
Doing Business in Liechtenstein

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MSI's guide on Doing Business in Liechtenstein provides current information about the financial, regulatory and legal considerations that could affect business dealings within Liechtenstein. For further assistance please contact our MSI member firm in Liechtenstein.

Country overview

Geography

Liechtenstein is situated in the alpine Rhine valley, between Switzerland and Austria.

Population

Liechtenstein has a size of 160km² (whereof two thirds are forest and mountain area!) and the population is only about 38,500 inhabitants.

Government

Liechtenstein is constitutional, hereditary monarchy on a democratic and parliamentary basis (technically similar to UK, but the prince in fact takes a stronger – not just representative - role in the governmental affairs.

Liechtenstein is divided into eleven municipalities. Capital and princely seat is Vaduz.

Languages

The national language is German. However, most people speak English as well, because of the international status of Liechtenstein in the financial sector.

Currency

The national currency is Swiss Francs (CHF) and the rate of inflation also is the same as in Switzerland.

Economic summary

GDP: CHF 6.5 billion
Income per capita: CHF 160,000

Since June 2018, more people are working in Liechtenstein than are living there. More than 20,000 workers cross the border every day.

Main sectors of the economy

Liechtenstein has a broadly diversified economy with numerous small and medium-sized enterprises. The high productivity output is mainly due to the strong industrial sector and the financial service providers.

The Liechtenstein economy is heavily industrialized. Industry and goods manufacturing account for 37% of jobs, which is extraordinarily high compared to other European countries. This probably comes to a surprise to foreigners who mostly believe that Liechtenstein just consists of a few post boxes and banks.

The large industrial companies mainly are active in the mechanical engineering and food. Major Liechtenstein industrial companies are Hilti, Hoval, Hilcona, Ivoclar Vivadent; Ospelt and OC Oerlikon, but also ThyssenKrupp Presta and Swarovski have large production plants in Liechtenstein. Most BMW-steering systems are being produced in Liechtenstein.

However, about 60% of employees work in the services sector. The most important economic sectors include financial and insurance services, legal and tax advice

EEA and Custom Treaty

Liechtenstein is a member state of the European Economic Area (EEA), the Schengen treaty and additionally has a custom union with Switzerland (which does not form part of the EEA). Therefore, Liechtenstein has access to the largest single market in Europe.

The EEA membership was a milestone. It ensures that Liechtenstein can keep its

identity, but nevertheless, together with Norway and Iceland has access to the EU-single market with its four freedoms.

The attractive fiscal climate, political stability and infrastructure create favourable propositions for international business.

Setting up a business

Under Liechtenstein law, in principle, two variants of legal forms can be envisaged. The business activity is taken up either as a natural person or as a partnership or alternatively with a legal entity, such as a company limited by shares, a limited liability company or an establishment.

Prerequisites for founding a company

The founding of a company in Liechtenstein is open to all, is very simple and usually takes less than a week.

In certain cases, a business license is required in order to be permitted to start the business. In all cases at least one managing person has to be resident locally (resident in Liechtenstein or max. 80km away) and employed at least for 15 hours per week. Alternatively, where no business license is required, this qualified member of the board alternatively also can be a licensed Liechtenstein trustee. Activities which require a specific license for example are the following: professions in the health sector, lawyers, trustees, financial institutions etc.

Legal types of business entities

The most common types of business entities are:

1. Company limited by shares (Aktiengesellschaft, AG)

2. Limited liability company (Gesellschaft mit beschränkter Haftung, GmbH)
 - Limited liability of all partners possible
 - No minimum capital
3. Establishment (Anstalt)
4. Individual enterprise (Einzelfirma)
5. Partnership

Main features are the following:

1. Company limited by shares
 - Minimum capital required: CHF 50,000
 - Liability limited to equity of company
 - Mandatory bookkeeping and audits
 - Public annual reports
 - Legal form well-known internationally
2. Limited liability company
 - Minimum capital volume required: CHF 10,000
 - Shareholders liable up to a pre-determined sum
 - Mandatory bookkeeping
 - Mandatory audits for companies run along commercial lines
 - Legal form well-known internationally
 - Publicly registered stakeholders
3. Establishment
 - Minimum capital volume required: CHF 30,000
 - Liability limited to equity of establishment
 - Mandatory bookkeeping
 - Mandatory audits for companies run along commercial lines
 - Non-public annual reports
 - Legal form little known internationally, but very common locally
4. Individual enterprise
 - No minimal capital volume required
 - Unlimited liability with privately held assets
 - Mandatory bookkeeping if gross turnover exceeds CHF 10,000
 - Simple to found
5. Partnership

Foundations and Trust

Liechtenstein has a long-standing tradition concerning foundations and trust (charitable and private). With the Persons and Companies Act, in 1926, for the first time in the world, the private family foundation was regulated and also for the first time the common law concept of the trust was codified in a civil law jurisdiction.

Taxation

Corporate income tax

Net profit is taxed at a flat rate of 12.5%, whereas the minimum tax amount is CHF 1,800. Debt and equity is treated equally and based on that, a notional interest deduction can be deducted in the course of the profit calculation.

Dividend income and capital gains from the sale of subsidiaries generally are tax exempt. There however exist anti-abuse rules.

Property gains tax

If a property located in Liechtenstein is sold, then the profit resulting from such a transaction is subject to a special property capital gains tax.

Valued Added Tax (VAT)

Due to the customs union with Switzerland, Liechtenstein is a part of the Swiss VAT-territory. The VAT-rate presently is 7.7%. The term "inland" in the Value Added Tax Act therefore refers to the territory of both, Liechtenstein and Switzerland.

Income tax and wealth tax

For individuals, Liechtenstein has a progressive income tax system, whereas a certain amount of revenue per year is tax-free. Thereafter the tax band ranges between 3% and a maximum of 24%. At the end of each year, residents must complete a tax declaration. This is then used to determine how much tax should have been paid in the preceding year.

In addition, there exists a wealth tax which can amount to up to 1% of a

person's wealth. In turn there does not exist an inheritance tax and return from the wealth (such as interest or rental income) is not taxable.

Social security contributions are a fix percentage of the salary and there is no maximum amount.

Private Asset Structure

Entities which are not undertaking any commercial activity can apply to be treated as Private Asset Structure (PVS). The rules are quite rigid, but PVS only have to pay the minimum tax of CHF 1,800. Also trusts just pay this minimum tax.

Registration procedures

Private persons, entities, partnerships and trusts are all registered with the tax authorities and are given a fiscal registration number.

HR / Labour Law

Employment law

Liechtenstein has a liberal labour law. It enables companies to react with high flexibility and offers the employees challenging positions with attractive working conditions and optimal development opportunities.

The applicable Liechtenstein labour law is regulated in the general civil code (ABGB) and in the labour law (ArG). It determines the rights and obligations of the employer and employee regarding work, wages, gender equality, leave, leisure, employee benefits, insurance, protection, dismissal and more.

In terms of content, labour law consists of three major standard complexes, the law of the individual employment contract (individual employment law), the law of the collective labour agreement (collective labour law) and public employment law.

Employment of foreign employees

The employment of employees who are not resident in Liechtenstein but live nearby across the border is simple and unbureaucratic. For Swiss nationals, neither a foreign police permit is required nor a duty to register.

Employees from EEA countries must be reported to the Foreigners- and Passport-Office and receive a cross-border confirmation. Third-country nationals require a cross-border commuter permit. This is valid for one year and is also issued by the Foreigners and Passport Office.

Social security

State pension plans, occupational pensions and self-provisioning are the three pillars on which the Liechtenstein social security system is based. With this network, workers cover risks such as illness, accident, disability or unemployment and provide retirement provision.

Employees in Liechtenstein companies benefit from a social security system that covers the various areas of risk and is partly co-financed by the employer. While the first and second pillar provide compulsory insurance, the third pillar is voluntary.

The first pillar of the Liechtenstein social security system is compulsory state provision (AHV) and serves to ensure the livelihood of all workers. All persons resident or employed in Liechtenstein are compulsorily insured. If an employee is employed in Liechtenstein and in a neighbouring state, the social security contributions must be paid on the total income earned in the country of residence. It is worth to say that the Liechtenstein AHV maybe is one of the very few social institutions which is solidly capitalised. This mainly because also high salary earners have to pay the same percentage of social security contribution like low earners (there is no upper cap). Additionally the government contributes annually to the AHV and finally, the rents paid are only a little more than in Switzerland, even though the income per capita is substantially higher.

Pension

The pension system is regulated by the second pillar of the Liechtenstein social security system. It also consists of compulsory insurance. With regard to company pension plans, the law provides a framework within which the

provision can be made freely. If employees were insured only in the first pillar, they would have to accept sensitive financial losses in an insured event (old-age, widow, widower, orphans, disability pensions).

The second pillar is to ensure the usual way of life in the case of insurance.

Compulsory insurance

Health Insurance (KV) and Accident Insurance (OUFL) is compulsory for every employee.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Liechtenstein should seek professional advice from our member firms before making any business or investment decision.

Contact our member firm in Liechtenstein to discuss your requirements:

Ernst Nigg Trust Management Est.
www.etrust.cc

Dr. Thomas Nigg
t.nigg@etrust.cc
+423 237 65 10

Lettstrasse 10
9490 Vaduz
Liechtenstein

MSI Global Alliance
147-149 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DA
United Kingdom

www.msiglobal.org