees. The total employee contribution is divided between the employer and the employee. The employer is required to deduct contributions from salary and remit the total amount to the social security authorities. Professional pension plans are mandatory for employees. Private pension plans are voluntary.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – The normal filing deadline is in April of the year following the tax year. The tax generally is due upon assessment by the tax authorities.

Penalties – Penalties apply for late filing or failure to file.

Value added tax:

Taxable transactions – Liechtenstein is considered part of Switzerland for VAT purposes, based on the 1923 Customs Union Agreement. VAT applies to the sale of goods and services in Liechtenstein, and to the import of goods and services into Liechtenstein. Exports of goods and services are, in principle, 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. most banking services) are exempt. A special 3.8% rate applies to the hotel and lodging industry.

Registration – Enterprises whose annual turnover exceeds CHF 100,000 must register for VAT purposes.

Filing and payment – VAT returns must be filed quarterly, and the relevant VAT amount has to be remitted to the tax authorities.

Source of tax law: Law on National and Municipal Taxes, Swiss Stamp Tax Law (StG), Swiss VAT Law (MWSTG)

Tax treaties: Liechtenstein has concluded 16 tax treaties. Liechtenstein and Switzerland recently concluded a new tax treaty that will become effective on 1 January 2017.

Tax authorities: National Tax Administration

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