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# The 2022 Global Philanthropy Environment Index Liechtenstein

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Foundation, Trust, Establishment (*Anstalt*)

**Five main social issues addressed by these organizations:** Arts and Culture, Health and Medical Research, Human Rights, International Causes, Youth and Family

**Average time established by law to register a philanthropic organization:** 0-30 days

**Average cost for registering a philanthropic organization:** USD 450

Public benefit foundations are formed through a declaration of establishment which must be made in writing. An authentication of the signature of the founder(s) is necessary. In order to acquire the right of legal personality, a public benefit foundation must be entered into the Public Register. Registration fee for public benefit foundations is CHF 700 (USD 794).

Associations are formed by a declaration of establishment by their members. If an association has an economic purpose which is related to a business that runs along commercial lines, it is required to be entered into the commercial register. Entry in the commercial register is optional for all other associations (such as political, cultural or religious associations). Registration fee for associations is CHF 100 (USD 113).

**Government levels primarily regulating the incorporation of philanthropic organizations:**  
Central/Federal Government

**Philanthropic Environment Scores:**

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
<b>2022 GPEI</b>	4.93	4.90	4.90	4.90	5.00	4.80	4.91

**Source:** Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## Key Findings

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

Question One: To what extent can individuals form and incorporate the organizations defined?

<b>Score: 5.0</b>
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In Liechtenstein, individuals are unlikely to encounter any obstacles in forming a philanthropic organization (PO). There is a variety of different legal structures to choose from and little bureaucracy involved. Association law (Vereinsrecht) provides a simple and a very accessible way for individuals to jointly pursue philanthropic activities. Associations may pursue any political, religious, scientific, artistic, charitable, social, or other non-commercial purpose within the rule of law. As a matter of law and fact, associations have broad discretion in carrying out their activities. Public benefit foundations and trusts must (predominantly) benefit public purposes, especially in the fields of charity, religion, science, culture, sport, or ecology. However, foundations can also act for private benefit, which widens the potential scope of a foundation even further. Founders, to the extent that they are natural persons, can also reserve the right to amend the foundation's purpose over time. There is no government interference during the formation process. The formation process is straightforward and does not involve any disproportionate administrative fees. The list of required documents, such as for the formation of a foundation, is clear, reasonable, and short (Art. 552 § 19 Personen-und Gesellschaftsrecht [PGR]). The minimum capital is CHF 30,000 (USD 34,000) (552 § 13 Para. 1 PGR) The office of the commercial register is bound by law and acts apolitically.

Question Two: To what extent are POs free to operate without excessive government interference?

<b>Score: 5.0</b>
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**Structure and Governance:** Requirements regarding structure and governance for POs are set out in the respective legal rules governing associations (Arts. 249-251 PGR) and foundations (Art. 552 § 24-28 PGR). For example, a foundation must have a foundation board consisting of at least two members, and the assembly of association members is the highest decision-making organ of an association. Beyond these legal bases, POs have options within the boundary of law to design their internal organizational structures.

**Communication and Cooperation:** No restrictions within the rule of law.

**Reporting requirements:** Associations are required to keep books (Art. 251a PGR). Associations that run businesses or business-like entities of a certain size are under an obligation to be audited. Public benefit foundations are generally under an obligation to be audited; some exceptions apply. The auditor submits an annual report to the Foundation Supervisory Authority stating whether the foundation's assets (including disbursements) are managed in line with the foundation's purpose and the law. Where mismanagement is suspected, the Foundation Supervisory Authority can start

investigations into the foundation's books or take other appropriate measures to ensure that the foundation's assets are properly managed and used (Art. 552 § 29 III PGR).

Question Three: To what extent is there government discretion in shutting down POs?

<b>Score: 4.8</b>
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An association can be dissolved according to the terms set out in its statutes, normally by a majority decision of its members' meeting. One core purpose of continental foundation law is to protect declaration of will made by the founder(s); this implies logically that dissolution cannot be at the discretion of the foundation board. In the case of a (public benefit) foundation in Liechtenstein, the foundation board's right to dissolve the foundation is restricted—which can be explained by the overriding importance of the declaration of will of the founder(s) as embodied in the foundation statutes. Hence, the right, or rather obligation, for the foundation board to dissolve the foundation is restricted to very precise situations (Art. 552 § 39 II PGR; Art. 906 I for trusts). The foundation board must dissolve the foundation if the purpose of the foundation has been achieved or is no longer achievable, the duration envisaged in the foundation deed has expired, or other grounds for dissolution that are stated in the foundation deed have occurred. Involuntary dissolution both of associations and foundations is exceptional and regulated by law (Art. 552 § 39 PGR and Art. 258 PGR).

## II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

Question Four: To what extent is the tax system favorable to making charitable donations?

<b>Score: 4.8</b>
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Individuals and businesses can deduct voluntary payments to tax-exempt foundations which pursue public benefit purposes in accordance with Art. 4(2) of the Tax Act (Steuergesetz, SteG). The deductible amount is limited to 10 percent of the taxable income prior to the donations. The same holds true regarding all other donations to charitable organizations that are tax-exempt—up to a limit of 10 percent of the taxable income prior to the donations (Art. 16(3)(h) Tax Act). This allows for substantial levels of giving due the stable economic and political system of Liechtenstein. The maximum tax rate is 24 percent. The process of claiming the abovementioned tax deductions is user-friendly; the tax authority has issued information leaflets that give clear and consistent guidance for the process of claiming the tax deduction. Tax deductible donations by individuals exceeding a total amount of CHF 300 (USD 340) must be substantiated by receipts; legal entities must substantiate all donations by receipts (Art. 16(3)(h) Tax Act).

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 5.0

Organizations that only serve a public benefit can apply for tax exemption. It is a prerequisite for tax exemption that an organization's public benefit character is irrevocable. The irrevocability can be stipulated in the foundation deed or, in the case of an association, by majority vote of the members' assembly. In the Principality of Liechtenstein, there is no gift or inheritance tax.

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.8

There are no official fees or taxes involved on sending philanthropic money abroad from Liechtenstein. In parallel to domestic giving, Liechtenstein tax law allows for tax deduction of up to 10 percent of taxable income prior to the donation for donations within the European Economic Area (EEA) and Switzerland. Public benefit foundations and charitable associations with legal domicile in Liechtenstein may support public benefit purposes internationally, and donations to them are tax deductible to the extent described above. Donations to POs located outside the EEA and Switzerland are not tax deductible.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 5.0

For a tax-exempt public benefit organization, there are no costs/fees involved on receiving cross-border donations, and no approval is required. In this context, no distinction is made based on whether donations have a domestic or an international source. General anti-money laundering regulations must be strictly observed.

### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

Question Eight: To what extent is the political environment favorable for philanthropy?

**Score: 5.0**

There is a very high degree of political stability in Liechtenstein. Government is very supportive of creating a favorable environment for the philanthropic sector. POs have broad discretion in carrying out their activities. There are no reservations on the government's part with regard to POs. Philanthropy is regarded, supported, and protected as an expression of personal liberty—of individual philanthropists (individual donations or charitable foundations) or of groups of people (associations). There are examples of fruitful dialogue and collaboration between the philanthropic sector and government/the public; for example, there is an annual meeting between the Association of Liechtenstein Charitable Foundations and Trusts (VLGST) and government authorities. A prominent example of cooperation involving several foundations and government agencies is the Finance Against Slavery and Trafficking (FAST) initiative.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

**Score: 4.8**

The Principality of Liechtenstein actively promotes philanthropic values, for example via its educational system that encompasses moral and religious education (Art. 15 of the Liechtenstein Constitution). Government does not interfere with donors' choices of philanthropic causes. The Foundation Supervisory Authority as the main government agency dealing with POs does have sufficient capacity to oversee and support charitable foundations. Philanthropy is a pillar of Liechtenstein's financial center strategy of 2019, which, amongst other things, aims at a continuous strengthening of the comprehensive international recognition of the Liechtenstein corporate law (that also regulates foundations). It is on the agenda of the government of Liechtenstein to review the progress of the recognition process.

## V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

**Score: 5.0**

The Principality of Liechtenstein is an affluent nation. Unemployment is particularly low. The business environment is very stable and business-friendly with clear and fair regulations.

## VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

**Score: 4.8**

Values: The deep-rooted philanthropic commitment of the princely family represents a role model for people in Liechtenstein. Liechtenstein's foreign policy engagement is traditionally focused on the

protection of human rights. Associations in the field of culture, sports, and social issues play a great role in people's everyday life. About one-third of the population is engaged in volunteer activities; volunteering efforts form a very important part of Liechtenstein's philanthropic environment—an aspect that is often somewhat overlooked.

Philanthropic infrastructure is sound and strong: On government level, there is the Foundation Supervisory Authority. At the University of Liechtenstein, there is the Chair for Company, Foundation, and Trust Law as well as the Center for Philanthropy. The Liechtenstein Association of Public Benefit Foundations and Trusts (VLGST, Vereinigung liechtensteinischer gemeinnütziger Stiftungen und Trusts) unites the charitable grantmaking foundations and trusts of Liechtenstein and safeguards the interests of the philanthropic sector. It promotes Liechtenstein as a location, supports the exchange of experience, and campaigns for standards and professionalism.

### VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

Current state of the philanthropic sector

The philanthropic sector is characterized by the underlying stable political and economic situation in Liechtenstein. Sector organizations and institutions, like the VLGST and the University of Liechtenstein, are ongoingly active in bringing in new initiatives to further develop the sector and in providing further capacity building.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. 10th anniversary of reform of the Liechtenstein foundation law, and with it, the founding of the Foundation Supervisory Authority in 2019; symposium organized by the Chair of Company, Foundation and Trust Law/University of Liechtenstein;
2. 10th anniversary of the VLGST in 2020; and
3. Founding of the Center of Philanthropy at the University of Liechtenstein in 2018.

The philanthropic sector in Liechtenstein is undergoing change. The huge potential of the flexible foundation and trust law is increasingly being used to set visible trends within the country and abroad—aiming to create innovation, societal and cultural impetus, and a more sustainable future. At the same time, philanthropic grassroots activities such as in the field of volunteering and associations, are also becoming more visible, recognized and part of a strategic philanthropic development path for the country. In sum, Liechtenstein is striving to become Europe's premier philanthropy location that offers both stable and flexible conditions, an innovative environment, and a society naturally embedded in philanthropic values. There are strong intersections with the financial service industry, that is, e.g., by increasingly offering impact investing as a way to enhance sustainability.

### Future development trends in the philanthropic landscape

- The intersection between philanthropy and sustainability (SDGs) is more actively cultivated, including intersections with the government's efforts in this field.
- Philanthropic investments in social enterprises and (philanthropic and mainstream) impact investing are becoming more dominant.
- More philanthropists consider themselves as social investors (as opposed to traditional charitable donors), and philanthropy is becoming a more prominent actor in setting impulses for social development and future orientation.

### Three key recommendations to improve the environment for philanthropy

1. A holistic view of philanthropy: The country can pride itself for a population that is highly active in a philanthropic manner. Hence, there could be more focus on a more "integrated" view and vision of philanthropy that does not solely focus on public benefit foundations and trusts but also include grassroots activities, volunteering, and the work of the large number of associations in Liechtenstein.
2. Many public benefit foundations in Lichtenstein contribute important social and cultural projects and initiatives to the benefit of many people. More visibility of foundation activities in terms of public communication could motivate other foundations and founders to follow the lead.
3. There is still potential for the financial service industry and other entities that are usually involved in the management of public benefit foundations to offer more services in the field of professional grant management (as opposed to asset management) and to strive for philanthropy that support donors' role as social investors.

## VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

### Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Volunteering and neighborhood services played a great role during lockdown phases of the pandemic. According to the VLGST, many of its members were committed to provide of its members were committed to provide unbureaucratic assistance to their grantees, especially also by granting them both flexibility and stability during the crisis.

### Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

According to the VLGST, public benefit foundations are committed to grant more institutional support to charities as opposed to project-related funding.

### Impact of COVID-19 on the philanthropic environment

So far, the pandemic has caused little to no negative impact on the environment for philanthropy in Liechtenstein. On the contrary, the necessity to give grantees both stability and flexibility during the crisis has accelerated pre-existing trends towards more institutional support (as opposed to project-

based support) and highlighted Liechtenstein's strengths of stability, reliability, and administrative swiftness and competence.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

As of now, we are not seeing any other effects, except for those stated above for 2020.

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