

# Asset Management Company in Liechtenstein

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The following text is an excerpt from the LCG-brochure "Business Liechtenstein Company Formation".

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*Your LCG Team*

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## I. Services of the asset management company

The area of activities of Liechtenstein asset management companies includes the provision or procurement of the following services:

portfolio management; investment advice; acceptance and forwarding of orders referring to one or several financial instruments; securities analysis or financial analysis or other forms of general recommendations referring to transactions with financial instruments that serve direct client support.

## II. Rules of conduct for the asset management company

When providing services, the Liechtenstein asset management company has to comply with statutory rules of good conduct as well as duties of due diligence and allegiance.

## III. Client classification of the asset management company

The Liechtenstein asset management company has to classify each of its clients as non-professional, professional or eligible counterparty so the level of protection can be determined.

Non-professional clients enjoy the highest level of protection. With regard to professional clients or eligible counterparties, the Liechtenstein asset management company may assume that sufficient knowledge and experience is on hand and that the financial investment risk is bearable.

## IV. Formation of an asset management company

### 1. Legal form of the Liechtenstein asset management company

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The Liechtenstein asset management company can have the legal form of a legal entity (juridical person), a general partnership or a limited partnership. Asset management by natural persons (single enterprises), however, is excluded.

### 2. Approval requirement for the Liechtenstein asset management company

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To start operations, an asset management company needs an approval by the Finanzmarktaufsicht Liechtenstein (FMA, Financial Market Authority). It will be granted to the Liechtenstein

company on application for the approval as asset management company if the following prerequisites are met.

### *2.1. Organisational requirements*

The Liechtenstein asset management company has to submit a sustainable business plan including the organisational structure of the company. What is required is a company with registered office and administrative centre in Liechtenstein, business premises that are adequate in terms of staff and space as well as an organisation suitable to the fulfilment of its tasks.

### *2.2. Requirements for the directors (personal and professional qualification)*

The Liechtenstein asset management company requires at least one director. He has to have his residence in Liechtenstein or close to the Liechtenstein border.

### *2.3. Appointment of an auditor*

The Liechtenstein asset management company has to appoint an external auditor who audits the business activities of the asset management company annually. Auditing firms under the law on auditors as well as auditing firms under the banking law or the law on investment companies can act as auditor.

### *2.4. Proof of equity*

The Liechtenstein asset management company has to provide proof of adequate equity funding as well as of equity of a minimum of CHF 100,000.

## **V. Advantages in terms of the establishment of a asset management company**

### **1. Freedom to provide services and freedom of establishment**

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Owing to the fact that Liechtenstein belongs to the EEA, a Liechtenstein asset management company profits from the freedom of establishment owing to its EU passport as well as of the freedom to provide services. Hence the Liechtenstein asset management company is allowed to offer its services in the entire EEA/EU region without having to obtain approval again.

### **2. Easier market entry**

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Since the Liechtenstein asset management company is subject to financial supervision by the Financial Market Authority in Liechtenstein, market entry in third countries has been made easier.

### **3. Contracted brokers**

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As part of their service provision, Liechtenstein asset management companies can use contracted brokers in any EEA country who will render the services on behalf of the Liechtenstein asset management company. Thus expenses for the establishment of branches in other member states can be saved.

### **4. Investor protection in terms of asset management**

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On the one hand, investor interests in terms of asset management are protected in Liechtenstein by the fact that companies that want to offer asset management services are checked in great detail before obtaining the approval of the Liechtenstein Financial Market Authority (FMA). On the other hand, the FMA is obligated to supervise asset management companies in Liechtenstein on a permanent basis, which is ensured by means of controls, legal provisions and reporting obligations. Moreover, explicit investor protection provisions are mandatory under law and have to be complied with by Liechtenstein asset management companies when rendering services. Finally, an arbitration board will be established in Liechtenstein in order to settle disputes between clients and their asset management company in an efficient, cost-efficient and target-oriented way.

### **5. Tax advantages in Liechtenstein**

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The new Liechtenstein tax law that became effective as at 1 January 2011 contains many changes in the area of business taxes. The advantages in terms of the establishment of an asset management company in Liechtenstein are described below.

#### *5.1. Privileged taxing of companies with the tax status of a personal wealth structure (PVS, Privatvermögensstruktur)*

For juridical persons whose sole purpose rests in asset management and that are not active commercially, the legislator in Liechtenstein has intended new tax privileges that are entailed in their qualification as personal wealth structure (PVS). Companies with PVS tax status are allowed to acquire assets, own them, manage and dispose of them. This activity is limited to the passive attainment of income from the assets, excluding any form of commercial trading. A PVS is allowed to hold investments in other companies only if it does not exert any real influence on the management of the affiliate. In addition, the owner of a PVS is not allowed to be an entrepreneur himself. Rather, he has to be a natural person, a company with PVS tax status or a person who acts as intermediary for account of these two groups.

The PVS is only subject to the minimum income tax of CHF1,200. Beyond that, no income tax is levied.

Companies not qualifying as PVS are subject to the income tax of 12.5%.

### *5.2. Tax exemption*

The capital tax was abolished through the Liechtenstein tax reform. The distribution surcharge as part of the income tax and the coupon tax is also omitted.

### *5.3. Participation deduction*

Liechtenstein's legislators have allowed a complete participation deduction, independent of the amount and holding period of the participation. Pure participation proceeds are not taxed. Therefore dividends as well as capital gains from the sale of investments in domestic or foreign juridical persons are exempt from taxation in Liechtenstein.

### *5.4. Group taxation and unlimited loss carried forward*

Liechtenstein now allows for a loss carried forward that is unlimited in time, meaning that losses can be offset by later taxable gains for an unlimited period of time.

With regard to losses carried forward, a group taxation for domestic and foreign companies associated with the group was introduced, which makes it possible to offset losses within a Liechtenstein group worldwide within the same period.

### *5.5. Privileged taxation of income from intellectual property rights (IP)*

The new Liechtenstein tax law has fixed the privileged taxation of intellectual property rights (IP). With the aid of the so-called Intellectual Property Box (IP-Box), 80% of the proceeds from intellectual property rights, created or acquired as of 1 January 2011, are exempt from taxation. Patents, brands, models and registered designs are considered intellectual property rights in Liechtenstein, provided that they are protected by entry into a domestic, foreign or international registry. Other rights, such as copyrights, know-how or trade relationships, are not considered intellectual property rights; therefore they do not enjoy privileged treatment in Liechtenstein.

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