

THE ESTABLISHMENT

An Attractive Company Form for SMEs and Asset Administration

The Establishment is a legal entity which was came into being through the Personal- and Company Laws of 1926 and is peculiar to Liechtenstein. The Private Establishment can be used for commercial and non-commercial purposes. Because of its flexibility the Establishment, which must be entered into the Public Register, is a popular form for SMEs. Insurances, banks and investment companies, however, may not take on the legal form of an establishment.

The Establishment is a type of company, within Liechtenstein Private Law, which in this form, does not exist in foreign legal systems. The Establishment is only liable up to the full amount of its capital and can be structured flexibly. As a typical Liechtenstein legal entity, the Establishment can be used for commercial purposes, as well as for non-commercial activities e.g. the investment and administration of assets or as a holding for participation and property.

The Establishment is very popular with SMEs because, in contrast to Public Limited Companies, the minimum capital is lower and accounting and auditing procedures are simplified. In the forefront, the Establishment is similar to the Foundation in structure and can be used as an alternative to a foundation.

Personal and Company Law (PGR) defines a Charitable Establishment as a legal entity whose purpose is to favour the general public. A charitable purpose is deemed as actively serving public well-being in humanitarian, charitable, scientific, religious, sporting, ecological or social areas. Fostering public well-being can also be an activity which predominantly affects a defined circle of people.

Minimum Capital of 30'000 Swiss Francs

An establishment can be founded by a natural or legal person at home or abroad. It is not necessary to have more than one founder. The establishment becomes a legal entity on entry into the Liechtenstein Public Register. Establishments which do not operate commercially in Liechtenstein need no commercial license. The purpose of an establishment must clearly define whether or not it conducts a commercial activity. Establishments which solely administer investments, wealth, hold participation or other rights are not, in accordance with the guidelines of the Public Register, considered to be commercial enterprises.

The minimum paid-up capital of an establishment, which is due on registry, is 30'000 Swiss Francs. If the registration is made in Euros or US dollars, the minimum capital is then €30'000 i.e. \$ 30'000. The capital can be paid in cash or in property. Bank confirmation is required for cash payments whereas, in the case of property, the estimated value of the property is entered into the statutes in a special register.

Wide Scope of Names

Establishments may choose their name freely but the name must contain the unabbreviated word "Establishment". Not only the purpose of the establishment but also the choice of name is extremely flexible allowing the founder considerable freedom: phantasy names and factual descriptions are permissible providing they do not contradict the main purpose of the establishment. Real names of people are also permissible if there is a relationship between the establishment and the name. A Public Service Establishment must contain "Public Service Establishment" in its name. According to the guidelines of the Public Register national and international terms such as "Liechtenstein" or a State may not be used. Furthermore it is not permissible to use names of world organisations e.g. "The Red Cross" or "UNO".

Accounting and Auditing

Establishments which are commercially operated must keep proper accounts. The conditions for accounting, however, are less rigorous than in Public Limited Companies because establishments only have the obligation to draw up an exact inventory and to keep accounts. Commercially operated establishments must, on entry into the Public Register, provide a balance sheet and thereafter present an annual balance with a profit and loss account verified by an auditor. Establishments which do not conduct commercial trade must produce an annual list of assets which provides sufficient information on debts and receivables. This documentation must show the business process and the development of the Establishment's assets.

Taxation on Establishments

The taxation of an establishment is determined by its purpose. Under the new tax laws which came into force on 1st January 2011 commercially active establishments are subject to a tax on income of 12.5%. Establishments for wealth management can qualify under the new tax laws as a Private Asset Structure (PVS) and have to pay an annual tax of 1200 Swiss Francs.