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 reg. (trust with personality / Treuunternehmen mit Persönlichkeit), 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. Losses on participations are not tax deductible. Recaptured depreciations on participations made before 2019 are taxable. A notional interest deduction (NID) of 4% is granted on the modified equity of the company, but the NID cannot create or increase tax loss carryforwards and the NID will not be granted where transactions are concluded solely for the purpose of increasing the notional interest deduction.
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 except of losses on participations), 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) and losses are not tax deductible. Recaptured depreciation on participations made before 2019 are 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 1,800 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** – Dividends received from participations and capital gains derived from the sale of qualifying participations are exempt from tax (however, see below "Anti-avoidance rules” for exceptions).

**Holding company regime** – None, but a full exemption is available for dividends and capital gains from the sale of participations (however, see below "Anti-avoidance rules” for exceptions).

**Incentives** – As noted above, an NID is available 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.

**Interest** – No

**Royalties** – No

**Technical service fees** – No

**Branch remittance tax** – No

**Other** – A 12% tax is levied on remuneration paid to members of the board of directors of Liechtenstein entities. If remuneration is higher than CHF 200,000, it results in an unrestricted tax liability.

**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 tax is calculated with a municipal multiplier of two, regardless of 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 (e.g. for foundations and establishments whose capital is not divided), a Liechtenstein-specific issuance stamp tax is levied on the statutory capital (not on contributions), 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** – Taxpayers that are part of a group of companies with consolidated turnover of more than CHF 900 million are required to document the appropriateness of transfer prices by means of a master file and local file according to the OECD transfer pricing guidelines. Taxpayers that are not required to prepare master files and local files must document the appropriateness of transfer prices in accordance with the provisions of the Tax Ordinance, but the documentation is less than what is necessary under the OECD transfer pricing guidelines if the taxpayer meets three criteria: (i) total assets of more than CHF 25.9 million; (ii) net turnover of the previous year exceeding CHF 51.8 million; and (iii) more than 250 employees on average. Taxpayers that do not meet the above thresholds must document compliance with the arm’s length principle with appropriate documents.

**Thin capitalization** – No

**Controlled foreign companies** – No

**Disclosure requirements** – Liechtenstein has adopted country-by-country (CbC) reporting in accordance with the recommendations under the OECD’s BEPS project, effective 1 January 2017.

**Other** – Dividends and capital gains from participations in foreign entities will not qualify for the exemption under the participation exemption if the following conditions are fulfilled: (i) more than 50% of the gross income of the
foreign entity is in the form of passive income; and (ii) the foreign entity is subject to low taxation, i.e. a rate of less than 6.25% or less than 50% of the effective Liechtenstein tax. Under a transitional rule, the anti-avoidance rules will not apply until 1 January 2022 for participations acquired before 31 December 2018, but for participations acquired after that date, the new rule applies. In addition, dividends that are tax deductible by the paying entity are not tax exempt (hybrid mismatch).

**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. 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. Extensions are possible. 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 of 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 can 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 notional income of 4% of net wealth.

**Capital gains** – Liechtenstein levies a separate capital gains tax on the sale of real property situated in the country, 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 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 could range from 1.5 to 2.5, although in practice it is from 1.5 to 1.8 (i.e. the maximum rate is 22.4%).

**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 and 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 (payroll tax is credited).

**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 7.7%. Certain goods and services are subject to a reduced rate of 2.5%, and others (e.g. most banking services) are exempt. A special 3.7% 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 (SteG), Swiss Stamp Tax Law (StG), Liechtenstein VAT Law (MWSTG)

Tax treaties: Liechtenstein has concluded 19 tax treaties.

Liechtenstein signed the OECD MLI on 7 June 2017.

Tax authorities: National Tax Administration

Contact:
Rene Zulauf (rzulauf@deloitte.ch)
Anna Bussmann (abussmann@deloitte.ch)