

Legal & Compliance

Financial services in conformity with law

VP Bank has defined binding Group-wide compliance standards and compiled them in a manual. These standards create uniform conditions for ensuring impeccable business activities.

Verwaltungs- und Privat-Bank Aktiengesellschaft (VP Bank), Vaduz, is constituted as a joint-stock company under Liechtenstein law. It is the parent company of the VP Bank Group. The responsible supervisory body in the company's country of domicile is the Liechtenstein Financial Market Authority (FMA).

Because the bearer shares of the parent company are listed on the SIX Swiss Exchange, VP Bank is also subject to the rules and regulations of SIX that have been enacted on the basis of Switzerland's Federal Act on Stock Exchanges and Securities Trading of 1995 and the related implementing ordinances.

In each country in which the VP Bank Group has subsidiaries, asset management companies or representative offices, the business activities of those entities are supervised by the responsible local authorities.

General

Within the scope of its business activities, i.e. the provision of financial services, VP Bank must, among other things, observe the following additional laws and related ordinances:

Binding laws

- Liechtenstein Act on Banks and Finance Companies (Banking Act, BankA)
- Implementing Ordinance on Banks and Finance Companies (Banking Ordinance, BankO)
- Markets in Financial Instruments Directive (MiFID)
- Ordinance on Equity Capital and Risk Diversification for Banks and Finance Companies
- Law on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act, DDA)
- Money-laundering article of the Liechtenstein Penal Code

Legal foundations and related implementing ordinances

- Payment Services Directive
- Investment Undertakings Act (IUA)
- Law Governing Supplemental Supervision of Companies of a Financial Conglomerate (Financial Conglomerate Act)
- Law Governing the Disclosure of Information Relating to Issuers of Securities (Disclosure Act)
- Securities Prospectus Act

- Law against Market Abuse in the Trading of Financial Instruments (Market Abuse Act)
- Law Governing Takeover Offers (Takeover Act)
- Persons and Companies Act (PGR)

New tax law in Liechtenstein

On September 23, 2010, Liechtenstein's parliament – the Landtag – voted in favor of the government's proposal for a comprehensive tax reform. The revised law entered into force on January 1, 2011. The new tax system eases the burden on natural and legal persons, is simple and transparent, and fosters the attractiveness of Liechtenstein as a place to live and work.

It fulfills the requirement to have internationally compatible legislation that is consistent with European law. A brief overview of the most significant regulations:

Taxation of natural persons:

Natural persons who are taxable in Liechtenstein will continue to be subject to wealth and income tax, however the taxable amount will now be determined by an all-inclusive rate based on total assets. That rate will be reestablished by the Landtag each year; for 2011, it amounts to 4 percent. As a result of this calculation, the previous capital gains tax will be simultaneously eliminated. The newly introduced seven-level tax scale replaces the relatively complex progressive tax surplus. Singleparent and wedded-couple deductions have been replaced by higher deductibles and tax-exempt amounts.

Elimination of inheritance and gift taxes:

With this tax reform, multiple taxation of the same tax substrate will be abrogated. Generally, the income earned over an entire lifetime is to be taxed only once, thus natural persons will no longer be faced with inheritance or gift taxes.

Taxation of Liechtenstein companies:

The new tax law offers companies better opportunities to restructure and adapt to global competition. With the newly introduced flat rate of 12.5 percent, all companies will be taxed equally in the future. The minimum corporate income tax amounts to CHF 1,200. The ordinary income tax on companies with no commercial activities is limited to this minimum amount. The law also includes provisions on group taxation.

Elimination of coupon and capital taxes:

For legal persons, the coupon tax and capital tax are no longer payable. In the first two years after the effective date of the new tax law, the possibility will exist to flatten old reserves at a reduced rate of 2 percent.

Taxation of private wealth structures:

The tax law provides that wealthy private persons may retain

legal persons to administer a portion of their assets in an independent private wealth structure (PWS). A prerequisite is that the PWS is involved solely in managing the assets and performs no other commercial activities. The EFTA supervisory authority (ESA) has deemed the provisions of the new Liechtenstein tax law governing private wealth structures to be EEA consistent and therefore confirmed at the European level.

Philanthropy:

As under the previous law, legal persons are exempted from tax if they engage exclusively in charitable pursuits. Now the same interpretation of the term charitable will apply in civil and tax law, which ensures a more simplified process.

Outlook

In 2011, Liechtenstein will conduct a total revision of the Investment Undertakings Act (IUA). In the international arena, signs of new regulations are on the horizon:

The Financial Action Task Force (FATF) wishes to expand the catalogue of predicate offenses for money laundering to include several tax-related offenses, and the USA's Foreign Account Tax Compliance Act (FATCA) will serve the strict implementation of US tax law with regard to assets held abroad. FATCA will only enter into force in 2013, but exhaustive clarifications will be necessary in advance.

VP Bank and Legal & Compliance

Strict compliance with binding local laws throughout the world guarantees that the VP Bank Group provides its services with the highest degree of legal conformity.

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