F.L. TRENDING 2013

PRINCIPALITY OF LIECHTENSTEIN – COMPLIANT WITH OECD TAX AGREEMENTS

CONTINUES TO BE AN ATTRACTIVE FINANCIAL MARKET PLACE

The Principality of Liechtenstein cooperates internationally in tax matters. In the "Liechtenstein Declaration" 12th March 2009, Liechtenstein committed itself to the OECD standards on transparency and information exchange in tax matters. On 14th November 2013 Liechtenstein announced a further Government Declaration confirming its commitment to tax cooperation on the basis of the OECD standards and setting out its position on future standards of Automatic Information Exchange. Liechtenstein remains an attractive financial market place with a flat rate tax of 12.5% on profits and no source tax on dividends.

At the beginning of 2013 an integrated financial market place strategy, which had been jointly developed by the Government, business associations and active members of the financial market, was approved. This broadly supported strategy provided an important pre-requisite for the successful further development of the financial centre. Based on the "Liechtenstein Declaration" and subsequent tax cooperation agreements, the emphasis has been placed on Liechtenstein's international position in the financial market place as a specialist in asset development and estate management. An offer of Automatic Information Exchange is at the centre of the Government Declaration of 14th November 2013, in which

AUTOMATIC INFORMATION EXCHANGE

As it was obvious that international developments were moving towards Automatic Information Exchange (AIE) as the global standard, the Liechtenstein Government published its declaration on international tax cooperation on 14th November 2013. The Government announcement confirmed Liechtenstein's commitment, as set out in the Liechtenstein Declaration of 2009, to the OECD standards on tax cooperation. The Government Declaration emphasises that Liechtenstein will recognise legitimate tax requests by other countries but, at the same time, will protect the legitimate interests of its financial market place customers such as their right to privacy and confidentiality.

On 21st November 2013 Liechtenstein signed the OECD Convention on Mutual Administrative Assistance in Tax Matters, which is the basis for information exchange on a multilateral level. In signing the convention, Liechtenstein confirmed its willingness to cooperate in tax matters on the basis of the widely supported international standards.

The Government Declaration proclaims Liechtenstein's intention to sign agreements on Automatic Information Exchange on the basis of future OECD standards with other states which have a legal footing and the ability to operate with complete transparency. Liechtenstein's focus is on the G5 states: Germany, France, United Kingdom, Italy and Spain. In addition, Liechtenstein has declared its willingness to find joint solutions on Automatic Information Exchange with other countries, which have not yet secured the necessary legal foundations.

The Government Declaration emphasises that tax cooperation is not just an agreement on information exchange and double taxation but must also encompass other facets which safeguard tax compliancy in the past as well as for the future. Liechtenstein is determined to strengthen the legal position of its customers in the financial market place and, at the same time, to underline its reputation as a reliable partner.

Liechtenstein Offers Future Potential and New Chances on the Road to Tax Cooperation

EDITORIAL

We are extremely proud to present F.L. TRENDING in its new format. This new layout endeavours to provide you with information about interesting and topical developments in Liechtenstein and the international financial markets. F.L.TRENDING aims at providing a well-founded guide.

This edition of F.L. TRENDING is dedicated to international tax cooperation and presents, in addition, information on the latest Government Declaration of 14th November 2013.

Liechtenstein and we, as a company, are proactively following these changes. We remain true to our principles of providing services at the highest possible level of quality and competency. Liechtenstein as an economic location offers, under changing conditions, sufficient competitive advantages enabling us to protect and increase the assets of our international clientele.

Kindest regards

Dr. Norbert Seeger

Liechtenstein confirms a resolute continuation of the tax compliant strategy, set out in the "Liechtenstein Declaration" of 2009.

Tax Information Agreements with over 30 Countries

After implementing the "Liechtenstein Declaration" in 2009, Liechtenstein signed tax information agreements in quick succession. By the end of 2013 more than 30 OECD compliant agreements on tax information exchange will have been completed. On 11th November 2009, Liechtenstein was able to record initial success in applying this strategy on international tax and supervisory standards when the OECD removed the financial market place Liechtenstein from the "Grey List" of non-cooperating states in tax matters. The OECD recognised Liechtenstein as a state that had implemented the international cooperation standards in tax matters. The OECD Global Forum Peer Group also reached the same conclusion in its first review procedure on Liechtenstein: all the points of examination on the implementation of the OECD standards were seen as "fully compliant". The International Monetary Fund (IMF) confirmed that Liechtenstein fulfilled "the high standards of financial market supervision". The Financial Market Authority Liechtenstein (FMA) has been a member of the International Organisation of Securities Commissions (IOSCO) since 2011 and has observer status at the European Securities Markets Authority (ESMA).

The signing of tax information and double taxation agreements is at the centre of Liechtenstein's future agreement strategy, which will culminate in a DTA network. In respect of tax agreements, Liechtenstein is endeavouring to establish extensive rules which will regulate untaxed assets.

LDF as an Alternative to Automatic Information Exchange

The agreement with the United Kingdom is an example of Liechtenstein's innovative application of the "Liechtenstein Declaration". The "Liechtenstein Disclosure Facility" (LDF), which was negotiated between the Principality and the United Kingdom in 2009, offers UK taxpayers with undeclared assets the possibility of regulating their tax obligation by 5th April 2016 in a speedy manner and at advantageous conditions. LDF in an alternative to Automatic Information Exchange. The advantage for the customers is that the protection of privacy lies in their hands and no transfer of customer data to the UK tax authorities will be undertaken above and beyond those set out in the OECD standards.

In 2009 Liechtenstein secured a tax information agreement with Germany which was followed in 2011 by a further agreement to avoid double taxation. Subsequently, exploratory discussions on withholding tax were commenced. After the failure of the withholding tax negotiations between Switzerland and Germany, it remained uncertain whether Germany would engage in concrete negotiations with Liechtenstein in 2013. The Government Declaration of 14th November 2013 offers Automatic Information Exchange which must be accompanied by a guarantee of tax compliancy on assets stemming from the past.

Special Agreements Liechtenstein – USA

A special relationship regarding agreements has been developed with the USA. The first step was in 2001 when Liechtenstein entered into a Qualified Intermediary Agreement and one year later a bilateral legal assistance contract was signed. In 2008, even before the "Liechtenstein Declaration" with its general offer on OECD compliant tax agreements, a Tax Information Exchange Agreement (TIEA) was ratified. The object of this agreement was to provide mutual support on information exchange for the purpose of applying and implementing tax regulations that are deemed important to the applicant state. Liechtenstein also undertook a commitment to provide administrative assistance in cases of tax evasion which, under US Law, is a fraudulent act but, according to Liechtenstein Law, does not constitute tax fraud. Information exchange is on the basis of a precisely formulated request which is subject to special conditions. On 20th March 2012, Liechtenstein extended its administrative assistance law with the USA. Since then, group requests about non-identified groups of taxpayers are permissible. The Government justified this extension because of a new US disclosure programme which gives customers of the Liechtenstein financial market the opportunity of regulating undeclared assets. The forthcoming implementation of the Foreign Account Tax Compliance Act FATCA places higher care and duty, registration and reporting obligations on Liechtenstein financial intermediaries.

Integrated Financial Market Strategy Enhances the Profile of the Financial Market Place

In 2013, the Liechtenstein Government together with relevant business associations drew up an "Integrated Financial Market Place Strategy" on the basis of the "Liechtenstein Declaration". The new strategy should strengthen the profile of the financial centre by extending its current competitive advantage and by adhering to international standards. The competitive advantages of the financial market place Liechtenstein are the customs' and economic union with Switzerland, the Swiss Franc as legal and reliable currency, unlimited access to the European market as well as the advantages of asset protection in the taxation of legal and natural persons.

Liechtenstein banks issued new guidelines on tax compliancy. These came into force on 1st September 2013. The guidelines are directed towards protecting the financial market place from untaxed assets and preventing international accusations of aiding illicit tax behaviour. The standards which were introduced reflect the "Charter of Quality" of the International Capital Market Association (ICMA) and were endorsed by the Liechtenstein Banking Association.

After the Council of EU Finance Ministers (ECOFIN) had presented the EU Commission with a mandate to negotiate with Liechtenstein on cross border interest tax in May 2013, the demand arose for Automatic Information Exchange. Liechtenstein decided to follow a proactive policy on this matter and, in the Government Declaration of 14th November 2013, set the course for Automatic Information Exchange in tax matters on the basis of future OECD standards. Further, Liechtenstein will extensively follow procedures which are suitable for developing an appropriate model that safeguards tax compliancy for customers in the Liechtenstein financial market in the past as well as for the future.

"AAA Rating" for Transformation Process

Liechtenstein had initiated a transformation process for the financial market place which would turn Liechtenstein's finance centre into a market participant with globally accepted standards. In the fight against money laundering and the financing of organised crime, Liechtenstein passed a much stricter legal assistance law for criminal offences, enlarged the Financial Market Authority and tightened regulations on due care and attention.

In the second phase, in the light of foreign demands for greater transparency in tax matters, the "Liechtenstein Declaration" of 2009 was issued, whereby Liechtenstein committed itself to the implementation of global standards of information

AN ATTRACTIVE TAX LOCATION

The new tax law, which includes an advantageous company tax, has placed Liechtenstein internationally in a favourable, competitive tax position. The modernisation of the Liechtenstein tax system is aimed at creating a sustainable, attractive financial working place. The European Union applauded the tax law which came into force on 1st January 2011.

Taxable legal entities in Liechtenstein are now only subject to a flat rate profit tax of 12.5%. The new law waives levying capital gains tax as well as coupon tax (taxation on dividends). Independent of their legal form, all legal entities are subject to a minimum profit tax of CHF 1200. Tax levels remain low when compared internationally.

Private Asset Structures (PAS) are only subject to a minimum tax of CHF 1200 p.a. Profits, dividends or profits from sales, at home and abroad, are not subject to profit tax. There is no source tax on dividends and payments to proprietors.

In order to encourage research and development in Liechtenstein, income generated from patents, trademarks and registered designs (licences and royalties) will be subject to a lower preferential tax. By means of an "IP-Box" (Intellectual Property Box), 80% of the net profits gained from the use and exploitation of IP rights will be exempted from profit tax. This attractive level of taxation on income from intellectual property is open to all companies and is also recognised by the EFTA Surveillance Authority.

Dividends are not Subject to Source Tax and Income Gained from Intellectual Property is Taxed at a Preferential Rate

exchange in tax matters as developed by the OECD. By finalising numerous tax information and double taxation agreements, Liechtenstein took its place as a reliable and responsible partner in the global community. The efforts made in the transformation process provided more legal certainty and compliancy for customers and partners in the financial market place Liechtenstein. The international rating agency Standard & Poor's awarded these efforts with a new higher rating: On 13th September 2013 Liechtenstein, as one of only a few European countries, received "AAA rating for a stable outlook". Standard & Poor's recommended Liechtenstein, once again, as an attractive economic location with high stability.

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Dr. iur. et lic. oec. HSG Norbert Seeger

PO Box 1618, Am Schrägen Weg 14
9490 Vaduz, Liechtenstein
T +423 232 08 08
F +423 232 06 30
admin@seeger.li
www.seeger.li