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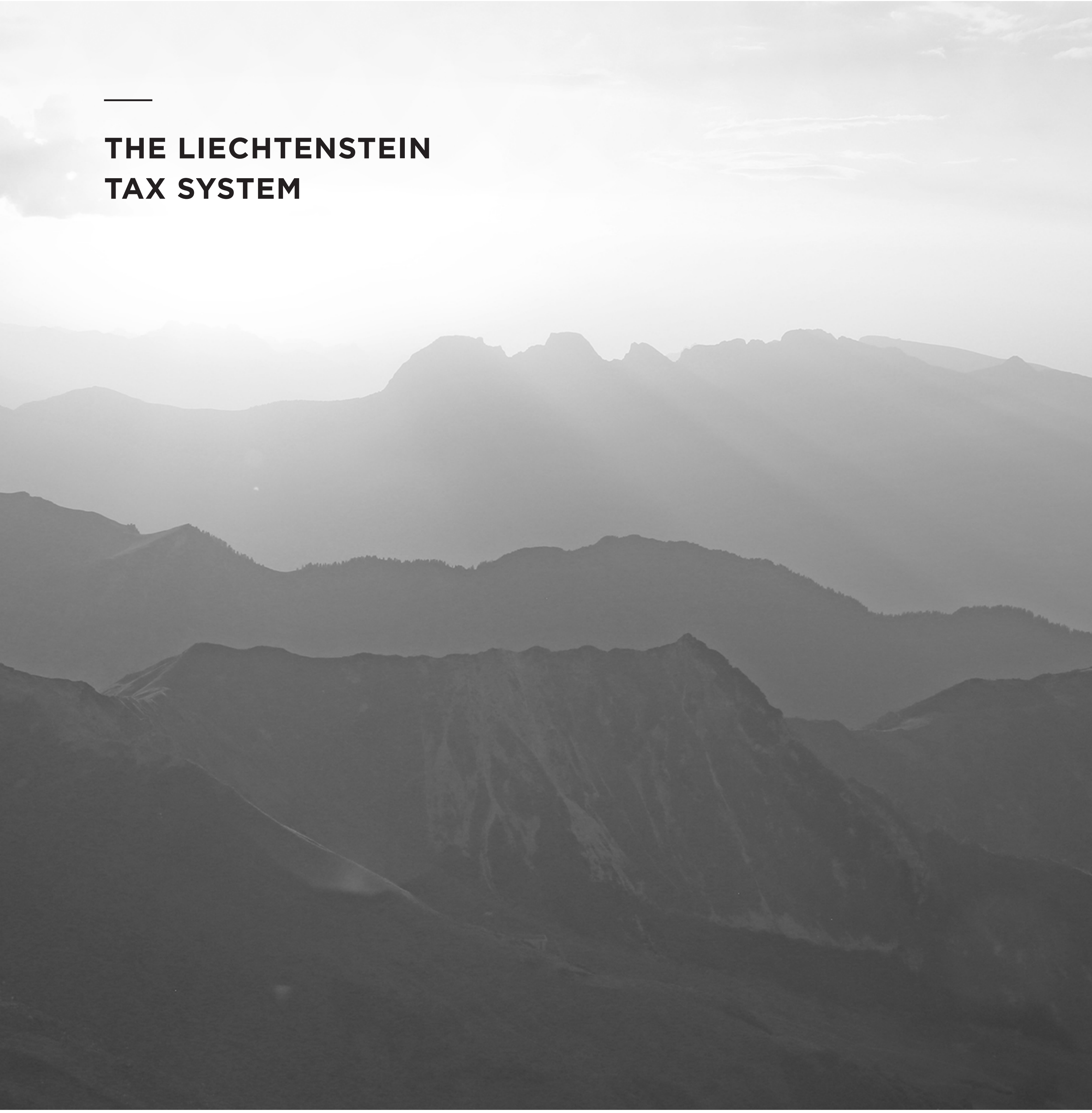
THE LIECHTENSTEIN TAX SYSTEM



1. THE LIECHTENSTEIN TAX SYSTEM – OVERVIEW

1.1 Introduction
Liechtenstein's Tax Act underwent a comprehensive reform in 2011. The aim was to reflect international developments and European-law requirements while maintaining the international acceptance and competitiveness of Liechtenstein as a business location and financial centre.

The legal basis of the Liechtenstein tax system comprises the national tax law and ordinance as well as the case law of the Liechtenstein courts. The Tax Administration also publishes guidance notes on various tax topics. Due to the customs and currency union with Switzerland, the Swiss Value Added Tax Act and the Swiss Federal Stamp Duty Act apply in Liechtenstein. In addition, Liechtenstein has concluded international agreements in the field of taxation.

The main types of tax in the Liechtenstein tax system are illustrated below. Furthermore, the main features of the taxation of natural persons and legal entities are also described.

1.2 Individuals
For individuals in Liechtenstein, the main taxes are the wealth and income tax and the real estate capital gains tax. In addition, value added tax and other indirect levies apply.

1.2.1 Wealth and income tax
Personal tax liability
Individuals who have their residence or ordinary presence in Liechtenstein are subject to unlimited tax liability on their entire wealth and income (principle of universality). Individuals who have neither residence nor ordinary presence in Liechtenstein are subject to limited tax liability on their Liechtenstein-source wealth and income (principle of territoriality).

Assets (wealth)
A taxpayer's total net assets (movable and immovable) are subject to wealth taxation. The benchmark is the fair market value of the assets at the start of tax liability. Among the assets exempt from wealth tax are, inter alia, real estate and permanent establishments located abroad. The taxable net assets are multiplied by a standardised imputed yield (Sollertrag, currently 4 %), and this deemed yield is included as notional income for income-tax purposes. The imputed-yield rate is set annually in the Finance Act.

Income (Erwerb)
All (worldwide) income earned by the taxpayer within a tax year is subject to income tax.

	(1) Taxation of income		**(2) Taxation of Wealth**	**(3) Taxation of legal or Economic Transactions**	
				Legal Transactions	**Economic Transactions**
Individuals	Income Tax	Real Estate Capital Gains Tax	Wealth Tax (integrated into the income tax as imputed yield)	NO Estate, Inheritance & Gift Taxes	Value Added Tax
				Dedication Tax	
Legal Persons	Corporate Income Tax		NO Capital Tax	Stamp Duties; Formation Levy & Insurance Premium Levy	

The key types of taxes in the Liechtenstein tax system

Exempt income includes returns from already-taxed assets — such as dividends, interest and rental income — as well as interest from privately granted loans. Capital gains from the disposal of participations in domestic or foreign legal persons and from the disposal of other movable and immovable property are likewise tax-exempt, except for capital gains on the disposal of domestic real estate, which are subject to the real estate capital gains tax (see 1.2.4).

Tariff (state tax) and municipal surcharge
State tax is levied on taxable income, including the imputed yield on wealth. The applicable tariff is eight-tier and progressive. In addition, each municipality levies a surcharge on the state tax. This municipal surcharge is set by the respective municipality and ranges from 150 % to 250 % of the state tax. At present, the highest municipal surcharge is 180 %. No municipal surcharge is levied on withholding taxes. The current maximum effective tax rate, including the municipal surcharge, is 22.4 % (from CHF 200,000 of taxable income). The marginal rate is 24.0 %.

Withholding at source
For taxpayers subject to unlimited tax liability, wage withholding tax on employment income is credited in the assessment. For taxpayers subject to limited tax liability, withholding tax is levied on Liechtestein-source employment income and, where applicable, on pension benefits. Remuneration paid to non-executive members of boards of directors or foundation councils is subject to a withholding tax of 12.0 %. Liechtenstein levies no withholding tax on dividends, interest or royalties.

1.2.2 Inheritance, estate and gift taxes
Liechtenstein levies no inheritance, estate or gift tax. However, gifts and inheritances exceeding CHF 10,000 must be disclosed to the Tax Administration.

1.2.3 Expenditure-based taxation (lump-sum taxation)
Individuals who take up residence or ordinary presence in Liechtenstein for the first time — or after at least ten years of absence — and who are not Liechtenstein nationals may, upon request, pay an expenditure-based tax instead of the wealth and income tax. The taxpayer may not pursue gainful activity in Liechtenstein and must meet their living expenses exclusively from investment income or other receipts from abroad. The assessment base is the taxpayer's total annual living expenditure, of which 25 % is taxed. In practice, a fixed lump-sum amount is often agreed for a set period.
Real estate located in Liechtenstein remains subject to wealth tax.

1.2.4 Real estate capital gains tax
Capital gains from the disposal of real estate located in Liechtenstein are subject to a separately assessed real estate capital gains tax. Transfers by compulsory auction or expropriation and the transfer of the economic ownership of real estate are treated as disposals. The taxable gain equals the difference between the sale proceeds and the purchase price including value-enhancing expenses. The general state-tax tariff applies to the taxable gain, and a flat surcharge of 200 % is levied in addition. The marginal rate thus is 24.0 %.

1.3 Legal persons
For companies in Liechtenstein, the principal taxes are the corporate income tax and the real estate capital gains tax.

1.3.1 Corporate income tax
Personal tax liability
Legal persons — such as companies limited by shares, establishments (Anstalten), foundations, trust enterprises and collective investment undertakings — whose registered office or place of effective management is in Liechtenstein are subject to

unlimited tax liability on their worldwide income. Legal persons that have neither a seat nor a place of effective management in Liechtenstein are subject to limited tax liability on their Liechtenstein-source income. Corporate income tax is levied at a flat rate (flat rate) of 12.5 % on taxable net profit.

Taxable net profit
The taxable net profit essentially consists of total (worldwide) income less business-related expenses, with the exception of income attributable to foreign permanent establishments and real estate located abroad. Tax-exempt income includes profit shares from participations in legal persons, capital gains from disposals or liquidations, unrealised value increases on participations, and distributions by foundations, foundation-like establishments and special asset dedications with legal personality — provided the anti-abuse provisions do not apply. These anti-abuse rules cover, firstly, income from participations of at least 25 % of the votes or capital where the payment is deductible for the paying legal person; and secondly, income from a foreign paying legal person if, on a sustained basis, more than 50 % of its net profit derives from passive income and that net profit is directly or indirectly subject to low taxation. Capital gains from domestic real estate are exempt from corporate income tax insofar as they are subject to the real estate capital gains tax (see 1.2.4).

Notional interest deduction (NID) on equity
A standardised deduction for a notional yield on equity (notional interest deduction, NID) may be claimed as a business expense from taxable net profit. To calculate the NID, the modified equity is multiplied by a (fictitious) interest rate, currently 4 %. Modified equity comprises the paid-in share, quota or participation capital plus reserves representing the entity's own funds, less treasury shares, participations in legal persons, non-business assets and a deduction of 6 % of all other assets. Valuation is as at the beginning of the tax year. Special anti-abuse provisions apply to transactions with related parties. The NID may not create or increase a current-year loss.

Interest income
Interest income is subject to corporate income tax. Interest between related parties must comply with the arm's-length principle. The Liechtenstein Tax Administration publishes annual guidance on safe-harbour interest rates as a benchmark for arm's-length remuneration of receivables and payables.

Losses
Losses may be carried forward indefinitely but may be offset only up to 70 % of the taxable net profit of a given year. Realised and unrealised losses from participations in foreign legal persons are not tax-deductible.

Withholding tax
Liechtenstein levies no withholding tax on dividends, interest or royalties.

Minimum corporate income tax
All legal persons are subject to an annual minimum corporate income tax of CHF 1,800, which is fully creditable against corporate income tax. Small enterprises whose purpose is exclusively to operate a trade or business conducted in a commercial manner are not subject to the minimum tax.

Private Asset Structure (PAS)
Legal persons may, upon request, qualify as a Private Asset Structure (PAS) provided they do not pursue economic activity in the pursuit of their purpose. A PAS may hold participations in legal persons only on the condition that neither shareholders nor beneficiaries exercise any direct or indirect influence on the management of such companies. A PAS is subject only to the minimum corporate income tax of CHF 1,800 and is not otherwise assessed.

1.3.2 Capital tax
There is no capital tax.

1.3.3 Real estate capital gains tax
See 1.2.4 Real estate capital gains tax.

1.3.4 (Swiss federal) stamp duties
Stamp duties are taxes on legal transactions. The Stamp Duty Act comprises, inter alia, the issuance stamp duty, the securities transfer stamp duty and the insurance premium levy.

Issuance stamp duty
The issuance duty is levied principally on the creation and increase of domestic equity interests and on direct shareholder contributions, at 1% of domestic equity interests. A CHF 1 million allowance currently applies to equity issued for consideration.

Securities transfer stamp duty
The securities transfer duty is levied on all transactions in qualifying securities if a securities dealer is a party to the transaction. The rate is 0.15 % for domestic securities (Switzerland and Liechtenstein) and 0.30 % for foreign securities.

1.3.5 Formation levy
Where the Swiss Federal Stamp Duty Act does not apply, the Liechtenstein formation levy under the Liechtenstein Tax Act is due on the formation and capital increase of legal persons. The rate is 1% of the stated share capital, with a general allowance of CHF 1 million. Depending on the legal form and the amount of capital, the rate is reduced to 0.5 % or 0.3 %. Foundations are subject to a 0.2 % rate, with a minimum of CHF 200.

1.4 Double taxation agreements
In recent years, Liechtenstein has concluded numerous double taxation agreements (DTAs) and continues to expand its network. As of July 2025, Liechtenstein has signed DTAs with 30 countries. In most DTAs, Liechtenstein follows international practice and the OECD Model Convention.

2. SOCIAL INSURANCE LAW

The Liechtenstein social insurance system
The Liechtenstein social insurance system is based on three pillars: state, occupational and private provision. The first pillar is compulsory state provision and comprises old-age and survivors' insurance (AHV/OASI), disability insurance (IV/DI), the family allowance fund (FAK) and unemployment insurance (ALV/UI). Its purpose is to ensure a basic level of income security for all persons engaged in gainful activity.

For employees, contributions to FAK, IV, FAK and VK (as of July 2025) are shared between employee and employer. The employee's total contribution amounts to 4.700 % of the relevant gross salary and the employer's to 7.375 %. The employer withholds the employee's share and remits both. Self-employed persons pay contributions of 12.075 %. The assessment base is the relevant gross salary, and generally no contribution ceilings apply. Employer contributions are usually fully deductible for corporate income tax; employee contributions are deductible for wealth and income tax.

Social insurance in the light of the EEA
As an EEA member, Liechtenstein has adopted international social-security coordination rules agreed by the EU Member States. The fundamental principle is that a person is covered by the social-security system of only one state at a time. This prevents double insurance and financial disadvantages and promotes the free movement of persons within the EU and the EEA.

CONTACT

FS+P AG
IM KRÜZ 2
9494 SCHAAN
LIECHTENSTEIN

T +423 230 20 90
OFFICE@FSP.LI
FSP.LI

DR. MARCO FELDER

T +41 79 614 91 00
marco.felder@fsp.li

ANNA STARK

T +41 79 902 85 72
anna.stark@fsp.li