

ATTRACTIVE COMPANY LOCATION

Flat Rate Tax on Earnings

The Principality of Liechtenstein's new tax laws which came into force on 1st January 2011 continues a tradition of beneficial taxation of active companies. Commercially active legal entities in Liechtenstein are only subject to a 12.5% tax on net profits. Parallel to the introduction of this attractive company tax, the Government has initiated an offensive to attract high return companies.

With the 2011 tax reform Liechtenstein has achieved its goal of modernising the tax laws which stem from 1961 and, at the same time, has introduced a European-compatible form of taxation. Legal entities which are commercially active, are subject to a general tax on earnings at a flat rate of 12.5% on net profits. Capital tax, within the terms of the tax revision, together with the special company tax for holdings and domicile companies have been abolished.

In order to maintain Liechtenstein's position in asset administration, legal entities can now qualify as Private Asset Structures (PVS) and are subject to a special tax which is levied on the volume of the paid-up capital or at a flat rate of 1200 Swiss Francs p.a. The EFTA Surveillance Authority (ESA) has judged the regulations on private asset structures in the new tax laws as conforming to EEA rules and thereby confirmed them at a European level. The ESA decision is a major contribution to legal certainty for future asset administration structures. Liechtenstein, as an internationally focused economic and financial location, now has, through the new tax laws, an internationally competitive tax system for commercially active and holding companies.

Attractive Taxation for Active Companies

Liechtenstein's aim was to create a 'state of the art tax law' based on the latest knowledge of international taxation and the changing economic and legal framework at home and abroad. The introduction of a 12.5% flat rate tax on earnings is a major contribution to making the Principality internationally competitive with regard to company taxation and, at the same time, an attractive location for current and future based companies. This flat rate is combined with a comprehensive tax exemption on participation dividends and profits. The 4% deduction of interest on own capital balances off the discrepancies between own and borrowed capital. A liberal group tax allows companies integrated into a national or international concern, to balance off losses within a given period.

Company Location with Exceptional Conditions

Within the terms of „*Futuro*“, Liechtenstein started an offensive to develop the location of companies by not only offering exceptional conditions to the financial service sector and industry but also to small and middle-sized companies. In keeping with „*Futuro*“, Liechtenstein’s industry will in future be further characterised by wide diversification and its leading international position in productivity and innovation. The most demanding and profitable members of the economic community will find Liechtenstein to be an attractive and well-situated location. Liechtenstein’s SMEs, with their innovative and high-quality products and services, see themselves as major performance partners for industry, finance, the public sector and private customers. The attractive fiscal conditions accompanied by other measures are an essential part of the vision to provide a conducive climate for the location of new companies. An integral part of these measures is a stable economic policy together with the least possible number of government regulations.

Political “Agenda 2020” Focuses on Business Location

„Agenda 2020“, the strategic government plan for the long-term development of Liechtenstein, also envisages the goal of strengthening the economic location. In addition to attractive taxes for legal entities, other factors such as flexible employment laws, stable social partnerships, the availability of qualified employees, the quality of professional trainings as well as educational and research institutions are at the forefront. A legal framework for new business fields in the financial service sector e.g. in the area of multi-family office, private equity and venture capital is in planning. Industry and business zones will be created for the production sector, prepared in such a way that investors will not hesitate to use them.

Founding a Company in 10 Days

Liechtenstein, in accordance with „*Futuro*“, is becoming a leading commercial location which not only offers industry and finance exceptional onsite conditions but also local small and middle-sized companies (SMEs). In addition to the attractive fiscal climate and the simplification of recruitment of highly qualified employees on the employment market other important factors include an efficient administration that sees itself as a service provider to business. The Department of Economics has decided to introduce a system of “One-Step-Administration”. The advantages of modern communication will be combined with effective administration: for the entrepreneur this means one-point of contact, independent of the point of administration, instead of a number of applications and procedures with various authorities. The result is a “one-stop-shop” system with a high-speed internet portal and the curtailing of communication procedures and waiting periods for permits. This will shorten the communication routes and lead to a rapid completion of individual procedures – a company can be founded in just 10 days.