



WHAT IS AN ESTABLISHMENT?

A Liechtenstein private-law Establishment is a unique, legally independent entity with its own legal personality, used for various permanent purposes, either economic or non-economic. Unlike similar entities in other legal systems, it can be structured like a public limited company or an ownerless foundation.

It may have one or more owners holding founder's rights, acting as its supreme organ, or operate without founder's rights, akin to a Liechtenstein foundation, serving specific beneficiaries. The Establishment's liabilities are limited to its assets.

HOW IS AN ESTABLISHMENT CREATED?

An Establishment is created by one or more individuals or legal entities, requiring notarised articles of association signed by all founders. Typically, a Liechtenstein professional trustee facilitates the setup on behalf of the founders.

WHAT IS THE REQUIRED INITIAL CAPITAL?

The Establishment must have a minimum capital of CHF 30,000, or its equivalent in EUR or USD. For Establishments with share-based capital, the minimum is set at CHF 50,000, EUR 50,000, or USD 50,000. This capital must be fully paid or contributed at the time of its establishment. Contributions can be in cash or kind, with non-cash contributions requiring valuation in an expert report. This capital should be readily accessible to the Establishment upon its registration.

WHAT OBJECTIVES CAN THE ESTABLISHMENT ACHIEVE?

The Establishment's objectives can span economic or non-economic activities, as allowed by law. This includes activities like trading, holding shares, real estate management, or overseeing assets for designated beneficiaries. The Establishment's charter must clarify its involvement in commercial activities. Generally, asset management, investment, or holding stakes and rights are not considered commercial activities.

IS THE ESTABLISHMENT ENTERED IN THE COMMERCIAL REGISTER?

Legal recognition for the Establishment is granted once it is registered in the commercial register, making registration a necessity.

WHAT ASSETS CAN BE ENDOWED?

In principle, anything that confers a monetary claim (e.g., receivables, securities, movable property, land, equity interests) can be endowed to the Establishment. After its initial formation, the Establishment can receive additional asset contributions from the founder or other parties at any time. Typically, it starts with the legally required minimum capital, followed by subsequent asset transfers.

WHAT ARE KEY DOCUMENTS AND THEIR CONTENTS?

The primary governing document of an Establishment is its articles of association, which outline mandatory details like its purpose and structure. Additionally, the founder may create supplementary by-laws, which include additional details not mandatory in the articles of association, often focusing on beneficiary provisions.

WHAT CONSTITUTES THE GOVERNANCE STRUCTURE OF AN ESTABLISHMENT?

Holder of the Founder's Rights: For Establishments with founder's rights, the rights holder serves as the primary governing authority. These rights, encompassing control and decision-making powers, can be transferred or inherited through a formal declaration. The rights holder can be an individual or a legal entity, and there may be multiple rights holders.

Auditor: Commercial Establishments, or those with the potential for commercial activities, must appoint an auditor, although there are exceptions where this requirement can be waived. For non-commercial Establishments, appointing an auditor is optional.

Representative Office: While not an official organ, the representative office acts as the Establishment's contact point, particularly for interactions with authorities. This role is typically filled by a Liechtenstein professional trustee. Commercial Establishments must also designate a local address for official correspondence.

Board of Directors: This board, comprising one or more individuals or entities, manages the Establishment's operations and represents it externally. Their authority extends to all areas not reserved for the holder of the founder's rights. In Establishments without founder's rights, the board assumes the role of the primary governing body. For non-commercial Establishments, at least one board member must be a qualified Liechtenstein trustee. Commercially active Establishments are required to have a business license and a managing director.

Protector: An optional role, the protector or a group of protectors (protectorate), are trusted individuals appointed by the economic founder. They can oversee, advise, or even modify the Establishment's operations and documents, based on the founder's preferences.

WHAT RIGHTS DOES THE FOUNDER WITH FOUNDER'S RIGHTS HAVE?

The founder with founder's rights oversees the Establishment's management, including appointing or dismissing the board, amending documents, and managing beneficiary distributions. These rights are transferable and inheritable but cannot be pledged. When multiple founders hold rights, unanimous agreement is necessary for decisions, unless the articles of association specify otherwise.

HOW IS A LIECHTENSTEIN ESTABLISHMENT TAXED?

A Liechtenstein Establishment faces a formation tax of 1% on statutory capital over CHF 1 million at its inception. It is subject to a flat-rate income tax of 12.5%, with a mandatory annual tax of CHF 1'800.00 regardless of income. However, many income types are tax-exempt, and other tax reliefs are available. Establishments without economic activities, generating income solely from held assets, can qualify as a Private Asset Structure (PVS), requiring only the annual minimum tax of CHF 1'800.00 and no tax return. Transfers to and distributions from the Establishment are tax-free in Liechtenstein for non-residents, but may have tax implications in their home countries. Therefore, international tax consultation is advised before establishment.

WHO BENEFITS FROM THE ESTABLISHMENT?

Beneficiaries in an Establishment are individuals or entities that may receive economic benefits either during its operation or upon its dissolution. Initially designated by the founder, beneficiaries can be altered by the founder, board, or protector(s). There are two categories: entitled beneficiaries, who have a legal claim to predetermined benefits, and discretionary beneficiaries, selected by the founder and subject to the governing board's discretion, commonly used for asset protection and tax strategies.

HOW IS AN ESTABLISHMENT TERMINATED?

An Establishment is terminated through a resolution by its supreme governing organ, bankruptcy proceedings against its assets, or a court-ordered dissolution. The liquidation process starts with a resolution to dissolve, followed by a 6-month period for creditors to file claims. During this time, the Establishment cannot be dissolved. After this period, its assets are distributed to the final beneficiaries, and it is then removed from the commercial register.

WHAT ARE THE REPORTING REQUIREMENTS?

An Establishment is terminated through a resolution by its supreme governing organ, bankruptcy proceedings against its assets, or a court-ordered dissolution. The liquidation process starts with a resolution to dissolve, followed by a 6-month period for creditors to file claims. During this time, the Establishment cannot be dissolved. After this period, its assets are distributed to the final beneficiaries, and it is then removed from the commercial register.

WHAT ARE THE KYC REQUIREMENTS?

Liechtenstein adheres to the 4th and 5th EU Anti-Money Laundering Directives, integrating them into its national legislation. This compliance necessitates the identification of the beneficial founder and all associated individuals. Founders are required to disclose their total wealth, which is then scrutinized for authenticity (source of wealth). Additionally, the origin of assets transferred to the Establishment must be verifiable, either through documentation or independent sources (source of funds). A Liechtenstein professional trustee continuously monitors these business relationships to ensure they align with risk management protocols.

EXPLORE TAILORED WEALTH MANAGEMENT SOLUTIONS

PRÄSIDIAL-ANSTALT

Pflugstrasse 16
9490 Vaduz
Liechtenstein
info@praesidial.com
www.praesidial.com

For personalized guidance and expert insights on establishing and managing your wealth structures, please contact us to discuss your specific needs.

We are looking forward to hearing from you.