

The Liechtenstein family foundation: formation, founder's rights and tax

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The family foundation is the structure for which Liechtenstein is best known. It holds the family's wealth as an independent legal entity, follows the founder's instructions laid down in its documents, and supports the members of the family over several generations. For families from Asia, the Middle East and Africa who bank in Switzerland, it offers a civil law structure close to their banks and under a stable legal system that shares the Swiss franc.

1 What a family foundation is

The Liechtenstein foundation is governed by Articles 552 et seq. of the Persons and Companies Act (PGR), which were fully revised with effect from 1 April 2009. A foundation is a legal entity without members or shareholders: once the founder has endowed it, the assets belong to the foundation itself and are applied for the purpose set out in its documents. A family foundation is a private-benefit foundation whose purpose is to support the members of one or more families, for example by paying for education, maintaining their standard of living or providing for them in old age.

The Swiss foundation, by contrast, cannot be used in this way. Swiss law permits family foundations only for narrowly defined purposes such as education and support in need, which is why Swiss families have traditionally used Liechtenstein for this purpose.

2 Formation and documents

A foundation is created by a foundation deed (Stiftungsurkunde), which sets out its name, seat, purpose, the initial endowment and the organisation. The minimum capital is CHF 30,000 or its equivalent in

euros or US dollars. The details that the family does not want to disclose, in particular the beneficiaries and the rules for distributions, are usually laid down in by-laws (Stiftungszusatzurkunde), which are not filed with any authority.

A private-benefit foundation is not entered in the commercial register. It comes into existence when a formation notice is deposited with the Office of Justice (Amt für Justiz), which checks that the foundation is properly constituted. Charitable foundations, by contrast, are entered in the commercial register and supervised by the Foundation Supervisory Authority.

3 The founder's rights

The founder can reserve the right to revoke the foundation or to amend its documents (Article 552 § 30 PGR). With these rights, the founder keeps control over the structure during his lifetime and can adapt it when the family's circumstances change. The rights are personal to the founder, and the documents must therefore settle what happens to the structure after his death.

Reserved rights have consequences beyond Liechtenstein. Tax authorities and courts in the founder's country of residence, and creditors and heirs who challenge the structure, will ask whether the assets have really left the founder's control. The more rights the founder retains, the more likely it is that the foundation will be treated as his own property, so that each reserved right should be chosen with the tax and inheritance position in mind.

4 Beneficiaries and governance

The beneficiaries can be named in the documents or designated by the foundation board, the founder or another body under rules laid down in the by-laws. Beneficiaries have a statutory right to information about the foundation, which can be restricted where the founder has reserved the right to revoke it or where the foundation has a control body that exercises supervision on their behalf. Many families appoint a protector or a family council to monitor the foundation board and to keep the next generation involved.

The foundation board manages the assets and makes distributions. At least one member must be licensed under the Liechtenstein Trustees Act (Article 180a PGR), so that every family foundation works with a licensed Liechtenstein trust company. The foundation must also identify its

beneficial owners to the register of beneficial owners kept by the Office of Justice, and its bank will require the same information.

5 Tax in Liechtenstein

A family foundation that only holds and manages assets can apply for the status of a private asset structure (Privatvermögensstruktur). It then pays the annual minimum tax of CHF 1,800 and is not taxed on its income and gains in Liechtenstein. In exchange it may not carry on any commercial activity, and its management of the assets is limited accordingly.

Liechtenstein participates in the automatic exchange of financial account information. Information on the foundation's accounts, its founder and its beneficiaries is therefore reported to the tax authorities of the countries in which they are resident, and a family foundation can only be used for wealth that is declared at home.

6 A family foundation for a family in Switzerland

Where the founder or the beneficiaries live in Switzerland, Swiss tax law decides how the foundation is treated. If the founder can revoke the foundation or retains decisive influence, the Swiss tax authorities attribute its assets and income to him, and they remain subject to his wealth and income tax. If the foundation is irrevocable and independent, the transfer of the assets can trigger cantonal gift tax, and distributions are taxed as income of the beneficiaries resident in Switzerland. The article on [offshore trusts and foundations](#) explains these rules in more detail.

A family that plans to move to Switzerland should therefore have its foundation reviewed before the move, since a structure set up for a country without income or inheritance tax can lead to a heavy tax burden once the founder becomes resident in a Swiss canton.

7 How Ressos Legal helps

I advise families on whether a Liechtenstein family foundation suits their situation, draft the founder's instructions for the by-laws together with the family, review existing foundations before a move to Switzerland, and work with licensed trust companies in Liechtenstein on formation and administration. I am a Trust and Estate Practitioner (TEP). [Contact me](#) for a first conversation.

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

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