

Vaduz, 12 August 2009

Information about the TIEA and MoU concluded between Liechtenstein and the United Kingdom on 11 August 2009

Allgemeines Treuunternehmen would like to inform you in this update about the most important aspects of the Tax Information Exchange Agreement (TIEA) concluded with the United Kingdom on 11 August 2009 and the related Memorandum of Understanding (MoU).

Liechtenstein and the UK have on the one hand agreed in this document that the OECD standard on the exchange of information in tax matters should be applied. However, at the same time they agreed that there should be a transition period up to 2015 to allow clients of Liechtenstein financial services, who are liable to UK taxes, to review and arrange their affairs. There are two ways clients can do this: they can either provide proof of tax conformity, i.e. disclose and settle any open tax matters with the HMRC in the UK, or cease to use Liechtenstein financial services. Liechtenstein will not grant the UK authorities intergovernmental assistance or information prior to 2015.

The UK authorities have agreed that the implementation of the Agreement and the related documents will only cover internal Liechtenstein measures. Liechtenstein will therefore ensure that its financial intermediaries verify which of their clients are liable to UK taxes by about 2013. Financial intermediaries who do not comply with these requirements will most probably be fined. The amount of the fine is still open since the internal implementation rules are not yet known.

The Agreement offers clients of Liechtenstein financial services with UK ties who opt for participation in the disclosure programme relatively attractive terms as compared with the terms of disclosure pursuant to the UK's general tax amnesty provisions. On the one hand, the tax arrears owed will be calculated on the basis of 10 years, i.e. as from 1999. This is in contrast to the 20 years laid down in the general UK amnesty provisions. On the other hand, the Agreement between the UK and Liechtenstein provides for the application of a composite rate of 40% on income for the calculation of unpaid tax and a tax penalty of 10%. With the inclusion of interest, this would amount to a tax burden of approximately 50%.

The Liechtenstein government and the Liechtensteinischer Bankenverband (Liechtenstein Bankers' Association) have reacted positively to the Agreement for the reasons given above. The Liechtensteinische Treuhändervereinigung (Liechtenstein Association of Professional Trustees), of which Allgemeines Treuunternehmen is a member, sees in the Agreement a departure from the long tradition of protection of privacy and thus strongly rejects the Agreement. If no amendments are made to the Agreement such as, for example, the possibility of ensuring tax compliance through the use of a withholding tax, which would at the same time serve to protect the privacy of investors, the Treuhändervereinigung is seriously contemplating putting the Agreement to a referendum after a positive parliamentary decision. Thus it is not certain whether the signed Agreement will really enter into force in its current form.

Allgemeines Treuunternehmen will monitor developments carefully and will inform you whenever there is further information, for example, when the exact terms of the Liechtenstein implementing provisions become known.

Should you have any questions regarding this Agreement and its possible consequences, Mr Roger Frick and Dr Thomas Zwiefelhofer would be delighted to assist you.

Yours sincerely,

Allgemeines Treuunternehmen