

# Liechtenstein

## Legal Environment for Philanthropy in Europe 2024

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## I. Legal framework for foundations

- 1. Does the jurisdiction recognise a basic legal definition of a foundation? (please describe) What different legal types of foundations exist (autonomous organisations with legal personality, non-autonomous without legal personality, civil law, public law, church law, corporate foundations, enterprise foundations, party political foundations, family foundations, foundations of banking origin as a specific type, companies limited by liability, trusts)? Does your jurisdiction recognise other types of philanthropic organisations?**

The foundation is legally defined in Art. 552 §1 (1) PGR (*Personen- und Gesellschaftsrecht* - Law on Persons and Companies) as follows: “In accordance with the provisions of this section, a foundation is defined as a legally and economically independent special-purpose asset constituted as a legal person through the unilateral declaration of intent of the founder.”

Similar definitions are contained in the case law of the Liechtenstein Supreme Court (*Oberster Gerichtshof (OGH)*, OGH 01.02.2019, 03 CG 2012.236, LES 2019, 36; OGH 29.01.1990, 2 C 264/87-29, LES 1991, 91; OGH 01.07.1996, 06 C 410/91-20, LES 1998, 97).

There are two types of foundations:

1. Public-benefit foundations, which must be entered into the Public Register (Art. 552 § 14 (4) PGR) and whose activity – according to the declaration of establishment – is entirely or predominantly (at least 51%) intended to serve public-benefit purposes pursuant to Art. 107 (4a) PGR in the fields of charity, religion, science, culture, sport or ecology.
2. Private-benefit foundations do not need to be entered into the Public Register, but the notification of the formation must be deposited with the authority (Art. 552 § 20 (1) PGR).

Both types of foundations have legal personality (OGH 07.09.2006, 04 CG.2004.252, LES 2007, 302).

The Liechtenstein jurisdiction also recognises charitable trusts or associations as other types of philanthropic organisations.

- 2. If your jurisdiction provides for different laws for different foundations/philanthropic organisations, please indicate this and specify under the relevant question whether a different answer applies to these types of foundations/philanthropic organisations.**

The regulatory framework governing philanthropic organisations is set out in the Law on Persons and Companies (PGR). The provisions for charitable foundations are found in Art. 552 § 1 et seqq. PGR. Furthermore, it is also possible to establish a charitable trust in Liechtenstein, with the regulations outlined in Art. 897 et seqq. PGR.

- 3. What purposes can foundations legally pursue?<sup>1</sup>**

- Only public-benefit  
 Both public- and private-benefit

<sup>1</sup> This question focuses only on public-benefit foundations (see the definition in the [glossary](#) developed for this project).

**4. What are the requirements for the setting up of a foundation (procedure, registration, approval)? What application documents are required? Are there any other specific criteria for registration?**

The foundation is formed through a declaration of establishment which must be made in written form. An authentication of the signature of the founder(s) is required.

The declaration is a unilateral legal instrument, which must be interpreted in the same way as a testament. The crucial factor for interpretation is the will of the founder and the contents of the foundation's declaration (OGH 01.02.2019, 03 CG 2012.236, LES 2019, 36; OGH 10.12.2008, Staatsgerichtshof (StGH) 2008/56, GE 2009, 372).

Public-benefit foundations and private-benefit foundations carrying on business that runs along commercial lines on the basis of special law must be entered into the Public Register, in order to acquire the right of legal personality (Art. 552 § 14 (4) PGR). The registration fee for public-benefit foundations is CHF 700.

Private-benefit foundations may be entered into the Public Register, but there is no legal obligation to do so. These foundations acquire legal personality upon formation (Art. 552 § 14 (5) PGR).

**5. Is state approval required? (approval by a state supervisory authority with/without discretion)**

No.

- Approval by a state authority with discretion
- Approval by a state authority without discretion
- Approval by a court
- Notarisation by a notary public

**6. Are foundations required to register?**

For public-benefit foundations and private-benefit foundations carrying on business that runs along commercial lines on the basis of special law, registration in the Public Register is mandatory (Art. 552 § 14 (4) PGR). Private-benefit foundations do not have to register, but the foundation board must submit a notification of the formation within 30 days following the formation to the Office of Land and Public Registration (Art. 552 § 20 (1) PGR).

a) If foundations must register, in what kind of register?

- Company register
- Foundation register at national level
- Foundation register at the regional/county level
- Beneficial ownership register
- Any other public register (other than a foundation/charity one)

b) If foundations are registered, what information is kept in the register?

Pursuant to Art. 552 § 19 (3) PGR, the entry shall contain the following information:

1. Name or corporate name of the foundation.
2. Domicile of the foundation.
3. Purpose of the foundation.
4. Date of formation of the foundation.

5. Duration of the foundation, if this is limited.
  6. Organisation and representation, stating the surname, first name, date of birth, nationality and place of residence or registered office, or the corporate name and domicile of the members of the foundation board as well as the form of the signatory's power.
  7. The surname, first name, date of birth, nationality and place of residence or registered office of the legal attorney, or the corporate name and domicile of the audit authority.
  8. The surname, first name, date of birth, nationality and place of residence or registered office of the legal attorney, or corporate name and domicile of the representative.
  9. The fact that the foundation is subject to supervision pursuant to § 29 (1) sentence 1 PGR.
- c) If foundations are registered, is the register publicly available?
- Yes, all information publicly accessible
  - Yes, some information publicly accessible
  - Yes, accessible upon request
  - No

**7. Is a minimum founding capital/endowment required?**

- No
- Yes, amount: CHF 30,000 (~ €30,670)

**8. Is the foundation required to maintain these assets or any other specified asset level throughout its lifetime? Are spend-down foundations allowed?**

Liechtenstein foundation law does not contain any provisions governing the raising and maintenance of capital in order to protect creditors. The "freeze on distributions" in Art. 552 § 37 (2) PGR, introduced in the course of the total revision of Liechtenstein foundation law in 2008, is the only provision that ensures the protection of creditors. It is thus permissible to establish spend-down foundations, despite their relative rarity. The foundation's board may only make payments to beneficiaries to fulfil the purpose of the foundation if this does not reduce the claims of the foundation's creditors.

**9. What governance requirements are set out in the law? Is it a one-tier or two-tier foundation governance model?**

- a) Is it mandatory to have a:
- Supervisory board
  - Governing board
- b) What are the requirements concerning board members? Is a minimum/maximum number of board members specified? Does the law regulate the appointment of board members and their resignation/removal, or can this be addressed in the statutes/bylaws?

The board (*Stiftungsrat*, foundation council) must be composed of at least two members (Art. 552 § 24 (2) PGR). According to Art. 552 § 24 (1) PGR, it is responsible for fulfilling the

purpose of the foundation. Both natural persons and legal entities can be members of the foundation board (Art. 552 § 24 (2) PGR). Regulations concerning the appointment or dismissal of the foundation board need to be included in the foundation deed, which is prepared by the founder (OGH 07.05.2010, 10 Hg.2008.5, LES 2010, 311). Unless otherwise provided in the foundation deed, the appointment of the foundation board is effective for three years. There are no limitations on the reappointment of foundation board members (Art. 552 § 24 PGR).

- c) What are the duties and what are the rights of board members, as specified by national legislation or case law?

The members of the foundation board must fulfil the purpose of the foundation and manage the assets (asset management) in compliance with the founder's intention, in conformity with the purpose of the foundation and in accordance with the principles of good management (Art. 552 § 25 (1) PGR). Additionally, the foundation board must maintain appropriate records of the financial circumstances of the foundation and keep documentary evidence presenting a comprehensive account of the course of business and movement of the foundation assets (Art. 552 § 26 PGR; OGH 04.05.2005, 01 CG.2003.32, LES 2006, 191). The founder may establish special rights for the foundation board, such as the right to amend the foundation documents (Art. 552 § 32 PGR). In this case, the board may, under certain conditions (Art. 552 § 32 PGR), amend the declaration of the foundation, e.g. the provisions on the appointment of beneficiaries (OGH 06.03.2008, 1 CG.2006.71, LES 2008, 279; StGH 10.12.2008, StGH 2008/056, GE 2010, 489; OGH 05.11.2009, 10 CG.2005.300, LES 2010, 144).

- d) What are the rights of founders during the lifetime of the foundation? Can fundamental decisions, such as change of purpose, be made at the discretion of the founder? What are the legal requirements in such circumstances?

If the founder is a natural person, they can reserve in the foundation deed the right to revoke the foundation or amend the declaration of establishment in the foundation deed (Art. 552 § 30 PGR). These rights may not be assigned or bequeathed (OGH 01.07.1996, 06 C 410/91-20, LES 1998, 97), but they can be exercised by a representative (StGH 01.07.2011, StGH 2011/008, GE 2012, 188). If the founder is a legal entity, it cannot reserve for itself these rights (Art. 552 § 30 (2) PGR)

- e) Can the board or the founder amend the statutes including the purpose of the foundation? If yes, please indicate any particularities. What is the relationship between the powers of the founders, the statutes of the foundation and the power of the board members?

The founder may establish special rights for the foundation board, such as the right to amend the foundation documents (Art. 552 § 31 & § 32 PGR). In this case, the board is also able to amend the provisions regarding the appointment of beneficiaries (OGH 06.03.2008, 1 CG.2006.71, LES 2008, 279; OGH 05.11.2009, 10 CG.2005.300, LES 2010, 144). However, only the founder as a natural person can reserve the right to amend the statutes and the purpose of the foundation in the foundation deed (Art. 552 § 30 PGR).

An amendment to the purpose of the foundation by the foundation board shall only be allowed if the purpose of the foundation has become unachievable, impermissible or irrational or if circumstances have changed to the extent that the purpose has acquired a quite different significance or effect, so that the foundation is estranged from the intention of the founder (Art. 552 § 31 (1) PGR). Therefore, the amendment must comply with the presumed intention of the founder and the power to amend must be expressly reserved to the foundation board in the foundation deed (Art. 552 § 31 (2) PGR).

f) What are the rights of third parties (e.g. right of information)?

Generally, a beneficiary as third party is entitled to inspect the foundation deed, the supplementary foundation deed and any other regulations insofar as the beneficiary's rights are concerned.

Under Art. 552 § 9 PGR, a beneficiary is entitled to inspect the foundation documents insofar as their rights are concerned (OGH 05.07.2007, 06 CG.2004.93, LES 2008, 95). In addition, the beneficiary is entitled to the disclosure of information, reports and accounts insofar as their rights are concerned. Depending on the type of foundation purpose, the right of information is limited to certain categories of beneficiaries, namely the entitled beneficiaries and the prospective beneficiaries (OGH 06.05.2003, 04 CG 2001.492-29, LES 2004, 67).

The beneficiaries do not have these rights if the founder has reserved for themselves the right to revoke the foundation and the founder is also the ultimate beneficiary of the foundation (Art. 552 § 10 PGR). If the founder has established a controlling body for the foundation, the beneficiaries may only demand disclosure of information concerning the purpose and organisation of the foundation and concerning their own rights vis-à-vis the foundation (Art. 552 § 11 PGR).

The beneficiaries also do not have access to information in respect of public-benefit and other foundations that are subject to the supervision of the Foundation Supervisory Authority.

g) What rules are in place to ensure against conflict of interest? What is the legal definition of a conflict of interest under your legislation? How is self-dealing prohibited?

There is no legal definition of conflict of interest. According to § 1009 Allgemeines Bürgerliches Gesetzbuch (ABGB) – Civil Code – any sort of self-dealing is prohibited and is considered to be a fundamental breach of the fiduciary duties. Furthermore, executive bodies must not allow themselves to be guided by extraneous interests when making business decisions (Art. 182 (2) PGR).

h) Can staff (director and/or officers) participate in decision-making? How and to what extent?

The foundation documents may transfer some decision-making power to the directors or officers.

**10. What is the liability of the foundation and its organs? What is the general standard of diligence for board members? (e. g. duty of obedience, duty of care/prudence, duty of loyalty)? In what type of rule are these criteria established: fiscal, administrative, civil, commercial? Is there a solid case law, if any, regarding the duty of due diligence? Does your country differentiate between voluntary (unpaid) and paid board members? Who is allowed to bring a complaint about breaches of such duties: the other members of the board, the founder/s, the public authorities? If a complaint is brought, which authority has competence in such cases: administrative, tax authority, only the judiciary power (attorney general) or beneficiaries/general public?**

Pursuant to Art. 182 (2) PGR, the foundation board is under a duty to run the foundation with diligence and is personally liable for the management of the foundation and its representation. In accordance with the "Business Judgement Rule" the foundation board acts in conformity with its obligations if, within the scope of the foundation deed, it acts on the basis of appropriate information, is free of conflicts of interest and acts in good faith that its decisions are in the best interest of maintaining the assets to be managed (OGH 08.01.2004, 10 HG 2002.58-39, LES 2005, 174).

*Does your country differentiate between voluntary (unpaid) and paid board members?*

Whenever members of the foundation board act without remuneration, the liability for minor negligence may be excluded in the declaration of establishment, unless the creditors of the foundation are adversely affected as a result (Art. 552 § 24 (6) PGR).

*Who can claim responsibility for breaches of such duties: the other members of the board, the founder/s, the public authorities. In which case who: administrative, tax-authority, only the judiciary power (Attorney General) or beneficiaries/general public?*

Responsibility for breaches of such duties by members of the board can, in principle, only be claimed by the foundation itself. Beneficiaries may only do so if they are directly injured parties and thus actively legitimised (OGH 03.11.2005, 1 CG.2003.209, LES 2006, 357).

**11. Who can represent a foundation towards third parties? Is this specified in law or is it up to the statutes of the organisation? Do the director and officers have powers of representation based on legislation?**

The foundation board and its representatives have the power to represent the foundation (Art. 552 § 24 (1) PGR; OGH 07.01.2009, 01 CG.2006.303, LES 2009, 202).

**12. Are purpose-related/unrelated economic activities allowed? If so, are there other types of limitations on economic activities (related/unrelated)?**

Economic activities are allowed if they directly serve the achievement of the foundation's public-benefit purpose or whenever there is a special statutory basis. If these requirements are not fulfilled, the foundation may also not be a shareholder with unlimited liability in a partnership which operates a commercial business (Art. 552 § 1 (3) PGR). Insofar as the orderly investment and management of the foundation assets require, the setting up of a commercial operation is permissible, even for private-benefit foundations (Art. 552 § 1 (2) PGR).

**13. Is there any legal/fiscal framework for grantmakers to be able to fund legal entities that are conducting economic activities in addition to their public-utility activities? If any, what are the limitations for funding those kinds of legal entities?**

In Liechtenstein, there are no corporate law barriers to donations by a third party to a foundation. Where donations are made, the criminal law provisions on money laundering must be observed.

**14. Are foundations permitted to be major shareholders in a company? Are there any limitations to voting rights? Is this considered as an economic activity? Are foundations allowed to engage in active ownership of companies that they own (for example through board representation, informal strategy discussions or the right to be consulted on key issues such as CEO succession)?**

A foundation is generally permitted to hold a company in Liechtenstein unless it is a so-called self-purpose foundation, which is a legal entity that only retains the profits and does not distribute them. In addition to holding shares, the holding foundation is characterised by the fact that, depending on its legal structure, it also has the power to influence corporate policy. This can be demonstrated by majority shareholding, voting trust agreements or organisational management power.

**15. Are there any rules/limitations in civil and/or tax law regarding foundations' asset management (only secure investments/bonds/investments with a certain return)? What, if any, types of investment are prohibited? Are there any limitations on mission-related investments?**

Generally speaking, the foundation board must manage the foundation's assets in compliance with the founder's intention and in accordance with the principles of good management (Art. 552 § 25 (1) PGR). The founder can establish specific and binding asset management criteria in the foundation's documents (Art. 552 § 25 (2) PGR). There are no further limitations.

**16. Are foundations legally allowed to allocate grant funds towards furthering their public-benefit purpose/programmes which (can) also generate income – impact investing? (recoverable grants; low interest loans; equities)**

Yes. However, the consequence of the allocation of grant funds might be that the foundation loses its tax privileges. As mentioned previously, a foundation may pursue any legal purpose.

**17. Are there any limitations (in civil law/tax law) to political party related or general lobby/advocacy activities?**

No, there are no such limitations as long as the purpose of the foundation is not defined as an otherwise forbidden or immoral activity by law.

**18. What are the requirements for an amendment of statutes/amendment of foundations' purpose?**

The founder can amend the statutes/the foundation purpose, if the founder is a natural person and has reserved this right in the foundation deed (Art. 552 § 30 (1) PGR).

An amendment to the foundation's purpose by the foundation board or another executive body shall only be allowed if the purpose has become unachievable, impermissible or irrational or if circumstances have changed to the extent that the purpose has acquired a quite different significance or effect, so that the foundation is disconnected from the intention of the founder (OGH 07.09.2018, 08 CG. 2015.438, LES 2018, 270/1; OGH 03.12.2010, 10 Hg 2009.247, LES 2011, 21).

The amendment must comply with the presumed intention of the founder and the power to amend must be expressly reserved to the foundation board or to another executive body of the foundation in the foundation deed (Art. 552 § 31 (2) PGR).

An amendment to other contents of the foundation deed or the supplementary foundation deed, such as in particular the organisation of the foundation, is permissible by the foundation board or another executive body if and insofar as the power of amendment is expressly reserved in the foundation deed to the foundation board or to another executive body of the foundation. The foundation board shall, safeguarding the purpose of the foundation, exercise the right to amend if there is a substantially justified reason to do so (Art. 552 § 32 PGR).

**19. What are requirements with regard to reporting, accountability, auditing?**

Foundations carrying on business that runs along commercial lines are subject to general accounting rules. In the case of all other foundations, the foundation board shall, in respect

of the management and appropriation of the foundation assets and taking into consideration the principles of orderly bookkeeping, maintain appropriate records of the financial circumstances of the foundation and keep documentary evidence presenting a comprehensive account of the course of business and movement of the foundation assets. In addition, the foundation board shall maintain a schedule of assets showing the asset position and the asset investments (Art. 552 § 26 PGR).

a) What type(s) of report must be produced?

- Annual financial report/financial accounts
- Annual activity report
- Public-benefit/activity report
- Tax report/tax return
- Other reports e.g. on 1% schemes
- Reports on governance changes (e.g. new board members)
- Report on conflict of interest (self-dealing and conflict of interest breach cases)

b) Must all/any of the reports produced by the foundation be submitted to supervisory authorities? If so, to which authorities (e.g. foundation authority, tax authority)?

In principle, a qualified and independent auditor must be appointed by the Princely Regional Court to every charitable foundation subject to supervision in accordance with Art. 552 § 27 PGR. The auditor must verify whether the foundation's assets are being managed and used in accordance with its purposes on an annual basis. Once the audit has been carried out, the auditors must submit an annual report to the foundation board and the Foundation Supervisory Authority (Art. 552 § 27 (4) PGR).

c) Are the reports checked/reviewed? By whom (supervisory/tax authorities)?

It is only in the case of public-benefit foundations that the Supervisory Authority and tax authority check if the foundation's activities are in line with the purpose and the organisation of the foundation as defined in the foundation documents.

d) Do any or all of the reports and/or accounts of foundations need to be made publicly available? If so, which reports and where (website, upon request)?

N/A

e) Is external audit required by law for all foundations?

See above.

f) By whom should audits be undertaken? Do requirements/guidelines exist regarding international and national auditing agencies and standards?

N/A

## 20. Supervision: Which authority, what measures?

a) What type of body is the supervisory authority? (multiple answers possible)

- A public administrative body
- A public independent body
- A combination of a governmental body and a court
- A court

- A public administrative body and an independent body
- A tax authority
- Other

b) Does the supervisory body review reports?

- Yes
- No

Under Art. 552 § 29 PGR, the role of supervision is assigned primarily to the Foundation Supervisory Authority, which is a public administrative body and a department of the Office of Justice.

Only public-benefit foundations (as well as private-benefit foundations which are subject to supervision pursuant to a provision in the foundation deed) are subject to the supervision of the Foundation Supervisory Authority (Art. 552 § 29 (1) PGR).

The Foundation Supervisory Authority ensures ex officio that foundation assets are being managed in accordance with the foundation's purpose. Thus, it is entitled to demand information from the foundation and, through the audit authority, to inspect the books and documents of the foundation. In addition, it may obtain information from other administrative authorities.

Through special non-contentious civil proceedings, the Foundation Supervisory Authority may apply to the court for the required orders, such as the control and dismissal of the executive bodies of the foundation; carrying out of special audits; or cancellation of resolutions of executive bodies of the foundation.

c) Are foundations subject to inspection?

See above.

- Yes
- No

d) Is approval from the authority required for certain decisions of the governing board?

- Yes, formal approval is needed
- Yes, needs just to be informed
- No

If yes, please specify which type of decisions:

e) Is it mandatory to have a state supervisory official on the governing board?

- Yes
- No
- Can a government official be appointed to the governing board by a state authority, if so please mention:

f) What enforcement measures are in place (including compliance measures and sanctions for non-compliance) concerning registrations, governance, reporting, and public-benefit status?

The foundation supervisory authority must ensure ex officio that the foundation's assets are managed and used in accordance with its purposes. To this end, it has the right to demand information from the foundation and to inspect the foundation's books and records through

auditors and to take measures (Art. 552 § 29 (3) PGR). If the purpose of a foundation that is not entered in the commercial register changes such that an obligation to register arises, the members of the foundation board are obliged to apply for the foundation to be entered in the commercial register within 30 days in accordance with paragraphs 1 and 3 (Art. 552 § 19 (5) PGR). Otherwise, there is also the possibility for a foundation to be dissolved by the court (Art. 552 § 39 (1) Z 3 PGR).

## **21. When and how does a foundation dissolve?**

As mentioned in the previous responses, the Foundation Supervisory Authority monitors whether the management of the assets is in line with the purposes of the foundation. This applies only to public-benefit foundations and private-benefit foundations that are subject to supervision pursuant to a provision in the foundation deed. Therefore, the Authority is entitled to request information and, through the audit authority, to inspect the books and documents of the foundation. In addition, it may obtain information from other administrative authorities.

Through special non-contentious civil proceedings, the Foundation Supervisory Authority may furthermore apply to the court for the required orders, such as the control and dismissal of the executive bodies of the foundation; carrying out of special audits; or cancellation of resolutions of executive bodies of the foundation.

## **22. Is there a maximum that can be spent on office/administration costs in civil law and/or tax law? If yes, what is the amount?**

Special statutory regulations concerning "administration costs" do not exist in tax law. Unreasonably high administration costs will certainly exclude private- or public-benefit foundations from tax exemption. For further information, see point 10c) in section II.

## **23. Does civil and/or tax law require a foundation to spend a certain percentage of its overall assets within a certain period of time (e.g. within the next financial year)? In particular, can a foundation accumulate these expenses over a period of time (and if so, what kind of authorisation is required to do so)?**

No.

## **24. Under what conditions does the civil law in your country recognise a foreign foundation? Do they have to register? Does your law recognise the concept of trusts?**

Pursuant to Art. 232 PGR, a foundation will be recognised if it was incorporated correctly in its country of origin (incorporation theory). As long as the foundation does not move its statutory seat and convert into a Liechtenstein foundation, no registration is required.

In addition to the Liechtenstein foundation, the trust has an equally long legal tradition in the Principality of Liechtenstein. As the first continental European legal system in Europe, Liechtenstein introduced substantive trust law with certain special features to emulate common law. Furthermore, Liechtenstein acceded to the Hague Convention in 2006.

## **25. Does the law in your country allow a foundation to conduct (some or all) activities (grantmaking, operating, asset administration, fundraising) abroad? Is there any limitation?**

Activities abroad are allowed without any limitations.

**26. Does the law in your country impose any restrictions on ability to receive donations from abroad? If so, please describe.**

No.

**27. Does the civil law in your country allow the transfer of the seat of a foundation (in the EU) and/or cross-border mergers?**

Liechtenstein follows the incorporation theory. In addition, the recent case law of the European Court of Justice allows cross-border mergers of companies (Polbud). The freedom of establishment and the European concept of a company both include foundations. Liechtenstein shares this legal interpretation.

## II. Tax treatment of foundations

**General remark:** The following explanations provide a basic understanding regarding the tax treatment of charitable and therefore tax-exempt foundations in Liechtenstein based on the provisions of the Liechtenstein Tax Act and the Liechtenstein Tax Ordinance as well as the revised Leaflet of the Liechtenstein Tax Authority dated July 2024. However, the assessment and qualification of individual cases might differ according to the specific circumstances of those cases.

### 1. What are the requirements to receive tax exemptions?

- Pursuing public-benefit purposes
- Non-distribution constraint
- Being resident in the country
- Other

There are basically two types of tax exemptions that should be mentioned in this context:

Under Liechtenstein law, foundations can only be established as legal entities. The purposes of a foundation may be public-benefit (charitable) or private-benefit (Art. 552 § 2 Liechtenstein Personal and Corporate Law Act, PGR). It is also possible to set up mixed foundations that pursue either predominantly charitable purposes as well as private-benefit purposes (Art. 552 § 2 para. 1 PGR), or predominantly private-benefit purposes as well as charitable purposes (Art. 552 § 2 para. 3 and 4 PGR).

Legal entities that exclusively and irrevocably pursue charitable purposes within the meaning of Art. 107 para. 4a PGR without the intention to make a profit can be exempted from tax liability upon application by the Liechtenstein Tax Authority (personal tax exemption; Art. 4 para. 2 Tax Act). According to a definition by the Liechtenstein Tax Authority (information sheet on the requirements for the exemption of non-profit legal entities and special asset dedications without legal personality from direct taxes dated July 2024), anyone who is engaged in economic competition or in an economic monopoly position, i.e. in a planned and sustainable manner using capital and manpower in a commercial manner, pursues an intention to make a profit.

The tax exemption applies to all direct taxes for legal entities (corporate income tax and real estate capital gains tax) as well as to the formation tax (national stamp duty on the capitalisation of statutory capital).

However, the tax exemption does not apply to the net income (profits subject to corporate income tax) from business operations maintained by them if these generate gross income totalling more than CHF 300,000 (exemption limit). If the exemption limit is exceeded, all net income from the business operation is taxable. Beyond this, the tax exemption remains in place.

If the operation of a business is an indispensable means of pursuing a purpose for the common good (special-purpose business, e.g. in the form of workshops for the disabled or hospitals), the income is also tax-exempt if it exceeds the limit of CHF 300,000.

Under company law, a foundation may only carry out a commercial business if it directly serves the achievement of its charitable purpose or is permitted on the basis of special legislation. To the extent required for the proper investment and management of the foundation's assets, the establishment of a commercial business is also permitted by way of exception for private-benefit foundations (Art. 552 § 1 para. 2 PGR).

Charitable foundations and private-benefit foundations that operate a commercial business on the basis of special legislation must be entered in the commercial register and acquire the right of personality through registration (constitutive effect; Art. 552 § 14 para. 4 PGR).

Tax exemption is not excluded if the foundation or organisation allocates part of its funds, employees or assets to another, equally tax-exempt foundation or organisation for use for tax-privileged purposes, or if the foundation or organisation allocates all or part of its funds to a provision, insofar as this is necessary in order to be able to fulfil its tax-privileged statutory purposes on a sustainable basis (Art. 4 para. 2 Tax Act).

Art. 107 para. 4a PGR contains a legal definition according to which charitable or benevolent purposes are understood to be those purposes whose fulfilment promotes the general public. A promotion of the general public exists in particular (non-exhaustive list) if the activity benefits the common good in charitable, religious, humanitarian, scientific, cultural, moral, social, sporting or ecological terms. This also applies even if the activity only benefits a specific group of people.

The conditions for tax exemption under Art. 4 para. 2 Tax Act can be summarised as follows:

1. The foundation must actually pursue the stated charitable purposes to promote the general public or the public welfare.
2. The foundation must pursue these purposes irrevocably and exclusively and stipulate this in its articles of association. Any other use of funds (even in the event of liquidation) does not entitle the foundation to tax exemption. The donation of the foundation's assets thus constitutes a sacrifice of assets for the benefit of the general public that is no longer available for use for private purposes (principle of altruism).
3. The administrative costs (in particular the remuneration of the governing bodies) must be reasonable and in line with "arm's length principles". The donation of the foundation's assets represents a disinterested sacrifice of assets. A participation in the income or assets of a charitable foundation that exceeds the limit of appropriateness would violate the principle of altruism.
4. The foundation must be entered in the commercial register in accordance with the requirements of company law.
5. The foundation may not pursue any profit-making purposes, whereby it should be noted that not every type of profit-making intention or gainful activity leads to the exclusion of tax exemption. As already mentioned, the management of an economic business operation is permitted, provided that the gross income does not exceed the limit of CHF 300,000 p.a. (economic business operation) and the income is used for charitable purposes or if the management of a business is an indispensable means of pursuing the public good.

Art. 45 para. 2 Tax Act contains another tax exemption, but this only concerns corporate income tax. It is therefore not as extensive as the exemption under Art. 4 para. 2 Tax Act.

Moreover, according to Art. 45 Para. 2 Tax Act, legal entities that pursue non-profit purposes can be exempted from corporate income tax upon application by the Liechtenstein Tax Authority. The regulation applies above all to the numerous non-profit associations (e.g. associations for family support, help with dementia, advice in difficult life situations, but also, for example, voluntary fire departments and the Samaritan associations), which are often not entered in the commercial register and should not be subject to the strict requirements for tax exemption under Art. 4 para. 2 Tax Act due to the principle of proportionality.

In accordance with the requirements for charitable foundations or organisations exempt under Art. 4 para. 2 Tax Act, the tax exemption also does not apply to the net income from business operations if the gross income exceeds the limit of CHF 300,000 (exemption limit).

## 2. What are reporting/proof requirements to claim tax exemptions? What does the foundation have to submit to the authorities (statutes, financial reports, activity reports, other)?

The application for tax exemption due to charitable status in accordance with Art. 4 para. 2 Tax Act must be submitted to the Liechtenstein Tax Authority. Charitable foundations and institutions may also submit the application for tax exemption to the Office of Justice as the Foundation Supervisory Authority, which will forward the application to the Liechtenstein Tax Authority ex officio. The Office of Justice is also the Foundation Supervisory Authority (Art. 552 § 29 para. 2 PGR). The Office of Justice then sends confirmation that the requirements for the foundation in question have been fulfilled and placed under its supervision (Art. 2 Tax Ordinance, LGBl-Nr 2010.437). All foundation documents (in particular the articles of association, by-laws and other regulations, extract from the commercial register) must be submitted.

The Liechtenstein Tax Authority checks annually whether the conditions for tax exemption are still met. In most cases (where the appointment of an auditor is mandatory), the following documents must be submitted for this purpose:

- a) The report or confirmation of the auditors in accordance with Art. 552 § 27 para. 4 PGR.
- b) The audited annual financial statements or a statement of assets and liabilities as well as income and expenses (provided that the financial consequences of the business activity can be presented simply and clearly without proper accounting).
- c) Where applicable, the annual financial statements of the company in which a majority interest is held.

Charitable foundations are subject to supervision by law and must have an independent auditor (including certified public accountants, auditing companies, or another independent trustee) as an additional governing body, which reviews once a year whether the foundation's assets are being managed and used in accordance with the foundation's purpose. The results must be submitted to the foundation board and the Foundation Supervisory Authority (Art. 552 § 27 para. 4 PGR). The documents can be forwarded directly to the Office of Justice or the Foundation Supervisory Authority, which also forwards the documents ex officio to the Tax Authority (Art. 3 para. 2-3 Tax Ordinance).

In the case of charitable foundations, the Foundation Supervisory Authority may, upon request, refrain from appointing an auditor if the foundation only manages small assets (less than CHF 750,000 or ~€767,000) or if this appears appropriate for other reasons [Art. 552 § 27 para. 5 PGR and Art. 4 et seq. of the Foundation Law Ordinance (StRV; LGBl no. 114.2009)].

If an auditor has not been appointed, the following documents must be submitted to the tax authority:

- a) The annual financial statements or a statement of assets and liabilities as well as income and expenses (provided that the financial consequences of the business activity can be presented simply and clearly without proper bookkeeping).
- b) A statement on the use of funds.
- c) Where applicable, the annual financial statements of the company in which a majority interest is held.

If the documents are not submitted or if the review shows that the legal entity or trust no longer meets the conditions for tax exemption, it will be excluded from tax exemption (Art. 3 para. 2-4 Tax Ordinance).

In cases where an auditor is not appointed, the Foundation Supervisory Authority generally exercises the right of inspection itself. It must ensure ex officio that the foundation's assets are managed and used in accordance with its purposes. To this end, it has the right to request information from the foundation and to inspect the foundation's books and records (Art. 552 § 29 para. 3 PGR).

**3. Is specific reporting required for the use of public funds (grants received from public bodies/state/municipality/etc.)?**

No. Separate reporting is not required.

**4. Is there an obligation to report to public authorities on donors and beneficiaries? If so, to which authority and what type of information?**

There are no such reporting obligations for charitable foundations. Nevertheless, all information must be kept, stored and disclosed as part of the annual audit by an auditing body, the Foundation Supervisory Authority (Office of Justice) and the Tax Authority.

**5. Is there a statutory definition of what a public-benefit purpose (charitable purpose) is in the civil law (foundation law, trust law) of your country? If yes, please give us the definition. If so, is the determining definition that subsequently links to tax benefits?**

According to Art. 107 para 4a PGR, a legal entity is charitable (public-benefit and non-profit) if the fulfilment of its purposes is of benefit to the general public. In particular, there is deemed to be a benefit to the general public if the activity serves the public good in a charitable, religious, humanitarian, scientific, cultural, moral, sporting or ecological sense, even if only a specific category of persons benefits from the activity.

**6. Is there a statutory definition of what a public-benefit purpose is in the tax law of your country? If yes, please give us the definition.**

Tax law is based on the definition in Art. 4 para. 2 Tax Act. Legal entities that exclusively and irrevocably pursue charitable purposes within the meaning of Art. 107 para. 4a PGR without the intention of making a profit can therefore be exempt from tax liability.

**7. Please indicate whether the following purposes would or would not be accepted for tax privileges in your country (noting that the tax status often depends on additional requirements):**

Public-benefit purpose	Accepted in tax law (for tax privileges)			
	Yes	Probably yes	Probably no	No
Arts, culture or historical preservation	x			
Environmental protection	x			
Civil or human rights	x			
Elimination of discrimination based on gender, race, ethnicity,	x			

religion, disability, sexual orientation or any other legally prescribed form of discrimination				
Social welfare, including prevention or relief of poverty	x			
Humanitarian or disaster relief	x			
Development aid and development cooperation	x			
Assistance to refugees or immigrants	x			
Protection of, and support for, children, youth or elderly	x			
Assistance to, or protection of, people with disabilities	x			
Protection of animals	x			
Science, research and innovation	x			
Education and training	x			
European and international understanding (e.g. exchange programmes/ other activities aimed at building bridges between nations)	x			
Health, well- being and medical care	x			
Consumer protection		x		
Assistance to, or protection of, vulnerable and disadvantaged persons	x			
Amateur sports			x	
Infrastructure support for public-	x			

benefit purpose organisations				
Party political activity				X
Advocacy		X		
Advancement of religion	X			
<i>Other – please list other purposes accepted in tax law for tax privileges in your country</i>				

## 8. Support of “the public at large”

- a) Do the activities of a foundation with public-benefit status for tax purposes generally have to benefit “the public at large”?

Generally, yes, but it is sufficient if only a certain group of people benefit from the charitable activity. For example, the financial support of a denominational hospital in which only members of a certain religious community are treated free of charge without exception, or the financial support of employees of a certain company and their relatives who are in need is permissible.

- b) If yes, can a foundation with public-benefit status for tax purposes support a closed circle in a sense that beneficiaries can be identified based on legal or family affiliations?

See under a). The restriction to certain family circles that are close to the founder is not possible and does not make sense, as a distribution would only be possible if such a person were demonstrably in an emergency situation worthy of support. As this is very unlikely to occur, it is already questionable whether the foundation is even regularly active in realising its purpose and can therefore be entitled to receive a tax exemption at all. The pursuit of private-benefit purposes is not permitted and leads to the exclusion or loss of tax exemption. A private charitable foundation would be a better option in this case.

Cases are conceivable in which certain families can be supported who have fallen on hard times due to a particular misfortune such as loss of parents or spouse, or serious health impairments due to major industrial accidents (mining accidents, chemical accidents or natural disasters) and find themselves in an emergency situation as a result.

## 9. Non-distribution constraint

- a) Does a foundation with public-benefit status for tax purposes generally have to follow a “non-distribution constraint” which forbids any financial support of the foundation board, staff, etc.?

No, the remuneration, e.g. to foundation board members or external service providers, must be appropriate and in line with “arm's length principles”. This is part of the foundation's annual audit. Non-compliance may result in the loss of tax exemption. Distributions to board members or staff are not allowed.

- b) What happens with the foundation's assets in case of dissolution? Can the assets revert to private ownership, or do they have to stay in the public-benefit sphere?

For tax exemption under Art. 4 para. 2 Tax Act, it is absolutely essential that the assets remain in the charitable sector. Donations received must be used for charitable purposes.

## 10. “Altruistic” element

- a) Is remuneration of board members allowed in **civil law** and in **tax law**? If remuneration is allowed, are there any limits in **civil law** and/or in **tax law**?

Remuneration of foundation board members is permissible under civil and tax law. It must be appropriate and at “arm's length”. A violation can lead to the loss of tax exemption. The principle of altruism must be observed.

- b) Does **tax law** allow a donor/funder to receive some type of benefit in return for a donation? (e.g. postcards, free tickets for a concert)

No, the principle of altruism must be observed. The receipt of customary and appropriate remuneration for activities of the founder or the foundation board or another body of the foundation, such as an advisory board, is possible and does not lead to a loss of tax exemption under Art. 4 para. 2 Tax Act.

- c) Is there a maximum amount that can be spent on office/administration costs in **civil law** and in **tax law**? If yes, how are “administration costs” defined? Please indicate which of the following types of expenditures would/would not be considered as “administration costs”:

- Personnel costs (staff salaries/payroll costs)
- Board remuneration
- Costs of external audit
- Other legal/accounting costs
- General office overheads (rent/mortgage payments, utilities, office materials, computers, telecommunications, postage)
- Insurance
- Publicity and promotion of the foundation (e.g. website, printed promotional materials)
- Asset administration costs
- In the case of an operating foundation – costs related to programmes/institutions run by the foundation
- Costs related to fundraising

There is no maximum amount for administrative expenses. However, the administrative expenses must be customary, reasonable and appropriate. If they are not, then this may result in the loss of tax exemption. In addition, the administrative costs should not be higher than the distributions.

## 11. Hybrid structures (elements of private benefit in public-benefit foundations)

- a) Does the **civil law** of your country accept the following provisions/activities of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the	x				

foundation is required to maintain the founder, their spouse and descendants.					
The founder retains a beneficial reversionary interest in the capital of a property or other asset for their own continuing use.	x				
The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.	x				
A foundation distributes a (small) part of its income to the founder or their family.	x				

b) Does the **tax law** of your country accept the following provisions/activities of a tax-exempt foundation?

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants.					x
The founder retains a beneficial <i>reversionary</i> interest in the capital of a property or other asset to retain for their own continuing use.					x
The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.					x
A foundation distributes a (small) part of its income to the founder or their family.					x

## 12. Distributions and timely disbursement

a) Are foundations allowed to spend down their endowment?

Yes, that is possible. It should be provided for in the foundation's statutes or articles of association.

b) Are they allowed to be set up for a limited period of time only? If so, is there a minimum length of time for which the foundation must exist?

Yes, that is possible. There is no minimum duration. However, it should undoubtedly be long enough to achieve the purpose of the foundation.

c) Does the **civil law** and/or **tax law** of your country require a foundation to spend its income (or a certain amount of the income) within a certain period of time, e.g. within

the next financial year? If yes, is there a specific amount/percentage of the income that must be spent within this time? Which resources would be considered as income? E.g. would donations/contributions designated for building up the endowment be included in/excluded from the income to be spent? What expenditures would count towards the disbursement of income (e.g. would administration costs be included/excluded?)?

The purpose of the foundation must be fulfilled through the regular use of the available funds. There are no specific deadlines. Income can also be saved for the realisation of larger projects. If no funding is provided over several years, particularly despite a good income situation, this must be objectively justified and will otherwise lead to the loss of the tax-exempt status.

d) Does the **civil law** and/or **tax law** of your country require a foundation to spend a percentage of its overall assets in the form of a “pay-out rule”?

No, such a requirement does not exist.

Example: Does the **civil law** of your country require the following of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
A foundation accumulates its income for 5 years, only in the 6 <sup>th</sup> year are there distributions for the public-benefit purpose of the foundation.	x				

Example: Does the **tax law** of your country require the following of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
A foundation accumulates its income for 5 years, only in the 6 <sup>th</sup> year are there distributions for the public-benefit purpose of the foundation.	x				

### 13. Are activities abroad in another country compatible with the public-benefit tax status?

Yes. Liechtenstein has no structural domestic reference for the use of funds; thus, they can be provided also outside Liechtenstein.

### 14. Can public-benefit organisations with a tax-exempt status also support/give grants to for-profit organisations (such as a small green start-up)?

Yes. Charitable tax-exempt foundations can support such investments as part of their asset investment (impact investing or through venture philanthropy). Grants are generally only possible if they are made to other charitable organisations. Grants to companies can only be considered if they are compatible with the exclusively charitable purpose of the foundation and serve the common good. Precise verification is recommended. In case of doubt (e.g. in the case of grants to pharmaceutical companies, with the condition and proof that the funds are used to accelerate vaccines in the event of a pandemic), clarification can be requested in advance from the Tax Authority and the Foundation Supervisory Authority.

**15. Corporate income tax treatment. How are the following types of income treated for corporate income tax purposes? Are they taxable or exempt?**

a) Grants and donations

If the foundation is not tax-exempt under Art. 4 para. 2 or Art. 45 para. 2 Tax Act, gifts or donations from founders or beneficiaries are not taxable.

b) Investment income (asset administration)

- Interest from fixed rate bonds

If the foundation is not tax-exempt under Art. 4 para. 2 or Art. 45 para. 2 Tax Act, interest from fixed rate bonds is taxable.

- Equities

If the foundation is not tax-exempt under Art. 4 para. 2 or Art. 45 para. 2 Tax Act, income from equities is not taxable. However, certain special anti-abuse provisions must be observed (e.g. correspondence principle, switch-over clause).

- Income from leasing of a property that belongs to the foundation - subject to tax for domestic leasing, tax exemption for foreign leasing

If the foundation is not tax-exempt under Art. 4 para. 2 or Art. 45 para. 2 Tax Act, the income that comes from domestic real estate is taxable. Income from foreign real estate is tax-exempt to avoid double taxation.

c) Economic activities (related/unrelated)

- Income from running a hospital/museum/opera
- Income from producing/selling books (e.g. art books sold by a cultural foundation)
- Income from running a bookshop inside a museum/opera run by the foundation
- Income from running a café in the hospital/museum run by the foundation
- Income from selling merchandise (activity not related to the pursuance of the public-benefit purpose)
- Income from intellectual property (e.g. royalties and licence fees)
- Income deriving from grant expenditure towards public-benefit purpose/programme activities (such as loans, guarantees, equities)?

N/A

d) Is major shareholding in a business undertaking considered as an economic activity and taxed accordingly?

If a charitable foundation holds shares in underlying corporations, the income generally belongs to the asset administration and is not considered as an economic activity. If it is a majority shareholding and the charitable foundation exercises active influence on its business operations (de facto management, identity of the governing bodies), which exceeds the influence exercised by merely exercising shareholder rights, it is regarded as an economic activity, as the foundation participates in economic business transactions via its shareholdings. In these cases, the participation is no longer to be classified as asset administration, but as an economic activity (ECJ, C-222/04, Cassa di Risparmio di Firenze, ECLI:EU:C:2006:8). In such situations, the tax-exempt status would be withdrawn.

In addition, charitable tax-exempt foundations are also permitted to invest in accordance with the principles of impact investing and venture philanthropy. According to the principles of impact investing, a lower return or higher risk is deliberately accepted compared to a classic capital investment in order to achieve a positive promotional purpose

(Liechtenstein Tax Authority, information sheet on the requirements for the exemption of charitable legal entities and special asset dedications without legal personality from direct taxes; July 2024).

Under the concept of venture philanthropy, charitable tax-exempt foundations can also finance companies directly through debt or equity investments (including interest-bearing or non-interest-bearing loans, convertible loans or participations). However, it must be demonstrated that these investments are made in areas where there is no formal market and that, as a result, investments are made that profit-oriented third parties would not make. In contrast to impact investing, the focus is not on the return, but on support, as it is typically to be expected in the area of venture philanthropy that the invested funds can no longer be repaid, but rather with a very high total default risk (Liechtenstein Tax Authority, information sheet on the requirements for the exemption of charitable legal entities and special asset dedications without legal personality from direct taxes; July 2024).

**16. Are capital gains subject to tax? If so, are they liable to corporate income tax or to a separate tax?**

There is only a real estate capital gains tax. However, charitable tax-exempt foundations are exempt from this tax. Further capital gains are also not taxable, as they are subject to the tax exemption under Art. 4 para. 2 Tax Act.

If the foundation is not tax-exempt under Art. 4 para. 2 Tax Act, e.g. because it is a mixed foundation, the real estate capital gains tax must be observed. Taxable property gains can be subject to a tax of up to 22.4% (in the municipalities with the highest municipal surcharge of currently 180% of the state tax). In most municipalities, the tax rate is somewhat lower due to a lower municipal surcharge of mostly 150%.

**17. Does any kind of value added tax (VAT) refund scheme for the irrecoverable VAT costs of public-benefit foundations exist in your country?**

No. There are no separate VAT regulations for charitable foundations. Charitable tax-exempt foundations are exempt from VAT liability under Art. 10 para. 2 let. c VAT Act, if they generate less than CHF 250,000 (~ €255,580) in turnover and do not waive their exemption from tax liability. If the foundation carries out business operations, it may also be entitled to a refund of input tax. The VAT definition of a charitable organisation is linked to the corporate income tax definition, so that there is a synchronisation between an exemption under the VAT Act and the Tax Act (Art. 3 let. k VAT Act). Donations are not included for VAT consideration and are therefore not a supply within the meaning of the VAT Act (Art. 18 para. 2 let. c VAT Act).

If the exemption is waived, it should be noted that charitable foundations often have a high proportion of exempt turnover due to their investment activities, which limits the entitlement to deduct input tax accordingly.

**18. Is capital tax levied on the value of assets, where applicable?**

No. Liechtenstein does not levy capital tax. However, stamp duty may be levied on the capitalisation of legal entities through equity. If the charitable foundation is tax-exempt under Art. 4 para. 2 Tax Act, the Liechtenstein foundation tax (Art. 66 Tax Act) does not apply.

**19. Are there taxes on the transfer/ sale of assets by foundations?**

There is a real estate capital gains tax. However, charitable tax-exempt foundations are exempt from this tax.

**20. Are there any other taxes to which public-benefit foundations are subject to (e.g. real property tax)?**

Liechtenstein does not levy property tax, as real estate is already covered by wealth and acquisition tax. This also applies if they are held via Liechtenstein persons, as the shares are also subject to wealth and income tax as part of private assets. There is a property gains tax. However, charitable tax-exempt foundations are exempt from this.

**21. Can a foreign foundation (EU and other) get the same tax benefits as a national foundation according to the wording of the tax law in your country? If yes, under what conditions? If they have to fulfil exactly the same requirements as locally based public-benefit foundations, please refer to above but indicate which documents need to be provided and translated:**

Yes. The exact same requirements (See under section 1) apply to foreign foundations domiciled in the EEA or Switzerland. Moreover, Liechtenstein has concluded separate reciprocity agreements with some Swiss cantons, which ensure mutual recognition of charitable organisations.

Documents to submit:

- Statutes (translation required?)

Yes, translation can be requested. However, documents in English are regularly accepted.

- Last annual financial report (translation required?)

Yes, translation can be requested. However, documents in English are regularly accepted.

- Documents providing evidence for certain tax law requirements e.g. that income was actually spent for public-benefit purposes, which may not be required by the organisation's country of seat but are required according to the legislation of the country from which tax benefits are sought?

Yes, translation can be requested. However, documents in English are regularly accepted.

- Other

**22. Does your country have signed bi-lateral tax treaties, which provide for reciprocal tax treatment of public-benefit organisations? If so, with which countries?**

Yes. Liechtenstein has concluded Double Taxation Agreements (DTA) with 26 other countries and jurisdictions. The following DTA are currently in force which partially provide for a reciprocal tax treatment of public-benefit organisations: Andorra, Austria, Croatia, Czech Republic, Estonia, Georgia, Germany, Guernsey, Hong Kong, Hungary, Iceland, Italy, Ireland, Jersey, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Romania, San Marino, Singapore, Switzerland, United Arab Emirates, United Kingdom, Uruguay.

In addition, four further double taxation agreements have been initialled with Bahrain, Belgium, Latvia, Montenegro.

**23. Does your country apply withholding tax to the income from local investments held by domestic and/or foreign-based foundations? If so, can domestic or foreign-based foundations reclaim all or part of the withholding tax under domestic law?**

Liechtenstein does not levy withholding tax on distributions from foundations or dividends. Only salaries, wages, foundation board and supervisory board remuneration are subject to a withholding tax.

There is therefore no need for foreign investors to reclaim Liechtenstein withholding taxes. Complex and sometimes highly uncertain reclaim procedures are not necessary.

### III. Tax treatment of donors

#### 1. Is there a system of tax credit or tax deduction or other mechanisms such as tax allocation systems or matching grants?

There is only one system for both income tax and corporate income tax: Donations to public-benefit foundations or institutions based in Liechtenstein, the EEA and Switzerland can be deducted from income tax or corporate income tax.

The requirement is that these pursue exclusively and irrevocably public-benefit purposes, are exempt from tax liability in the country of domicile on this basis, and in this respect also fulfil the requirements for an application in accordance with Art. 4 Para. 2 Tax Act. In this way, the state rewards the support of public-benefit organisations.

#### 2. Tax treatment of individual donors

a) What tax relief is provided for individual donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

Individuals can deduct up to 10% of their taxable income (before deduction of the donation amount) to public-benefit foundations which are exempt from tax liability with regard to exclusively and irrevocably charitable purposes in accordance with Art. 4 para. 2 Tax Act for tax purposes, whereby individual donations are only taken into account if they exceed the amount of CHF 100 (~ €102) (Art. 16 para. 3 let. h Tax Act).

b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind or other)?

Voluntary cash payments.

#### 3. Tax treatment of corporate donors

a) What tax relief is provided for corporate donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

Legal entities can deduct up to 10% of their taxable net income to public-benefit foundations which are exempt from tax liability with regard to exclusively and irrevocably charitable purposes in accordance with Art. 4 para. 2 Tax Act for tax purposes (Art. 47 para. 3 let. h Tax Act).

b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind, or other)?

Voluntary cash payments.

#### 4. Tax treatment of donations to non-resident public-benefit foundations: Do donors get the same tax incentive?

Donations to non-resident public-benefit foundations can be deducted under the same conditions as donations to resident foundations if the foreign foundation is based in the EEA or Switzerland under the further requirement that these pursue exclusively and irrevocably charitable purposes, are exempt from tax liability in the country of domicile on this basis, and in this respect also fulfil the requirements for an application in accordance with Art. 4 Para. 2 Tax Act. In this way, the state rewards the support of public-benefit organisations.

#### 5. Other frameworks such as percentage law systems, whereby the donating taxpayer may assign part of the tax due to a public-benefit organisation?

Apart from the tax deduction, there are no other frameworks.

**6. What are the requirements that the donor must fulfil and/or what is the information they must provide in order to claim tax benefits? What information must donors provide to their tax authority in order to receive tax incentives for their donation (e.g. submitting details on the organisation they support: statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)?**

Tax-deductible donations from private individuals that do not exceed a total amount of CHF 300 (~ €307) do not have to be documented. If the total amount is higher, the donations must be itemised with receipts (Art. 16 para. 3 let. h Tax Act). The donation receipts usually issued are sufficient proof, if the organisation receiving the donation is known to the Tax Administration.

Legal entities must provide evidence of all their donations in the form of appropriate receipts or the usual donation receipts.

**7. Are there any different or additional requirements to be fulfilled when a donor is giving to a foreign-based foundation? What information must donors to foreign-based organisations provide in order to receive tax incentives for their donation (e.g. statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)? Are translations of documents required?**

There are no additional requirements if the foundation domiciled abroad has its registered office in the EEA or in Switzerland, whereby (as in the domestic case) the payee and its charitable status must be proven by means of appropriate documentation.

**8. Do donors get tax incentives when donations are done via specific tools such as:**

- Requesting money in public (street, door-to-door)
- Via TV and radio campaigns
- Via sms
- Crowdfunding

Do they have to follow any kind of particular process? If so, which one?

There are no such tax incentives, not even for the use of specific tools.

## IV. Tax treatment of beneficiaries

*(i.e. those receiving a grant or other benefit from a foundation)*

### 1. **Individuals: Are individual beneficiaries of grants required to pay taxes or are the grants tax exempt?**

Distributions from irrevocable charitable (public-benefit) foundations, regardless of whether they are charitable, are not subject to a withholding tax in Liechtenstein: Taxation for payees who are resident abroad is governed exclusively by the law of the country of residence. Therefore, there is also no limited tax liability (Art. 6 para. 2 Tax Act).

Under Liechtenstein tax law, distributions from irrevocable charitable (public-benefit) foundations to Liechtenstein resident individuals are generally subject to income tax (Art. 14 para. 2 let. k Tax Act).

### 2. **Legal entities: Is there any legal/fiscal framework for beneficiaries conducting economic activities so that they can be eligible for foundation funding? Are there any limitations on the economic activities of the beneficiaries?**

From a tax perspective, economically active companies can receive distributions from foundations. These are taxable for the recipient.

Mixed foundations can pursue charitable purposes in addition to private-benefit purposes or vice versa, but they do not receive tax exemption as they do not meet the requirements of Art. 4 para. 2 Tax Act.

If tax-exempt public-benefit foundations (Art. 4 para. 2 Tax Act) make distributions to commercially active companies, this may jeopardise their tax status as tax-exempt public-benefit foundations if it is not ensured that the donated funds are used exclusively for charitable purposes or are compatible with the principles of impact investing or venture philanthropy (section II.15). In cases of doubt, however, prior clarification with the Liechtenstein Tax Authority or the Foundation Supervisory Authority can be sought. From a corporate law perspective, this can also lead to a breach of the foundation's statutes.

Furthermore, a tax-exempt public-benefit foundation may not make any distributions in favour of companies or persons who are close to the founder or the group of founders, as this conflicts with the principle of altruism, which requires that the public-benefit foundation or organisation does not simultaneously serve its own (economic or personal) interests or those of its members/judges. Accordingly, the costs of administration (in particular the remuneration of the governing bodies) must also be appropriate or in line with "arm's length principles".

The proper use of funds, including the corresponding documentation, is audited annually (Art. 3 Ordinance to Tax Act).

### 3. **Are there any different or additional requirements that must be fulfilled by a beneficiary receiving funding from abroad?**

There are no different or additional requirements.

## V. Gift and inheritance tax

- 1. Does gift and inheritance tax/transfer tax exist in your country and, if yes, who has to pay the tax in the case of a donation/legacy to a public-benefit organisation (the donor or the recipient organisation)?**

There is no gift and inheritance tax in place in Liechtenstein.

- 2. What are the tax rates? Is there a preferential system for PBO's? Which PBO's qualify? Is there a difference according to the region or the legal status of the PBO?**

As there is no gift and inheritance tax in place, no tax rate applies.

- 3. Is there a threshold (non-taxable amount) from gift and inheritance tax for donations/legacies to public-benefit organisations?**

As there is no gift and inheritance tax in place in Liechtenstein, no threshold applies.

- 4. Is there a legal part of the estate that is reserved for certain protected heirs and which a donor cannot give to third parties?**

Like many countries in Europe, Liechtenstein also recognises so-called compulsory portions. The testator or the donor can dispose of all their assets in their will or during their lifetime. The right to a compulsory portion restricts the testator's freedom.

The compulsory portion therefore protects the heir entitled to a compulsory portion from being disinherited by the testator through a will or from having their assets reduced during their lifetime through gifts to third parties (e.g. by transferring them to a public-benefit foundation). The person entitled to a compulsory portion is entitled to 50% of the value of their statutory inheritance share. The compulsory portion is a payment claim that is directed against the actual heir (this can also be a public-benefit foundation).

The foundation must expect that the heirs entitled to a compulsory portion will assert their claims against the foundation. It must therefore retain a corresponding portion of the assets until these have been asserted, or the statute of limitations has expired.

The claims can also be waived or excluded by an inheritance agreement. The compulsory portion is due for payment one year after the death of the testator and expires three years after knowledge of the contents of the will (Art. 552 § 38 PGR, § 785 para. 3 ABGB Liechtenstein General Civil Code). The limitation period is therefore comparatively short.

If the founder has reserved founder's rights in accordance with Art. 552 § 38 PGR or otherwise controls the foundation's assets, the two-year period generally only begins to run upon the death of the founder or upon their effective waiver [LES 2013, 156 (163)].

However, there is a central exception for the transfer of assets to a charitable foundation. Gifts made by the deceased from income for charitable purposes are neither added to nor credited against the assets (§ 781 ABGB). This is therefore a deliberate decision by the legislator to value public-welfare purposes more highly than claims to a compulsory portion.

- 5. What is the tax treatment (inheritance and gift tax) of legacies to non-resident public-benefit foundations?**

As there is no gift and inheritance tax in Liechtenstein, there is no burden from such a tax.

Additionally, the transfer of domestic real estate to domestic or foreign tax-exempt public-benefit foundations is also exempt from real estate capital gains tax (Art. 4 para. 2 Tax Act).

## VI. Trends and developments

1. **Are there current discussions about the question of whether cross-border activities of foundations or other non-profit organisations and their donors are protected by the fundamental freedoms of the EC Treaty? Have there been any changes to your country's legislation, resulting from the [Persche](#), [Stauffer](#), [Missionswerk](#) or other relevant ECJ judgments, or are changes being discussed? Any changes being discussed with regard to the free movement of trust structures resulting from the [Panayi Trust](#) and [Olsen and Others](#) cases?**

Due to the liberal design of foundation law and incorporation theory in Liechtenstein, there is no need to adapt this legislation or discuss such measures. Rather, this most recent confirmatory case law confirms the legal view in Liechtenstein.

2. **Has the fight against terrorism and financial crime led to the introduction in recent years of new laws/rules affecting the foundation sector (e.g. implementation of EU Anti Money Laundering Directive, or reactions to recommendations of the Financial Action Task Force)? Has it for example become more difficult to:**

- Set up a public-benefit foundation
- Obtain permission to transfer funds across borders
- If able to transfer of funds across borders, has the process become more burdensome administratively
- Open a new bank account
- Maintain a bank account
- Fund certain activities
- Fund certain regions/countries
- Fund certain organisations (please explain the reason - foreign funding restriction?)
- Report to authorities/deal with administration
- Other: : As a member of the European Economic Area, Liechtenstein has fully implemented the Fourth EU Anti-Money Laundering Directive (EU) 2015/849 through amendments to its Due Diligence Act (Sorgfaltspflichtgesetz) and has introduced the Register of Beneficial Owners.

3. **Does the national law consider foundations as obliged entities as defined by the Anti-Money Laundering Directive?**

Yes.

4. **Does the national law define/specify who is considered as a beneficial owner (BO) of a foundation?**

Yes.

5. **Does your country have a specific register for BO of legal entities/foundations or does the foundation/company/association register serve as a BO register?**

Yes.

**6. Are there any other recent trends or developments affecting the legal and fiscal environment for public-benefit foundations in your country such as one or more of the following?**

- a) Law revision in the pipeline
- b) Discussion about the role of supervisory authorities (civil law, charity regulator, tax authority) and collaboration among them? Decentralisation or centralisation of supervisory structures? Use of watchdog/rating agencies?
- c) Tendency towards more transparency requirements?
- d) Tendency towards more self-regulation? Self-regulation replacing hard law regulation?
- e) Tendency to use alternative forms to classic public-benefit foundations
- f) Other?

**7. Public fundraising: Are there any specific laws that regulate fundraising, and do they affect foundations?**

There are no specific laws that regulate fundraising.

## VII. Further information

### Useful contacts

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- Annual conferences on Foundation and Trust Law in Liechtenstein
- [Annual conference on foundation law in Liechtenstein](#)
- [Annual conference on trust law in Liechtenstein](#)
- Executive education in the field of Foundation and Trust Law in Liechtenstein and the neighbouring states
- [Executive Master of Laws \(LL.M.\) in Company, Foundation and Trust Law](#)
- Annual conferences on International Taxation and International Tax Law in Liechtenstein
- [Executive Master of Laws \(LL.M.\) in International Taxation](#)

## VIII. About

### About Philea

Our vision is for philanthropy to use its full potential to co-shape and support a pluralistic, just and resilient society that centres people and planet. To achieve this, our mission is to enable, encourage and empower the philanthropic community to build a better today and tomorrow.

We nurture a diverse and inclusive ecosystem of foundations, philanthropic organisations and networks in over 30 countries that work for the common good. With individual and national-level infrastructure organisations as members, we unite over 7,500 public-benefit foundations that seek to improve life for people and communities in Europe and around the world.

We galvanise collective action and amplify the voice of European philanthropy. Together we:

- **Co-create knowledge and learn** from effective practices
- **Collaborate** around current and emerging issues
- **Promote enabling environments** for doing good

In all we do, we are committed to enhancing trust, collaboration, transparency, innovation, inclusion and diversity.

[philea.eu](https://philea.eu)

### Policy and advocacy at Philea

Philea champions the interests of its members vis-à-vis the EU and multilateral organisations. Through [our policy and advocacy work](#), we strive towards an enabling operating environment for European philanthropy by monitoring and analysing policy and regulatory trends at national, European, and international level, and engaging around this agenda with policymakers and other stakeholders. We position philanthropy as a key actor on societal issues and facilitate strategic engagement and collaboration opportunities, including public-private partnerships.

### About this project

This country profile is part of a [larger analysis project](#), ongoing since 2002, which includes regularly updated profiles on the legal and fiscal landscape for philanthropy in some 40 countries across the wider Europe; and a comparative overview of the profiles compiled in our “Comparative Highlights of Foundation Laws”.

### Legal Affairs Committee

Philea’s [Legal Affairs Committee](#) consists of legal and public affairs experts from Philea members, composed of both national associations and foundations, across Europe. The members of the LAC advise on Philea’s policy and advocacy work.



Philea 2024

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