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Wirtschaft

## **Liechtenstein: An attractive business location for finance companies!**

Global financing of international groups are often managed centrally by a group internal finance company («FinCo»). This enables an effective liquidity management within the group, attractive interests on external bank financing and a reduction of financial expenses.

Promotion.

Depending on the size of the group, a FinCo can manage a group internal funds of several billions. Therefore, FinCos react to changes in their business frameworks in an extremely sensitive manner.

Established business locations

FinCos have several positive impacts on the economy. They employ numerous local service providers like trustees, lawyers and advisors and have typically a high profitability. Furthermore, they have an influential impact on other economic sectors. Thus, there is an intense international location competition for these companies. Due to their business model FinCos are highly mobile and are set up in countries with attractive frameworks. This includes for example an established financial services sector, legal certainty, an attractive tax system as well as highly qualified specialists available on the labour market. In the past, FinCos were established for example in Luxembourg or in Switzerland. In these countries they are amongst others benefiting from specific tax privileges which positively influenced the choice of location in the past. As a result of international developments in the tax area caused by the OECD project «Base Erosion and Profit Shifting» (BEPS) these specific tax privileges are equally under pressure in all countries and have to be abolished in



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the short to medium term.

#### Business location Switzerland

In response to international pressure Switzerland agreed to abolish existing tax privileges such as the mixed company or the Swiss finance branch. In the course of the corporate tax reform III compensatory measures such as the notional interest deduction would have been introduced. These measures would have enabled Switzerland to partially keep its attractiveness from a tax point of view for FinCos as well. On 12 February 2017 the reform was rejected in a referendum by the Swiss citizens. In the new reform package there are currently no compensating measures included for FinCos in the form of a notional interest deduction. Therefore, Swiss FinCos are at the moment evaluating alternative business locations.

#### Business location Liechtenstein

The availability of highly qualified specialists, the existing infrastructure, the political stability and the legal certainty in Liechtenstein offer an ideal business framework for FinCos. The setup of such companies attracts highly qualified specialists what further strengthen the financial services sector. Additionally, Liechtenstein's balanced, internationally accepted tax system has a positive impact on the location selection. The uniform tax rate of 12.5%, the notional interest deduction and the unilateral waiver of withholding taxes form the basis of the tax system. FinCos typically have a high equity. Therefore, Liechtenstein offers an attractive alternative to established business locations.

#### Opportunities for Liechtenstein and Switzerland

The double tax treaty FL-CH which came into force on 1 January 2017 offers legal certainty for tax matters of Liechtenstein and Swiss companies with cross-border activities. Thus, Liechtenstein could perfectly be integrated in the structure of groups with an existing presence in Switzerland through a permanent establishment. Switzerland remains attractive in combination with Liechtenstein for FinCos.

#### Make use of the opportunities

Due to the abolishment of tax privileges in response to OECD's pressure, FinCos are evaluating alternative business locations internationally. Those business locations which have highly qualified specialists, professional service providers, legal certainty and an attractive, internationally accepted tax system will be short-listed. Liechtenstein and Switzerland together fulfil all requirements and should take the opportunity to jointly manage the global financing of international groups.



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