



LIECHTENSTEIN
BANKERS ASSOCIATION

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5.2 Voluntary disclosure

The client may expressly authorize the bank to forward information about the client and the client's savings income (last name, first name, address, postal code, town, country, account/securities account number and amount of interest payment) to the Liechtenstein Fiscal Authority, which in turn notifies the tax authority of the country of residence of the client. This authorization is valid for all interest payments by the bank to the client and remains valid until the bank receives an express revocation.

6. Additional information

For further questions in connection with the EU savings tax, the client advisors of the Liechtenstein banks will be happy to assist you.



LIECHTENSTEIN
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FINANCIAL CENTRE

EU SAVINGS TAX

Information for Clients
of the Liechtenstein Banks

1. Basis of the EU savings tax

On 3 June 2003, the Member States of the European Union (EU) agreed on Directive 2003/48/EC on taxation of savings income. All Member States, with the exception of Belgium, Luxembourg, and Austria, are introducing a system of automatic transnational information exchange, with the goal of taxing the income of a recipient of interest in the EU Member State in which the recipient resides. Belgium, Luxembourg, and Austria, on the other hand, have committed themselves to introducing a withholding tax. Like Switzerland, Andorra, Monaco and San Marino, Liechtenstein has declared its willingness by means of an agreement to levy a withholding tax on savings income of persons residing in the EU, in order to protect the privacy of its banking clients. This solution fully guarantees the maintenance of bank client secrecy.

2. When does the Agreement enter into force?

The Agreement is scheduled to enter into force on 1 July 2005.

3. Who is subject to the Agreement?

Four prerequisites must jointly be fulfilled in order for the Agreement to apply. The recipient of an interest payment must

1. be a natural person,
2. reside in a Member State of the EU,
3. receive an interest payment from a Liechtenstein paying agent, and
4. be a beneficial owner of the interest payment.

Not covered in general are legal entities [e.g., legal entities according to the Liechtenstein Persons and Company Law (PCL)] and natural persons residing in Liechtenstein or another State outside the EU (Exception: EU citizens residing outside the EU who are unable to produce a tax residence certificate).

Tax residence certificate

EU citizens residing outside the EU are as a rule not covered by the Agreement if they are able to present a tax residence certificate. Such a certificate is required for contractual relationships or for transactions without a contractual relationship that have been entered into or undertaken after 1 January 2004. If such a tax residence certificate cannot be presented, the Agreement applies.

4. What constitutes an interest payment for the purposes of the Agreement?

The definition of interest used in the Agreement is very broad and encompasses, for instance:

- interest paid or credited to an account relating to debt-claims of every kind (in particular income from government securities, bonds or debentures);
- interest accrued or capitalized at the sale or refund of debt-claims;
- broken period interest (accrued interest) on periodic interest;
- interest payments at the distribution of investment funds and interest payments realized at the sale or refund of shares of investment funds, provided that certain thresholds of interest-bearing investments within the investment fund are exceeded.

The definition of interest does not, for instance, encompass dividends and other payments on rights of participation, interest income from insurance policies, and benefits from retirement schemes.

5. What options are available to the client?

The client may choose from the following options:

- Retention of tax («Retention») or
- Voluntary disclosure («Reporting»).

5.1 Retention

If the client does not explicitly authorize the bank to report, then the bank retains a certain percentage of the interest payment. The rate of retention is:

starting 1 July 2005: 15%

starting 1 July 2008: 20%

starting 1 July 2011: 35%

The bank transfers the amounts collected in the course of retention in bulk and anonymously to the Liechtenstein Fiscal Authority, which forwards 75% to the tax authorities of the relevant EU Member States. The State of Liechtenstein keeps the remaining 25% of the withheld tax. The banks do not participate in these remainings. A refund to the recipient of the interest payment is precluded by this procedure.