

# **THE CHARITABLE LIECHTENSTEIN FOUNDATION**



## 1. INTRODUCTION – A JURISDICTION WITH INTERNATIONAL REACH

Liechtenstein counts among the world's leading foundation jurisdictions. In addition to the long-standing family foundation, the charitable foundation in particular has helped the country earn international recognition in the philanthropic field. It allows assets to be dedicated permanently to a good cause – be that in education, science, culture, environmental protection or humanitarian aid. What characterises the jurisdiction is the combination of wide structuring freedom for founders with a modern legal and tax framework that meets international standards while leaving room for tailored solutions.

**According to the Global Philanthropy Environment Index (GPEI) of the Lilly Family School of Philanthropy (Indiana University), Liechtenstein again ranks first worldwide in 2025 – just as it did in 2022 – as the best location for charitable foundations and philanthropic engagement.**

Alongside the charitable foundation, Liechtenstein also recognises the charitable trust. Unlike a foundation, a trust is not a legal person; the assets are held and administered by the trustee on the basis of the trust deed. A trust is particularly suitable where there is a common-law nexus – for example the UK or the USA – and where lean governance and flexible, asset-centred structuring are paramount.

## 2. LEGAL FRAMEWORK AND DEFINITION OF CHARITABLE STATUS

Liechtenstein charitable foundations are governed by the Persons and Companies Act (PGR), in particular Art. 552 §§ 1–41, supplemented by the Foundation Law Ordinance (StRV). Art. 107 para. 4a PGR defines the concept of charity broadly: a foundation is charitable if its activities are aimed at promoting the public benefit – in the fields of charity, religion, humanitarian aid, science, culture, morality, social affairs, sport or ecology.

## 3. ESTABLISHMENT AND CAPITAL REQUIREMENTS

A charitable foundation may be established inter vivos or mortis causa. Formation takes place either by public deed or in private written form with notarised signatures. The minimum capital is CHF/EUR/USD 30,000. For special structures such as a protected cell company (PCC), lower individual amounts per cell can be used.

## 4. GOVERNANCE AND SUPERVISION

The supreme governing body of the foundation is the foundation board (Stiftungsrat), which must comprise at least two members, one of whom must hold an authorisation as a professional trustee in Liechtenstein or in the EEA. In addition, an independent auditor must be appointed unless a statutory



exemption applies. The Foundation Supervisory Authority (STIFA) monitors whether the foundation's assets are managed and used in accordance with the purpose. With its combination of regulatory supervision and judicial oversight, Liechtenstein has created a model regarded internationally as best practice – often described as a “control of the controllers”. For trust structures the position differs: a charitable trust is not subject to supervision by STIFA. The professional activity of the trustee is, however, equally subject to professional and financial-market regulation (FMA).

## 5. TAX FRAMEWORK

Charitable foundations may, upon application, be exempt from corporate income tax and real-estate

capital gains tax if they pursue exclusively and irrevocably charitable purposes, do not carry on commercial activities, actually use their funds for charitable purposes, and keep administration costs in an appropriate proportion to their activities. Liechtenstein levies no inheritance or gift tax and no withholding tax on investment income.

## 6. STRUCTURING OPTIONS AND PRACTICAL EXAMPLES

- **Pure charitable foundation** – dedicated exclusively to the public benefit
- **Mixed-purpose foundation** – combines private and charitable aims
- **Charitable trust** – an alternative to a foundation, particularly where there is a common-law-nexus

## 7. COMPARISON WITH OTHER JURISDICTIONS

Criterion	Liechtenstein	Switzerland	Germany
<b>Concept of charity</b>	Civil and tax law, liberal	Tax law, narrower	Tax law, narrower
<b>Mixed purposes permitted</b>	Yes	Tax-sensitive	Tax-sensitive
<b>Geographic freedom of grant-making</b>	Unrestricted, up to 100 percent abroad	Partly restricted, depending on canton	Restricted
<b>Trust structure</b>	Yes	No	No
<b>Supervisory system</b>	STIFA and courts (dual control)	Cantonal authority	State/municipal authorities

## 8. ADVANTAGES OF THE LIECHTENSTEIN JURISDICTION

Liechtenstein offers founders and philanthropically engaged individuals a unique combination of legal flexibility, political stability and international connectivity. The founder enjoys a high degree of freedom in defining the purpose, selecting beneficiaries and designing the governing bodies. The legal framework is deliberately liberal and – within international compliance standards – leaves ample room for individual solutions.

A particular locational advantage is that a charitable foundation's grant-making is not limited to Liechtenstein or the EEA. Foundations may allocate up to 100 percent of their funds abroad without tax or supervisory disadvantages. This allows the philanthropic jurisdiction to have worldwide impact and is especially attractive for internationally active organisations.

Administrative practice in Liechtenstein is efficient, unbureaucratic and shaped by short decision-making paths. Close cooperation between authorities, trustees and foundation boards enables rapid implementation of projects. Added to this is a high degree of legal certainty, thanks in no small part to the country's political and economic stability.

Liechtenstein is also firmly integrated into the European legal and economic area: as a member of the European Economic Area (EEA), Liechtenstein foundations benefit from the four freedoms, in particular the free movement of capital and freedom of establishment. At the same time, the customs and currency union with Switzerland ensures smooth economic exchange.

This combination of flexibility, international openness and reliable structures makes Liechtenstein one of the most attractive locations in Europe for establishing and managing charitable foundations.

### Practical tips for founders

- Define the purpose clearly and for the long term
- Use by-laws (auxiliary regulations) for flexible adjustments
- Set clear governance rules
- Choose an auditor with specific foundation expertise
- Review the grant-making strategy regularly

## 9. FROM IDEA TO OPERATING FOUNDATION – PROCESS

- **Define purpose and legal form** – foundation or trust
- **Draft foundation documents** – articles, by-laws, regulations
- **Provide capital** – pay in minimum capital
- **Formal establishment** – execute the deed
- **Commercial Register entry** – acquire legal personality
- **Appoint bodies** – board of trustees, auditor
- **Apply for tax exemption** – file with the tax administration
- **Commence grant-making** – implement projects

## 10. CONCLUSION

The charitable foundation in Liechtenstein is a modern, flexible and internationally recognised vehicle for doing good on a long-term, sustainable basis. It combines a high degree of private autonomy with effective supervision and attractive tax conditions. Thanks to the possibility of mixed purposes and the option of using trust structures, Liechtenstein offers a broad spectrum of structuring choices for philanthropic engagement – suitable both for large initiatives and for carefully planned medium-sized projects.



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