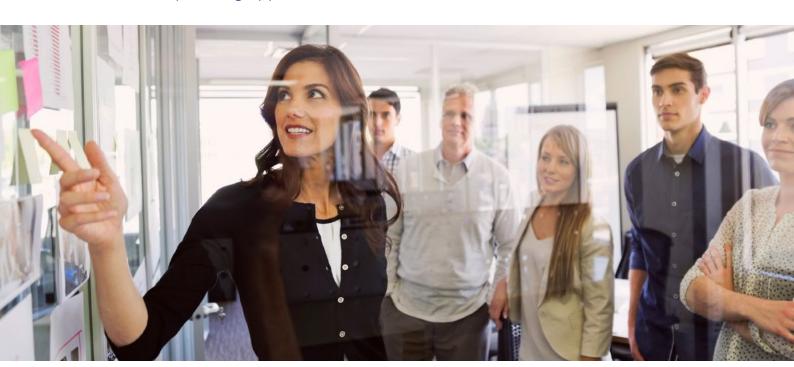


Overview of the Liechtenstein Tax System and Planning Opportunities for Individuals

Liechtenstein is a constitutional hereditary monarchy located at the heart of Europe. The high standard of living, its neutrality, political and legal stability make it a very attractive location for individuals to take up residence. With its reasonable tax rates, an ever-increasing network of tax treaties and many tax planning opportunities, Liechtenstein offers an attractive environment for business activities and taking up residence. Below, you find a short overview of the Liechtenstein tax system and a range of selected tax planning opportunities.



Taxation of Individuals in Liechtenstein

An individual is subject to unlimited wealth and income tax in Liechtenstein, if he/she has the residence or habitual abode in the country. Foreign real estate and permanent establishments located abroad are not subject to Liechtenstein tax, however. The aforementioned foreign

assets are only taken into account for determining the applicable tax rate (exemption with progression).

Taxes are levied on the federal level with a communal surcharge ranging from 150% to 200% of the federal tax. Wealth is not taxed separately but as a part of income.

Therefore, taxable wealth is multiplied with a standard rate of 4% to get the nominal investment income (Sollertrag). The nominal investment income is part of the income tax base (together with income from employment, pensions, etc.). The following example illustrates the computation of Liechtenstein income taxes:

taxable wealth	CHF	100'000
notional income rate		4%
notional income	CHF	4'000
notional income	CHF	4'000
other taxable income	CHF	70'000
total taxable income	CHF	74'000
total taxable income	CHF	74'000
tax rate (individual)		5%
basic allowance (individual)		-1'650
income tax before surcharge	CHF	1'750
municipal surcharge		150%
income tax after surcharge	CHF	4'375
total taxable income	CHF	74'000
income tax after surcharge	CHF	4'375
effective tax rate		5.91%

The income tax scale is progressive with tax rates ranging from 1% to 8% plus communal surcharges, depending on the city in which the individual lives.

Special rates apply for married couples and single parents.

Effective tax rates are quite low compared to other European jurisdictions. A married couple (with two children) will have to pay an effective tax rate of 6.5% on a joint gross annual salary of CHF 200'000.*

These tax rates are calculated after standard social security and mandatory pension fund contributions, taking into account all tax deductions which are granted without further evidence from the taxpayer and based on a communal surcharge of 160%. Under the same presumptions, a single taxpayer would have to pay an effective tax rate of 10.1% for a gross annual salary of CHF 200'000.*

Numerous Income Tax Exemptions

Liechtenstein income tax offers a selection of tax exemptions. As mentioned before, foreign real estate and permanent establishments as well as the income derived from these assets are exempt from tax in Liechtenstein. Furthermore, all income derived from assets which are subject to wealth tax (in the form of the notional standard income of 4% p.a.) is not

subject to income tax. Therefore, dividends, interest or domestic rental income are not taxable under Liechtenstein income tax.

Capital Gains Tax

Capital gains realized on the sale of movable assets (e.g. shares, bonds etc.) are not subject to Liechtenstein income tax (see above).

Capital gains arising from the sale of real estate located in Liechtenstein are taxed separately with a special tax (Grundstücksgewinnsteuer). The tax base is determined by subtracting the initial purchase price and the expenses for value-adding investments from the selling price. Notwithstanding the marital status of the seller, the income tax scale for singles is applied, plus a standard municipal surcharge of 200%.

Capital gains in connection with the disposal of real estate located abroad are tax exempt in Liechtenstein.

Expense-Related Tax (Lump Sum Tax)

Liechtenstein grants foreign nationals a favourable taxation based on annual expenses, if certain requirements are met. They can choose to be taxed based on their expenses instead of being subject to regular income and wealth tax. The following prerequisites have to be met in order to be granted expense-related taxation:

- Taking up residence or habitual abode in Liechtenstein for the first time or after an absence of at least ten years.
- 2. No Liechtenstein citizenship.
- 3. No gainful activity in Liechtenstein.
- 4. To earn one's living from sources outside of Liechtenstein or one's own wealth.

The sum of all the individual's expenses comprises the base for lump sum taxation and is taxed at a uniform rate of 25%. Expense-related tax is only granted upon request. In the request, all expenses of one year must be listed. The Liechtenstein Fiscal Administration considers the request and issues a notice in which it may alter the sum of expenses. If the sum of expenses is considered to be stable over the next years, the Fiscal Administration is able to determine the tax base for several years in advance.

Individuals subject to expense based tax are not assessed (apart from local real estate, if applicable). They are obliged to pay the lump sum tax annually in advance.

^{*}Source: Liechtenstein Statistics Office - Tax Statistics 2014.

Inheritance and Gift Tax

In 2011, the inheritance and gift tax was abolished in Liechtenstein.

However, an asset transfer tax (Widmungssteuer) of 4% may apply under certain circumstances. This is the case if assets that are taxable in Liechtenstein are transferred to a legal entity (e.g. foundation or trust) and by way of the transfer cease to be taxable. If an individual moves to Liechtenstein, it can be advisable to transfer the assets before taking up residence or habitual abode in Liechtenstein. Until the relocation, an individual is only subject to limited tax liability with domestic real estate and permanent establishments.

Therefore, Liechtenstein asset transfer tax will not apply in most cases if the transfer is made before the relocation.

Tax Planning Opportunities

Liechtenstein offers several possibilities for structuring private wealth in a tax efficient way. Irrevocable foundations and trusts may be used to reduce the taxable wealth of an individual. Other opportunities exist, amongst others, in relation with the valuation of non publicly traded participations and foreign real estate.

Getting to know you is vital in order to fulfil your needs and expectations. After analysing your situation in detail, we offer tailor-made solutions which are both tax efficient and compliant to the legal framework.

How can Grant Thornton help?

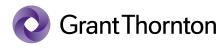
We know our clients and attach great importance to personal customer care. Our motivation is to understand customer needs and to satisfy them at the best within the legal framework and professional standards.

Our clients profit from our positive image and good relations with public institutions and authorities. Our moderate size enables us to satisfy customer needs of demanding clients in an international and national context while being small enough to be agile and react flexibly to client needs and to changing regulations. We are a fair and reliable employer with motivated, good skilled and team-minded staff. Our ISO 9001 certification ensures that our services are efficient, reliable and of good quality.

Contact



Christian Reichert
Manager Tax
Grant Thornton AG
T +423 237 42 18
E christian.reichert@li.gt.com



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