
**PRIVATE-BENEFIT AND
CHARITABLE FOUNDATIONS:**
LIECHTENSTEIN AND GERMANY —
A COMPACT COMPARISON



For centuries, foundations have been a proven instrument for preserving wealth across generations, safeguarding family interests, and pursuing charitable objectives in a sustainable manner. In Europe, Liechtenstein and Germany rank among the most significant foundation jurisdictions; both offer stable and well-tested legal frameworks. Their parameters are reliable, yet they differ in important details.

The following contrasts the private-benefit and the charitable foundation in both countries.

1. THE PRIVATE-BENEFIT FOUNDATION

FORMATION AND TIME TO ESTABLISH

In Liechtenstein, a private-benefit foundation comes into existence upon its establishment and the transfer of assets. Registration in the Commercial Register is required only if a business is carried on or if voluntary submission to supervision is desired. In all other cases, a formation notice to the Office of Justice suffices and must be filed within 30 days.

The legal act of establishment can, in principle, be effected very quickly; in practice, however, full implementation — including preliminary advisory meetings, obtaining tax opinions, compliance checks, opening bank accounts, and appointing officers — generally takes at least two to three months.

In Germany, a private-benefit foundation comes into existence upon approval by the competent state authority. Since 2023, a uniform federal law on foundation civil law applies; from 2026, a central register with publicity effect will be introduced. The approval procedures are tried-and-tested but, depending on the federal state, can take several months and prove protracted in particular cases.

Minimum capital and economic activity

Liechtenstein requires minimum endowment capital of 30 000 in CHF, EUR, or USD; Germany has no statutory minimum. However, the German legislator requires that the foundation's purpose be realized from the income of its assets. In practice, the authorities therefore expect at establishment an initial endowment of at least EUR 200 000 to EUR 300 000.

In practice, these lower thresholds are of limited relevance: sustainable foundations are frequently endowed at significantly higher levels so that purpose, governance, and cost-benefit remain sound for decades. Alternatively, assets with low book values but material development potential — such as shareholdings, crypto-assets, or collections — are contributed in Liechtenstein.

Private-benefit foundations in Liechtenstein do not operate a business conducted in a commercial manner. Permissible are the holding of assets of any kind and acts serving the proper investment and administration of the foundation's assets.

In Germany, family foundations may, inter alia, hold participations and engage in economic activities within the scope of their purpose; unlike Liechtenstein, the periodic substitute inheritance tax (Erbersatzsteuer) — levied every 30 years — is a planning consideration.

A proven approach in both countries is to conduct any desired commercial or operational activity through a domestic or foreign subsidiary; the foundation remains asset-managing and exercises the ownership rights. It therefore stays in the background and does not appear in the market.

Governance and supervision

In Liechtenstein, the foundation board must comprise at least two members. For foundations not required to register, a formation notice is mandatory, and its accuracy must be confirmed by a licensed fiduciary, attorney-at-law, or a so-called Art. 180a professional.

At least one member of the foundation board must be a professional fiduciary or an Art. 180a person subject to supervision by the Liechtenstein Financial Market Authority (FMA). This regulated environment counteracts abuse and strengthens acceptance by banks, authorities, and stakeholders. Reports in German media of isolated instances of abuse often do not reflect everyday practice, in which fiduciaries operate professionally and under strict regulation.

A statutory representative must also be appointed where no domestic service address exists. There is no mandatory supervision by the Foundation Supervisory Authority (STIFA) for purely private-benefit foundations, though it may be applied for voluntarily. Optional oversight bodies such as an advisory board or an auditor may additionally be established.

In Germany, ongoing legal supervision is exercised by the state authorities; the scope and handling vary by federal state.

Unlike Liechtenstein, a right of revocation is generally not available. Amendments to the articles or structure regularly require consent by the authorities — if possible at all. This can restrict flexibility compared with Liechtenstein.

Both countries, however, provide for the instrument of the consuming foundation (Verbrauchsstiftung), under which the assets are spent down according to a plan defined in advance.

Tax treatment

Liechtenstein offers a nationally very attractive taxation regime that, in many cases, significantly facilitates capital accumulation.

In Germany, the ongoing rules are well-established; the substitute inheritance tax, levied every 30 years at rates of up to 30 percent, is a long-term parameter that must be taken into account for family foundations. It reduces the overall tax attractiveness of the German family foundation, even though specific exemptions — for example, for corporate shareholdings — may apply.

Cross-border tax sustainability is always ensured together with specialized advisers in the relevant countries.

Purpose design

A possible purpose model for a Liechtenstein private-benefit foundation includes:

- Defraying the costs of education and training, establishment and support, as well as the general living expenses of beneficiaries; providing financial support and promotion of beneficiaries in the broadest sense; and pursuing similar purposes;
- Pursuing charitable and benevolent aims, namely promoting the public benefit through activities in the charitable, religious, humanitarian, scientific, cultural, or social spheres by making distributions to persons or institutions active in those areas;
- Investing and administering the other foundation assets and their net income insofar as not distributed;
- Entering into all legal transactions that serve or are necessary to pursue and realize the foundation purpose and the founder's intent at the time of establishment.

Operating a business conducted in a commercial manner is excluded in the articles.

The designation of specific or objectively identifiable beneficiaries or beneficiary classes and — optionally — further aspects and rules are usually set out in by-laws

or separate regulations. This applies, for example, to distributions to private-benefit and charitable persons.

Predominantly private-benefit foundations are not subject to STIFA supervision but may apply for it voluntarily.

COMPARISON TABLE: PRIVATE-BENEFIT FOUNDATION

| Criterion | Liechtenstein | Germany |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Formation | Establishment and transfer of assets; formation notice within 30 days; registration required only if operating a business or on voluntary submission to supervision | Approval by state authority; central register with publicity effect from 2026 |
| Time to establish | Legally possible at short notice; in practice typically 2–3 months | In practice at least several months |
| Minimum capital | 30 000 CHF/EUR/USD; in practice frequently endowed at significantly higher levels; alternatively contribution of assets with long-term upside potential | No statutory minimum; authorities typically expect at least EUR 200 000 – 300 000 as initial endowment |
| Economic activity | No commercial business; everything serving proper investment and administration is permitted; operational activities can, if needed, be conducted via a subsidiary | Holding participations and economic activity permissible within the purpose; substitute inheritance tax to be considered; operations can be conducted via a subsidiary |
| Governance and supervision | At least two board members; one must be a regulated fiduciary or Art.180a person; representative if no domestic address; no mandatory STIFA supervision | Legal supervision by the federal states; for family foundations, requirements vary; changes often subject to approval |
| Transparency | High discretion; flexible by-laws and regulations; no publicity unless registered | Register from 2026 increases publicity; currently exemptions from certain publication duties exist |

2. THE CHARITABLE FOUNDATION

FORMATION AND SUPERVISION

Charitable foundations in Liechtenstein must be entered in the Commercial Register and are subject to supervision by STIFA. In addition, the Princely Court of Liechtenstein generally appoints an independent auditor to verify that funds are used in accordance with the articles. Exemption from the audit requirement is possible subject to certain conditions. The model thus combines administrative supervision and judicial control and is aimed at reliable use of funds.

In Germany, approval is granted by the federal states. With the register from 2026, visibility will increase and legal dealings will be simplified. Here too, charitable foundations are subject to state supervision, which ensures that funds are used exclusively for the stipulated purposes.

In addition, the competent German tax offices play a material role, as compliance with the charitable-status requirements is regularly reviewed within the framework of the tax assessment of charitable entities.

Purpose implementation and geographic reach

Liechtenstein permits grant-making without a domestic quota; projects may be implemented entirely abroad.

Germany has a narrower statutory framework and focuses more strongly on the national funding landscape. Overseas funding is possible within the interpretation of the purposes but, in practice, requires enhanced evidence and documentation regarding proper use of funds. Close coordination with the authorities is advisable.

Economic activity

In Liechtenstein, an independent business is not the aim of charitable foundations; permissible economic activity is that which directly serves the pursuit of the purposes or is specifically permitted by law.

In Germany, the proven division into the ideal sphere (ideeller Bereich), asset management (Vermögensverwaltung), special-purpose operations (Zweckbetrieb), and taxable business operations applies. Germany permits economic activities within the scope of the special-purpose operation. Activities beyond that are, as in Liechtenstein, treated as taxable business operations and are therefore subject to the general tax rules.

In both countries, any necessary operational activity can, where needed, be conducted cleanly via a domestic or foreign subsidiary; the foundation remains purpose-oriented and the spheres remain segregated.

Governance and supervision

Liechtenstein requires a foundation board with at least two members as well as an auditor and supervision by STIFA. As with private-benefit foundations, at least one licensed and regulated professional fiduciary or an Art. 180a person subject to FMA supervision participates. Optional oversight bodies such as an advisory board may additionally be set up.

In Germany, the state authorities ensure ongoing legal supervision; the register will increase transparency in future.

Tax treatment

Charitable foundations in both countries benefit from favourable tax treatment provided that funds are used exclusively and sustainably for the charitable purposes stipulated in the articles.

In Liechtenstein, foundations are exempt from personal tax on written application on grounds of charitable status — and thus from income tax, real-estate capital gains tax, and the formation levy. Analogously, in Germany charitable foundations can obtain exemption from corporate income tax and business tax; contributions to tax-privileged foundations are regularly exempt from gift and inheritance tax insofar as they serve tax-privileged purposes. Taxable business operations remain subject to tax.

Provided the legal requirements are met, Germany issues a tax-exemption notice (Freistellungsbescheid), while Liechtenstein grants tax exemption. In Liechtenstein the exemption is not time-limited so

long as the statutory requirements continue to be met. In Germany the exemption notice is renewed in the regular assessment procedure once the competent tax office has reviewed the actual management for the last three assessment years; if the outcome is positive, the notice is extended for further years.

With a tax-exemption notice or tax exemption, donations and contributions by individuals and legal entities are also tax-favoured at the donor level. Foundations are then additionally permitted to issue donation receipts.

For international programmes, tax sustainability is ensured together with advisers in the funding countries.

COMPARISON TABLE: CHARITABLE FOUNDATION

| Criterion | Liechtenstein | Germany |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Formation and register | Entry in the Commercial Register; STIFA supervision; auditor appointed by the court (exemption possible) | Approval by the federal states; central register from 2026 |
| Time to establish | Legally possible at short notice; in practice typically 2-3 months | In practice at least several months |
| Geographic focus of funding | Funding up to 100 % abroad possible; no domestic-quota requirement | Focus on domestic funding; foreign funding possible but with enhanced evidence and documentation in practice; close coordination with authorities advisable |
| Economic activity | Activity that serves the purposes; specialpurpose operations tax-favoured; activities beyond that taxable; operations can be conducted via a taxable subsidiary | Special-purpose operations tax-favoured; activities beyond that taxable; operations can be conducted via a taxable subsidiary |
| Governance and trust | At least two board members, one of whom is a regulated fiduciary or Art.180a person; STIFA supervision; auditor | Board; supervision by the federal states; greater transparency via the register from 2026 |

FS+P AG – EXPERTISE AND VALUE ADDED FOR FOUNDERS

FS+P structures and supports Liechtenstein foundations exclusively — both private-benefit and charitable. The service spectrum ranges from analysing objectives and drafting articles, by-laws, and regulations to appointing officers, setting up control mechanisms, providing ongoing consolidated reporting, and implementing operations or comprehensive administration. International projects are realised in close cooperation with proven network partners abroad.

Dr. Marco Felder has many years of experience in foundation and tax law and a broad international network; projects are implemented in a legally robust, tax-sustainable, and operationally efficient manner.

CONCLUSION

Liechtenstein and Germany both offer capable foundation frameworks. The stable political system in Liechtenstein can make the legal and tax environment for foundations more predictable in the long term.

Liechtenstein also convinces through discretion, flexible design, centralised supervision, and the involvement of regulated fiduciaries. Germany scores with proximity to the local donations market, a long-standing practice, and, going forward, enhanced register transparency.

Which jurisdiction deserves preference depends on the founder's priorities and objectives. For internationally oriented and long-term stable wealth and grant-making structures, Liechtenstein often offers the more coherent advantages; for purely national funding objectives, Germany is an equally suitable solution.

Excursus: Segregated Legal Person (Protected Cell Company, PCC)

Since 2016, Liechtenstein company law has offered an organisational solution available to all legal forms — including foundations — that consists of a core and one or more segments (cells). These segments are managed separately from an organisational perspective.

Unlike umbrella foundations common in Switzerland and Germany, which also pool contributions from different founders, the PCC model ensures genuine ring-fencing — both between the core and the segments and between the segments themselves.

Asset dedications that would otherwise be set up as individual stand-alone foundations can, segment by segment, be managed with separate liability, own capital, and their own private-benefit or charitable purpose, while administrative steering is performed centrally via the core.

This enables, in addition to private-benefit holding foundations, in particular philanthropic projects of smaller scale to be implemented efficiently and cost-sensitively without sacrificing independence — for example by freely choosing the designation of segments.



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