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International Tax

Liechtenstein Highlights 2021

Updated January 2021

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 applies. 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

Rates	
Corporate income tax rate	12.5% (in general)
Branch tax rate	12.5% (in general)
Capital gains tax rate	0%/12.5%; separate capital gains tax applies to sales of real property

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.

Branches are taxed in the same way as subsidiaries.

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 (however, see "Other" under "Anti-avoidance rules" for an exception from the participation exemption). Losses on participations are not tax deductible. Recaptured depreciation on participations made before 2019 is 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 NID.

Rate: The standard corporate income tax rate is 12.5%.

Surtax: There is no surtax.

Alternative minimum tax: A minimum tax of CHF 1,800 applies (except for small businesses).

Taxation of dividends: Dividends received by a resident company are exempt from taxation (however, see “Other” under “Anti-avoidance rules” for exceptions).

Capital gains: Capital gains are treated as ordinary income (and losses are deductible except for losses on participations), regardless of the length of time the assets have been held. If assets are sold to a shareholder or related party 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 (however, see “Other” under “Anti-avoidance rules” for exceptions). Recaptured depreciation on participations made before 2019 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.

Foreign tax relief: 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 participations are exempt from tax (however, see “Other” under “Anti-avoidance rules” for exceptions).

Holding company regime: There is no holding company regime, but a full exemption is available for dividends and capital gains from the sale of participations (however, see “Other” under “Anti-avoidance rules” for exceptions).

Incentives: As noted above, an NID is available on modified 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.

Compliance for corporations

Tax year: The tax year is the 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 and payment: Tax returns must be filed by 1 July of the year following the tax year. Extensions until 31 December of the year following the tax year are possible if a provisional tax invoice is paid. Tax payments generally are due by 30 September 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.

Individual taxation

Rates

Individual income tax rate (highest rate)	Taxable income (CHF)	Rate (national income tax, not including municipal multipliers)
	Up to 15,000	0%
	15,001–20,000	1%
	20,001–40,000	3%
	40,001–70,000	4%
	70,001–100,000	5%
	100,001–130,000	6%
	130,001–160,000	6.5%
	160,001–200,000	7%
	Over 200,000	8%
Capital gains tax rate		0% (in general); separate capital gains tax applies to sales of real property

Residence: Residence is determined based on whether individuals have a domicile in Liechtenstein or intend to stay in Liechtenstein permanently, as indicated by the location of the center of their personal and business interests.

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.

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.

Rates: Rates for national income tax are progressive up to 8%. Municipal multipliers may range from 1.5 to 2.5, although in practice they range from 1.5 to 1.8 (i.e., the maximum rate is 22.4%).

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, the taxpayer's spouse, and dependent children.

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

Compliance for individuals

Tax year: The tax year is the calendar year.

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

Filing and payment: The normal filing deadline is in mid-April of the year following the tax year. Extensions until mid-September of the year following the tax year are possible if a provisional tax invoice is paid. 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.

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

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%	0%
Interest	0%	0%	0%	0%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%

Dividends: There is no withholding tax on dividend distributions.

Interest: There is no withholding tax on interest.

Royalties: There is no withholding tax on royalties.

Fees for technical services: There is no withholding tax on fees for technical services.

Branch remittance tax: There is no branch remittance tax.

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 ordinary assessment.

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.

Liechtenstein has adopted country-by-country reporting in accordance with the recommendations under the OECD BEPS project.

Interest deduction limitations: There are, in principle, no interest deduction limitation rules.

Controlled foreign companies: There are no CFC rules.

Hybrids: Dividends that are tax deductible by the paying entity are not tax exempt (hybrid mismatch).

Economic substance requirements: There are no economic substance requirements to be met from a tax perspective. However, there are restrictions under the criminal code, as "tax savings" is a predicate offense for money laundering.

Disclosure requirements: See under "Transfer pricing."

Exit tax: Assets and liabilities that are transferred abroad are deemed to be transferred at arm's length.

General anti-avoidance rule –The tax authorities treat a situation as tax avoidance that is (i) unusual, improper, and bizarre and seems inappropriate to the economic situation, (ii) has the purpose of saving taxes, and (iii) leads to an effective tax savings.

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.

Value added tax

Rates	
Standard rate	7.7%
Reduced rate	0%/2.5%/3.7%

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, the acquisition of services from businesses domiciled abroad, and the import of goods. Exports of goods and most services provided to nonresident recipients are, in principle, zero-rated or not subject to Liechtenstein VAT.

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, in principle, register for VAT purposes.

Persons not registered as VAT payers that acquire services from abroad exceeding CHF 10,000 in a calendar year are subject to VAT under the reverse-charge mechanism and must register by 28 February of the following year and account for VAT at 7.7% on the services.

Filing and payment: VAT returns must, in general, be filed quarterly, and the relevant VAT amount must be remitted to the tax authorities. The filing and payment must be completed within two months after the end of each quarter.

Other taxes on corporations and individuals

Social security contributions: 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 generally is required to pay slightly more than 50% of the employee's social security contributions. The employer must 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.

Payroll tax: There is a wage tax, and the employer is required to withhold wage tax on a monthly basis from an employee's income and remit it to the tax authorities. The wage tax may be limited under an applicable tax treaty.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax, 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. However, in the case of companies, the recapture of depreciation is taxed at the corporate income tax rate. The capital gains tax is imposed based on the general tax rates for individuals. The tax is calculated with a municipal multiplier of two, regardless of the municipality in which 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.

In addition, for individuals, notional income on the net value of property is subject to income tax.

Transfer tax: Based on the Customs Union Agreement of 29 March 1923, the Swiss securities transfer tax is applicable to securities dealers resident in Liechtenstein. The transfer of securities by securities dealers is subject to a 0.15% tax on Swiss and Liechtenstein securities, and a 0.3% rate on foreign securities.

Stamp duty: Also based on the Customs Union Agreement, Liechtenstein is considered part of Switzerland for stamp tax purposes. As a result, the Swiss stamp duty of 1% is levied on contributions to the equity of a Liechtenstein company, regardless of 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.

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

Inheritance/estate tax: There is no inheritance/estate tax.

Tax treaties: Liechtenstein has concluded 23 tax treaties. The OECD multilateral instrument (MLI) entered into force for Liechtenstein on 1 April 2020.

Tax authorities: National Tax Administration

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