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MINISTERIUM FÜR
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Beyond tax Information exchange - Relevance of the developments in international tax for Liechtenstein

**Speech of PM Adrian Hasler at the occasion of the IFA
Symposium of 30.9.2014 in Schaan**

Liebe Gäste

Ich freue mich ausserordentlich, diese Veranstaltung der liechtensteinischen IFA eröffnen zu dürfen.

Dear guests,

I am also very happy to welcome to this event of the Liechtenstein Branch of International Fiscal Association a prominent guest from the Tax Directorate of the EU Commission, Mr. Philipp Kermode.

Liechtenstein has committed itself to tax transparency. We have quite a number of agreements granting tax information exchange to jurisdictions. In total, Liechtenstein has signed 35 bilateral contracts covering tax information exchange upon request. The number is growing, as we are concluding Double Taxation Agreements. Last week we have signed a DTA with the Tschech Republic, and more are under negotiation.

Last November, Liechtenstein also signed the Convention on Mutual Administrative Assistance in Tax Matters. And Liechtenstein has also joined the group of early adopters, who are committed to implement the Automatic Exchange of Information on a reciprocal basis with specific jurisdictions. Similarly, Liechtenstein is discussing with the European Union to adapt the current savings agreement to the new international standard. The implementation of one single global standard and prevention of different standards is crucial for effective Automatic Exchange of Information.

But the exchange of tax information is not the only element of relevance for Liechtenstein in the area of international tax cooperation. Equal treatment of Liechtenstein by other countries as well as the conclusion

of a network of DTA is crucial to support our economic growths. In that context, Liechtenstein welcomes the ongoing work of the EU and the OECD in setting international standards on double taxation and tax avoidance.

Equal treatment means that tax rules which penalize the refusal to exchange requested information in tax matters must be abolished, once information exchange is granted. For EU member states this means that after conclusion of a TIEA or a DTA, the full freedom of establishment and capital needs to be allowed. In theory and by the courts, this is undisputed. But market participants report that in practice they sometimes encounter difficulties. Sometimes the national rules are not adjusted immediately. Sometimes there is no specific reference to Liechtenstein literature and commentaries, due to the smallness of our country. An event like this helps to name the issues and find solutions!

Liechtenstein also seeks the conclusion of further DTAs. We are actively expanding our DTA network. With the signature of the DTA with the Czech Republic, Liechtenstein has reached the number of 12 DTAs. And negotiations with further countries are under way. This is important for Liechtenstein. While the equal treatment granted by the EEA-freedoms eliminates some cross border tax hindrances, it is not always enough to ensure the avoidance of double taxation of our companies and investment structures.

Withholding taxes may still apply, leading to double taxation in the hands of the Liechtenstein parent company. An investor investing through a Liechtenstein fund will often suffer higher tax than if investing directly. A Liechtenstein foundation may be ignored, although it is a regular taxpayer in Liechtenstein. Furthermore, when transfer pricing adjustments are made by a foreign jurisdiction, it is necessary to have a formal bilateral procedure between the fiscal authorities available,

to address the resulting double taxation.

Addressing these needs in a DTA are legitimate - Liechtenstein is not seeking a DTA network to support treaty shopping or abuse. We are not seeking to create situations of double not taxation. The government has set up a working group which closely follows the works of the OECD on BEPS, to ensure proper reflection of the conclusions in Liechtenstein's tax treaty policy and law.

Events like today, where the development within the EU and court cases are discussed, are vital to encourage discussions and deepen the understanding of the issues at hand and potential solutions. Because for Liechtenstein, the discussion about international tax standards does not end with tax information exchange, it only starts there and has just begun.

I wish you all a successful meeting, fruitful discussions, and thank you most warmly for your attention.