Finance Forum Liechtenstein

September 2021

pwc

1

Welcome and introduction

Welcome and introduction

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Which international tax topics are relevant for you or your organisation?

www.sli.do
NIS21

2

Setting the scene

Tax development trends

Income tax

- Base Erosion and Profit Shifting (BEPS)
- Anti Tax Avoidance Directive (ATAD)
- Digital tax
- Environment and sustainability taxes

Tax reporting

- DAC7
- DAC8

Tax transparency

- CBCR
- Tax ruling exchange
- Automatic and upon request tax information exchange
- Reputation considerations

Other

- EU business taxation 21
- EU Digital Levy
- Black- / grey-lists
- Beneficial ownership

Tax policy – Influence of international tax/trade organisations

Tax policy – Some key drivers

A	D	A	P	T
Asymmetry Increasing wealth disparity and the erosion of the middle class.	**Disruption** The pervasive nature of technology and its impact on individuals, society and the climate.	**Age** Demographic pressure on business, social institutions and economies.	**Polarisation** Breakdown in global consensus and a fracturing world, with growing nationalism and populism	**Trust** Declining confidence in the institutions that underpin society.

Possible tax policy developments?

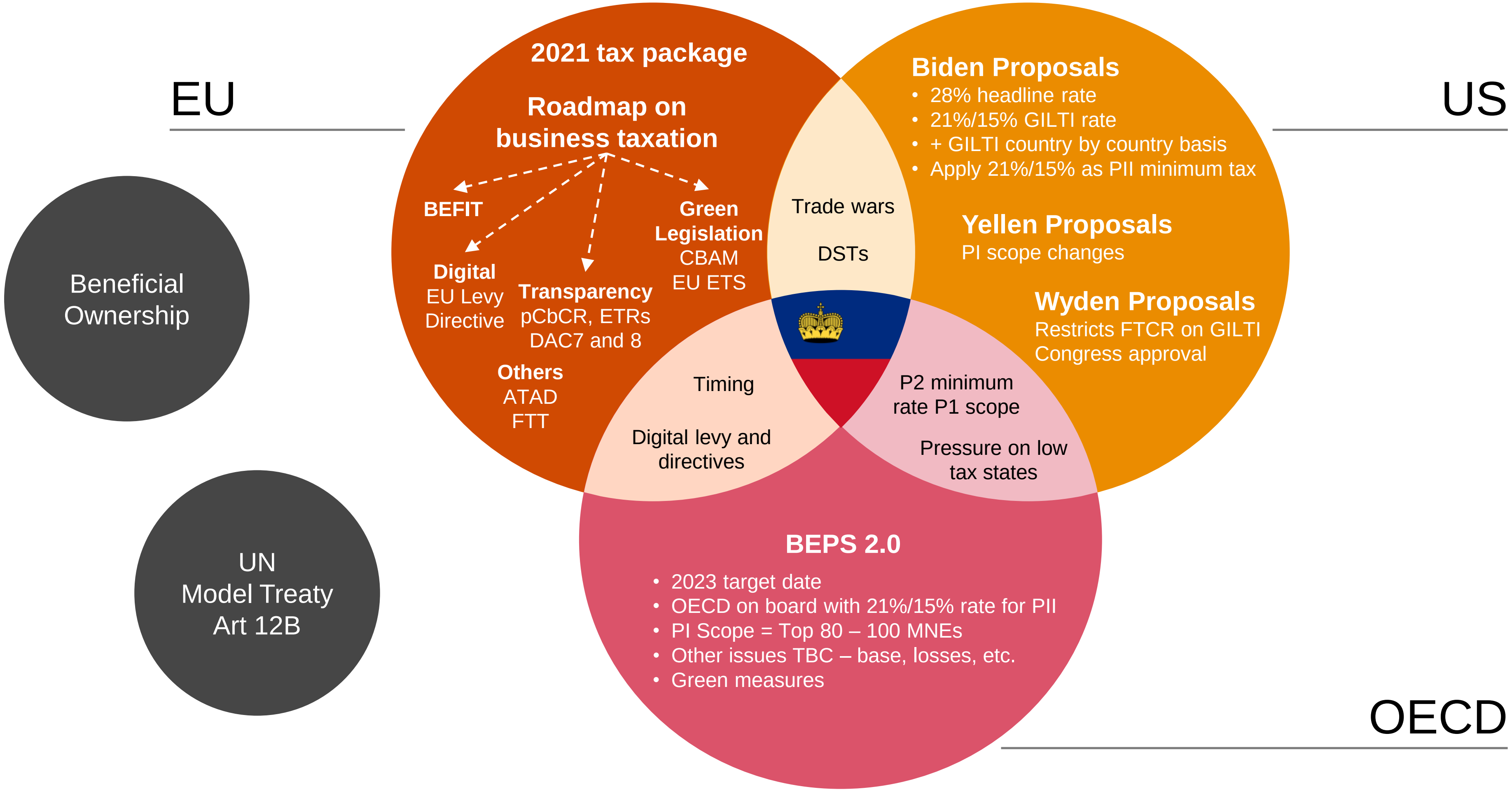
Asymmetry	Disruption	Age	Polarisation	Trust
• Excess profit taxes, solidarity top up rates • Property taxes • Carbon taxes • Lower taxes on labour	Pandemic, climate and digitalisation • Environmental taxes • New taxing rights • Structure corporate taxation • Higher corporate income taxes	• Shift from income to consumption taxes with potential impact on demand • Higher taxes on employers and the young workforce to finance the costs of the aging population?	• Tariffs or taxes to tax foreign products or services • More unilateralism (e.g., DSTs, Equalisation Levies)	• 'Fair' international tax system • Public tax strategy for companies • Tax transparency • Co-operative compliance

Tax policy – Possible reforms

	Raising revenue	Recovery of the economy	Sustainability	Broader policy impact[3]
1 **Personal Income Tax reforms**[1]	✓	✓	✓	✓
2 **Property taxes** (e.g., land, real estate)	✓		✓	✓
3 **Corporate Income Tax reforms**[2]	✓	✓	✓	✓
4 **Environmental taxes** (e.g., user fees, benefit related taxes)	✓		✓	✓
5 **VAT reform/Excises** (e.g., broadening tax base by minimizing exemptions, VAT on e-commerce)	✓	✓	✓	✓

1 E.g., tax reduction low and middle income household, introduction wealth taxes
2 E.g., international cooperation to tax immobile production factors and combat tax evasion/avoidance, stimulate R&D, broadening tax base and lower rates
3 ESG, fairness, transparency, compliance

Tax policy – Overview of international tax policy landscape



Liechtenstein Finance Center strategy

01

Governance & Acceptance

Conformity with international standards

Trusted Partner

Open and fair treatment by international partners

Ease of Access

International access and acceptance of legal rules

02

Market Access

Expansion of international double tax treaties, free trade or other agreements and focus on international acceptance of LI corporate vehicles

Liechtenstein

03

Added value in the financial centre

Government and legal framework, short distances and competent authorities shall create an innovative framework

Environment

Digital solutions, efficient and optimized processes

Public-private partnership

Stability, longevity, Innovation

04

Stability & Innovation

Significant increase of international perception through consequent alignment with international standards.

Liechtenstein Tax Developments

2011

- New law on state and municipal taxes
- Basis for today's valid tax regime
- European-compliant and modern tax legislation

2014-2016

- Commitment to implement the Automatic Information Exchange (AIA Act in force on 1 January 2016)
- Foreign Account Tax Compliance Act (FATCA)

2017

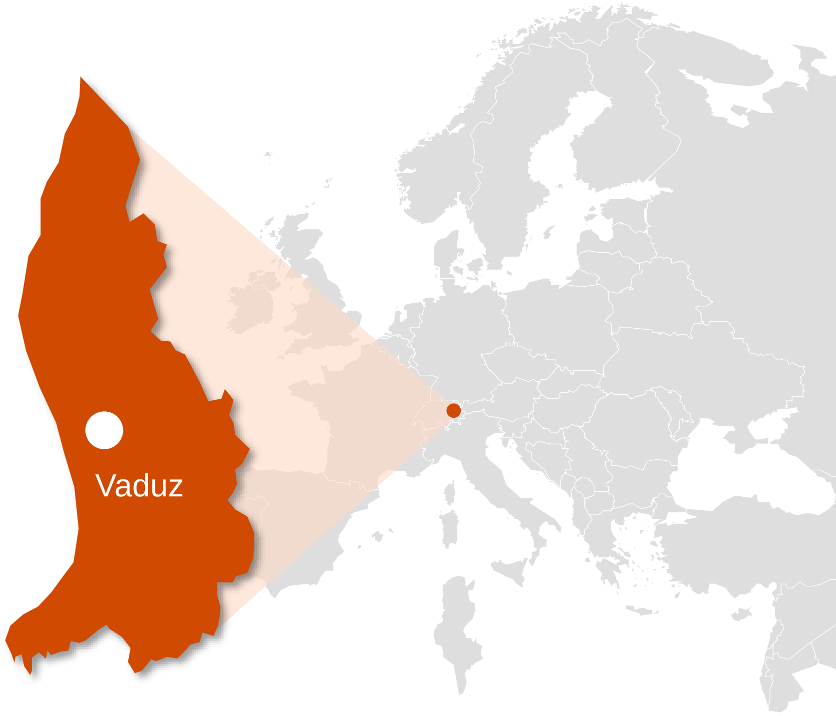
- Implementation Minimum Tax
- Transfer Pricing documentation required
- Country-by-Country Reporting
- Liechtenstein is added on EU's grey list

2018

- Introduction Anti-abuse rules
- Liechtenstein is removed from the EU's grey list

2021

July 2021: Liechtenstein signed OECD BEPS 2.0 plan



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BEPS 2.0

Is your organisation within BEPS 2.0 scope: Global gross revenue?

A > 20bn USD

B > 10bn USD

C > 750M USD

D < 750M USD

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BEPS 2.0: Recent developments

Key elements of the work plan

July 2020

Virtual IF meeting on the key policy features

G20 Finance Ministers meeting

August 2020

Initial draft blueprints expectation

September 2020

Comments Olaf Scholz – EU perspective

October 2020

IF Meeting and Draft Blueprints

November 2020

G20 Leaders' Summit

H1 2021

New proposals by US Biden administration

G7 / G20 negotiations

G7 Communique / June 2021

Mid-2021

G20 Inclusive Framework statement – 1 July 2021

Publication of proposed technical framework at G20 Finance Minister Summit / 9/10 July 2021

Anticipated continuation of technical work by the OECD

Finance Minister Meeting in LI (LI, CH, Lux, G, A) including discussion of global minimum tax

Final agreement on technical details by IF in October 2021 (?)

2022/ 2023?

Implementation questions:

- New Multilateral Instrument?
- EU ATAD?
- Domestic implementation packages?
- US GILTI carve out?
- Switzerland: start of public consultation expected during Q1 2022
- Liechtenstein?

“

Das BEPS Inclusive Framework der OECD/G20, dem 139 Staaten – einschliesslich Liechtenstein – angehören, hat sich am Donnerstag, 1. Juli 2021 mit den Vorschlägen zur Besteuerung der digitalisierten Wirtschaft befasst…

Liechtenstein hat seine Position bereits im Vorfeld und an der Sitzung des Inclusive Framework eingebracht. Auch wenn Liechtenstein den sich abzeichnenden globalen Konsens, genauso wie u.a. die Schweiz, Luxemburg und Singapur, nicht abgelehnt hat, bleiben wichtige Fragen offen. Liechtenstein hat seine Bedenken und Vorbehalte mehrfach deutlich zum Ausdruck gebracht.

Es bleibt die Position Liechtensteins, dass alles dafür getan werden muss, eine globale Lösung zu finden, die nicht noch stärker in die Souveränität der einzelnen Staaten eingreift, die Wirtschafts-entwicklung nicht behindert und zu einer Aufhebung unilateraler Massnahmen führt. Dabei sind insbesondere auch die Positionen von kleinen und wettbewerbsfähigen Staaten zu berücksichtigen. Es sind weiterhin intensive Arbeiten notwendig, um den weltweiten Konsens in eine global umsetzbare Lösung zu überführen. Das nächste Meeting des Inclusive Framework ist für Oktober 2021 terminiert. Liechtenstein stimmt sich intensiv mit verschiedenen Staaten, die gleichgelagerte Interessen haben, ab.

Die Regierung beobachtet den weiteren Prozess sehr genau. Klar ist, dass insbesondere der erste Schritt hin zu einer globalen Mindestbesteuerung von grossen Konzernen, einen der Standortvorteile Liechtensteins in gewisser Weise beschränken wird. Die Regierung befasst sich mit Weitsicht mit den internationalen Entwicklungen und ist bestrebt, die zahlreichen Standortvorteile Liechtensteins weiter zu stärken.

Besteuerung der digitalisierten Wirtschaft – 01.07.2021
https://www.presseportal.ch/de/pm/100000148/100873626

Weiter wurden die nächsten Schritte und Ziele in Bezug auf das BEPS Inclusive Framework der OECD besprochen. Aber auch weitere aktuelle Themen wie die gerechte Besteuerung der digitalen Wirtschaft sowie nachhaltige Finanzen standen auf der Traktandenliste.

«Gerade **angesichts der rasanten Entwicklungen im Steuerbereich** und der tiefgreifenden finanziellen Folgen der noch nicht ganz überwundenen COVID-Pandemie ist das Treffen deutschsprachiger Finanzminister ein von allen sehr geschätzter Termin, weil er nicht nur einen fachlichen Austausch, sondern auch einen persönlichen Kontakt ermöglicht.»

«Im Blick Richtung Zukunft müssen wir uns mit dem Thema der Unternehmensbesteuerung im 21. Jahrhundert beschäftigen. Österreich hat sich immer für eine faire Besteuerung von internationalen Unternehmen eingesetzt. Denn Steuern sollen dort bezahlt werden, wo das Geld erwirtschaftet worden ist. Hier braucht es effektive Massnahmen um gegen Steuervermeidung vorzugehen. Darüber hinaus braucht es stärkere Anreize, um das Eigenkapital von Firmen zu stärken und eine Regulierung von Kryptowährungen.»

Deutschsprachige Finanzminister zu Besuch in Liechtenstein – 24.08.2021
https://www.regierung.li/de/mitteilungen/228233/?typ=content&nid=11072

BEPS 2.0: Overview

New rules on how to **attribute profits**

Pillar I

Multi-tier approach

New nexus rules

Allocation of profits even without physical presence

Profit allocation rules

Scope of activities / Revenue & Profit thresholds

Amount A

Portion (%) of deemed residual profit allocated under a new formula

Amount B

Fixed return for distribution functions

Tax Certainty

Dispute prevention and resolution for amount A

Pillar II

Global Anti-Base Erosion (GloBE) proposal

New rules on **minimum taxation** of profits

Minimum Tax Rate

Minimum target ETR and rules for implementation

Minimum Tax Rate

Implementation Rules

Rule order / Treatment of losses / Carve-outs

Consensus based long-term solution planned by mid/late 2021

BEPS 2.0 – update, technology modeling tools and examples of client projects

Pillar 1: Scope of Amount A

Simplified approach to Amount A list: in-scope

- The most material change in the 1st July 2021 Statement involves material simplification of scope definitions for Amount A applicability
- Previously discussed activity / industry related scope tests (e.g. Automated Digital Services and Consumer Facing Businesses) are now removed
- Scope of Amount A is proposed to focus on **only the largest multinational enterprises (MNEs)** and to no longer apply any activity tests
- Previously discussed **carve-outs for Regulated Financial Services and Extractives** MNEs are maintained
- Segmentation of financial data for the purposes of scope determination under Amount A to happen only in exceptional circumstances

Thresholds & Nexus

Threshold 1. Global revenue test

Global turnover above €20 billion (potential future reduction to €10 billion)

Threshold 2. Minimum residual profit test

Residual profit before tax margin above 10%

Nexus rules

Allocation of Amount A to market jurisdiction if MNE derives at least €1 million from such market (€250 thousand for market jurisdictions below €40 billion GDP)

Key parameters for Amount A application

The 1st July 2021 Statement provides a number of clarifications and additions on the main parameters and considerations for Amount A applicability (subject to further refinement in the final technical framework expected in Fall 2021):

Quantum

For in-scope MNEs between 20%–30% of residual profits to be allocated to market jurisdictions using a revenue-based allocation key

Revenue sourcing

Revenue to be sourced to the end market jurisdictions where "goods and services are used or consumed" – detailed rules to be defined

Tax base determination

Financial accounting income to be used as reference for determination of Amount A profits, with a "small number of adjustments"

Marketing & distribution profits safe harbour

Marketing and distribution safe harbor rules to cap Amount A reallocation in case of existing qualifying taxable profits in a market jurisdiction

Elimination of double taxation

Exemption or credit methods to be used in order to eliminate double taxation of profits allocated to market jurisdictions under Amount a

Tax certainty

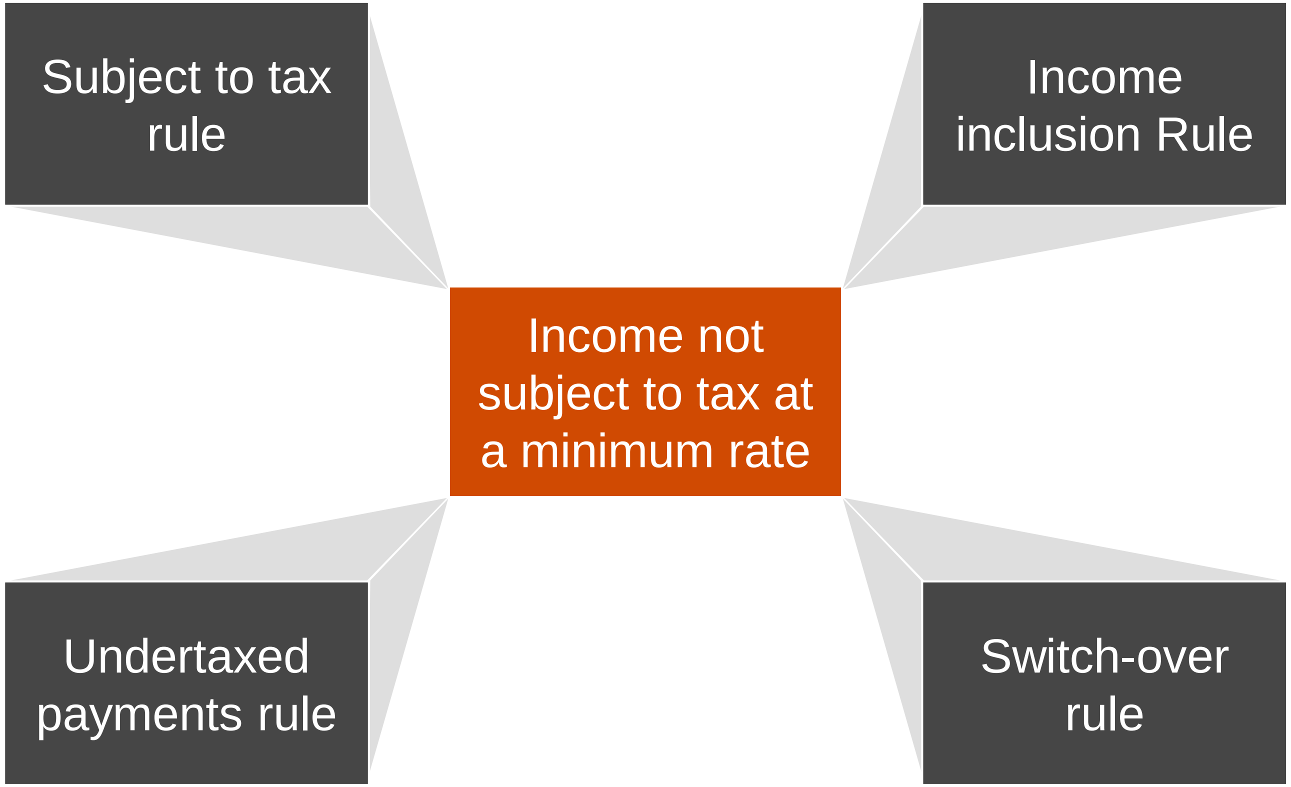
Announcement (no specific details yet) of a dispute prevention and resolution mechanism that will address potential issues related to Amount A re-allocations – in a "mandatory and binding manner"

Pillar II: Overview

What?	• Introduction of a minimum tax - no matter where HQ is established • Rate to be determined – 15%? • Geared towards big multinationals → likely with a turnover over EUR 750m p.a.
How?	• Global Anti-Base Erosion ("GloBE") tax = top-up tax to the global minimum tax • 4 rules to be introduced, which – in their combination – should result in the minimum tax
Impact?	• Affected companies are mainly large groups with presence in jurisdictions with a low tax rate or in jurisdictions offering preferential tax regimes with respect to certain income (e.g. patent boxes, low taxed principal or entrepreneurial IP structures) • Exclusions for investment funds, pension funds, sovereign wealth funds, government bodies, international organizations, and non-profit organizations (and International shipping?)

BEPS 2.0 – Taxation of the digitalisation/globalisation of the economy

Pillar two overview



Global Anti-Base Erosion Proposal (GloBE):

- A "top up" system based on ETRs; minimum rate itself not yet agreed
- Proposed framework would look at investments on a country by country basis in determining whether the minimum tax test was satisfied.

Still working on mechanism for determining whether and how the US GILTI regime would be “grandfather” (i.e., deemed to be an acceptable minimum tax regime)

The Challenge: Data, Systems, Reporting & Compliance

Global effective tax rate

ETR Calculation
- Covered taxes ÷ GloBE income

GloBE income
- Based on parent financials with limited adjustments (e.g. intragroup dividends)
- Formulaic substance-based carveout from tax base based on payroll and tangible assets
- Government grants: follow the accounting treatment

Covered taxes
- Any tax on an entity's income or profits
- Pillar I applies before Pillar II – adjustment may be required to the GloBE tax base to reflect Pillar I outcome
- Not DSTs
- Particularity: WHT and CFC

Jurisdictional blending Tax rate per jurisdiction

How?
1. Assign income and tax covered to each entity and aggregate per jurisdiction
2. Divide aggregate of adjusted covered taxes assigned to the jurisdiction by the aggregate of the profit(loss) before tax assigned to the jurisdiction

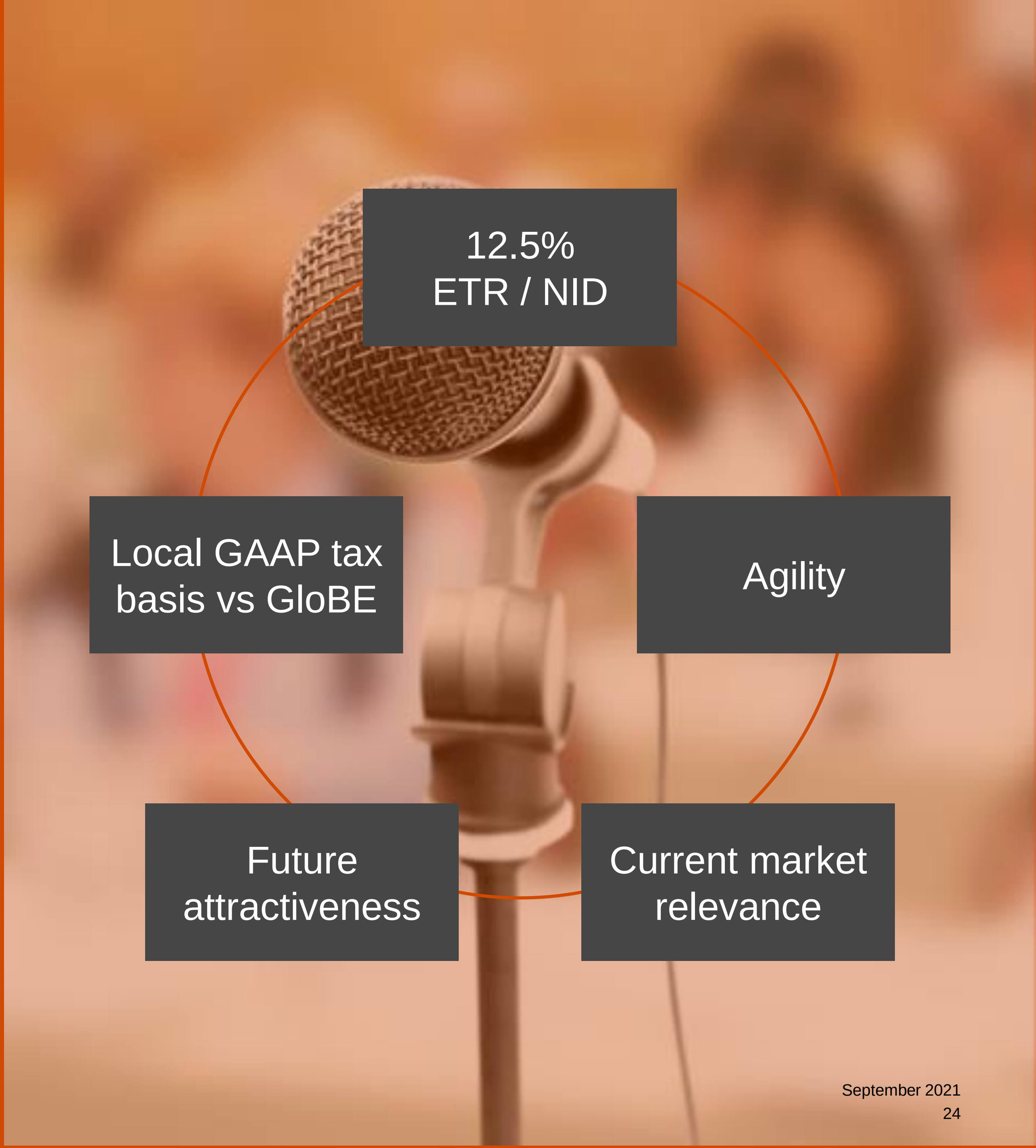
Timing mismatches
- **Loss carry forward**: losses allowed as deduction from GloBE tax base in subsequent years
- **Pre-regime losses**: lonely qualified losses can be taken into account (not linked to loss in shares, restructuring etc.)
- **IIR tax credit and local tax carry-forward**
- …complex!

Top-up tax for each entity

Computation top-up tax
Globe income of a constituent entity X top-up tax percentage

Simplification options
- **CbCR ETR safe-harbor:** if jurisdictional ETR based on the CbC report is above a certain threshold then no further work would be required for that jurisdiction
- **De minimis profit exclusion**: exclude jurisdictions from the GloBE rules which have less than a certain % of the MNE group's pre-tax profit (e.g. 2,5%)
- **Single jurisdictional ETR calculation**: cover several years if the ETR of a particular jurisdiction exceeded a certain threshold rate in the base year or any subsequent year (i.e. for a grace period 3-5 years)
- **Tax administrative guidance**: identify jurisdictions where the tax base does not materially depart from the GloBE tax base and the tax rate is sufficiently high; presumption that ETR exceeds minimum rate

Chances and risks for Liechtenstein?



4

Tax Reporting

20th anniversary: The Tax Reporting journey continues …

2001	2005	2010	2012	2013	2013	2013-2014
QI	**EUSD**	**US FATCA**	**IGA FATCA**	**UK FATCA**	**DAC, EUSD, EU Pilot Project**	**OECD – Common Reporting Standard (CRS)**
In favour of the US, the start of an automatic exchange of information with a yet limited scope but including tax treaty benefits	Mutual exchange of information for the effective taxation of cross-border interest income and revenues applied by EU member states (with the exception of Austria and Luxembourg) and certain third countries	In favour of the US, a comprehensive automatic exchange of tax information regime was enacted by FATCA	Intergovernmental negotiations concerning the implementation of FATCA lead to bilateral model agreements (IGAs) including the opportunity of a reciprocity	Bilateral agreements were signed between the UK and Guernsey, Jersey and the Island of Man, which are consistent with the model 1 IGA for the implementation of FATCA	Proposed amendments to the EU Savings Directive (EUSD) and Directive on Administrative Cooperation (DAC) as well as the EU 'Pilot Project' are planned in order to achieve a comprehensive reporting standard within the EU analogue to FATCA	The OECD received a mandate by the G8/G20 countries to develop a global reporting standard to achieve a comprehensive and multilateral automatic exchange of information (AEOD) in the future

… with substantial contribution of the European Union …

The DAC Directive 2011/16/EU has been amended several times through amending Directives

DAC
Employment income, directors fees, life insurance products, pensions, immovable property

DAC3
Cross-border rulings and advance pricing agreements

DAC5
Access to anti-money laundering information

DAC7
Platform reporting Joint audits, foreseeable relevance

DAC2
Financial accounts information

DAC4
Country-by-country reporting and exchange

DAC6
Reportable cross-border tax arrangements

DAC8(?)
Reporting of crypto-assets & e-money Enhanced penalty regime

2011 | **2014** | **2015** | **2016** | **2018** | **2020** | **2022 (?)**

Introduction DAC7 – platform reporting

DAC7

The main purpose of DAC7 is to **strengthen tax transparency** and **fight against tax evasion**. The **reported information will be exchanged** between the tax authorities of all EU MS to enable them to assess income taxes and Value Added Taxes (VAT) due on amounts earned from digital platforms.

What?

DAC7 introduces **reporting obligations for platform operators** who are required to report to their local tax authority regarding persons who **sell** good and services on their platforms (or who rent immovable property or any means of transport).

Who?

EU Platform operators are required to send the relevant reporting to their respective **local EU tax authority** regarding reportable sellers in the EU. **Non-EU platform operators** may also be required to report TO an **EU tax administration** if they facilitate relevant activities of EU sellers and if no exchange agreement is in place between the non-EU country and the EU (extraterritorial effect).

How?

Platform operators are required to **perform due diligence** procedures to identify key information regarding sellers of their platform. That information is then reported to the local EU tax authority of the operator. Processing of payment, advertising of goods&services, investment and lending-based crowdfunding is out of scope.

When?

The first reporting period **starts on 1 January 2023** (and EU Member States must have implemented legislation to make the directive locally effective by that date). **Reporting will take place by 31 January** following the year in which a Reportable Seller is identified.

Non-compliance

Non-compliance may result in **penalties** for platform operators. The nature of these penalties are not yet defined but the EU will strive to ensure that they are applied consistently throughout the EU Member States.

How does DAC7 work

Airbnb Welcomes EU Agreement on Tax Reporting

By Airbnb · March 30, 2021 · Policy

End user / clients using the platform to buy from sellers

Platform Operator EU/non-EU

Due diligence process to identify which sellers are reportable

Local Tax administration

Tax administration of the sellers

Reporting regarding sellers using the platform

Expected to be reported

Carlo Garcia a **Spanish resident individual** selling shoes

Expected to be Exempted

TAXI4U a **German** company specialized in taxi services (Stocklisted)

Expected to be reported

Tulips4her, **a Dutch** company selling flowers

Out of scope (Not a relevant activity)

PerfectFit, a **US** company selling clothes

Out of scope (Not a relevant activity)

Entertainingyou, a **Danish** website publi-shing media content and related news

Timeline of DAC7

19 February 2021
DAC7 Directive published by the European Council

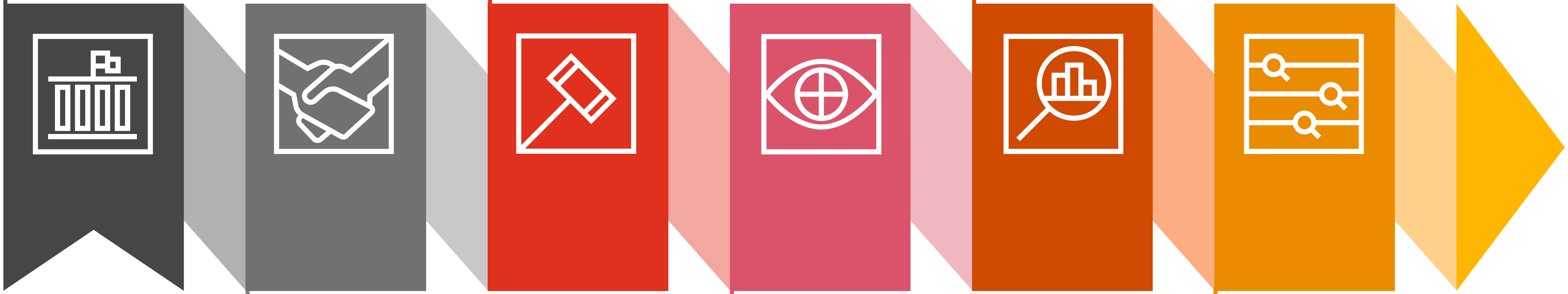
31 December 2022
Central register established and Member States adopt and publish administrative provisions for Directive, in effect per 01 January 2023 at latest

01 January 2023
First reporting period in effect under the DAC7 Directive

31 December 2023
Due diligence deadline for identifying new sellers on platform since 1 Jan 2023

31 December 2024
Due diligence deadline for identifying pre-existing sellers on platform (i.e. those sellers already in place prior to 1 Jan 2023)

31 January 20xx
Reporting required no later than 31 January of year following calendar year in which the Seller is identified

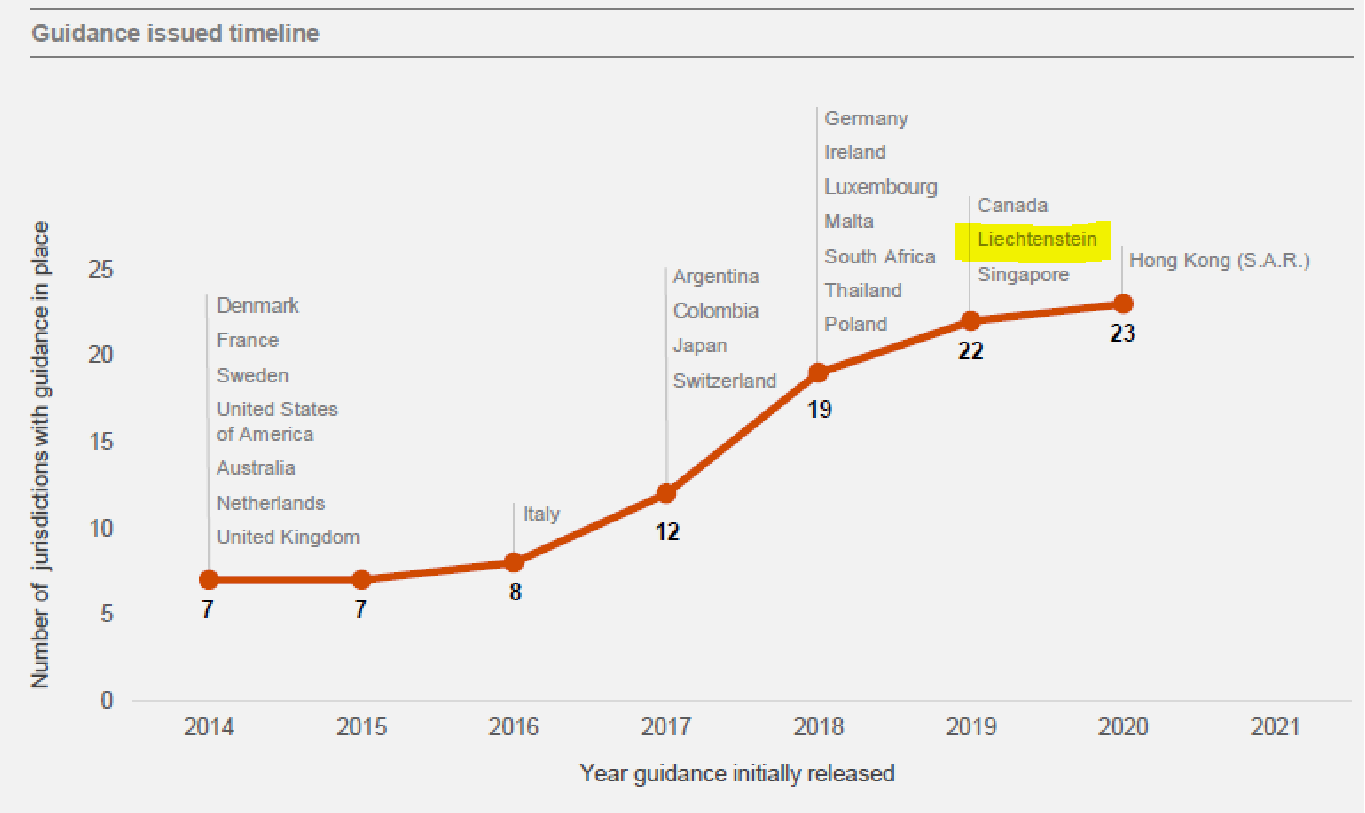


Crypto Assets – Challenges from a tax perspective

Digital assets (payment tokens/cryptocurrencies, utility tokens and security tokens) have several characteristics that make them unique from a taxation perspective

After the launch of Bitcoin in 2009, it took **five years** for the tax administration to issue substantive guidance on the tax treatment of crypto assets

*"The **lack of centralized control** for crypto assets, **its pseudo-anonymity, valuation difficulties, hybrid characteristics** and **the rapid evolution of the underlying technology** as well as their form are challenging in regard to tax obligations. Furthermore, this form of assets can be used for payment as well as investment purposes, which makes its classification and the potential tax compliance even more difficult"*

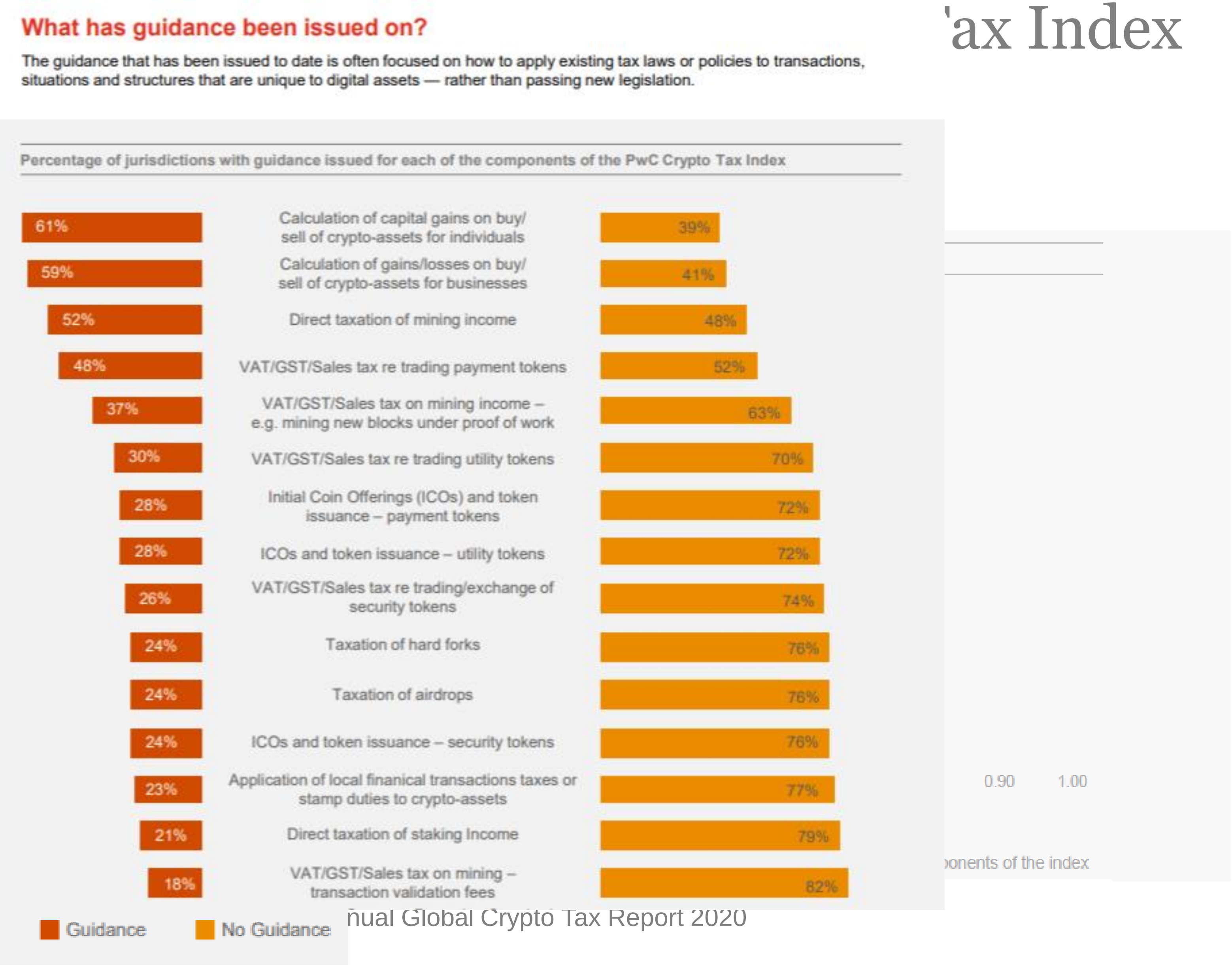


Source: PwC Annual Global Crypto Tax Report 2020

Crypto Assets – Li ... 'ax Index

The **PwC Crypto Tax Index** mea... whether jurisdiction have issued guidance in twenty different area... relevant to the taxation of crypto assets

Guidance that has been issued t... is often focused **on how to apply existing tax laws or policies** to transaction, situations and structu... that are unique to digital assets r... than passing new legislation



...nual Global Crypto Tax Report 2020

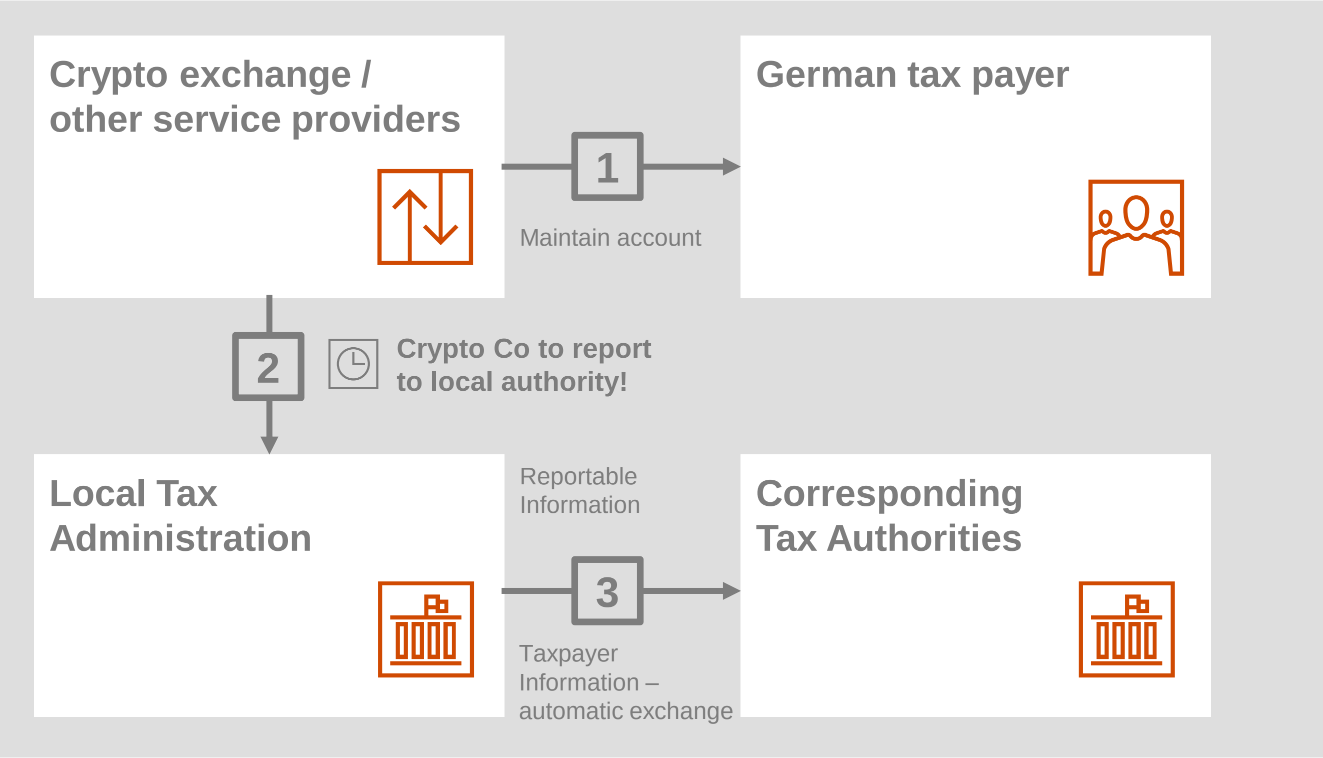
Outlook for DAC8 (Proposed DAC amendment)

Information reporting on crypto currencies and e-money

DAC8	What?	Who?	How?	When?	Non-compliance
The specific objectives of the initiative are to **enable tax administrations to obtain information** that is necessary to control that taxpayers pay their fair share, in particular taxpayers who earn money via crypto-assets, as well as to provide for better cooperation across tax administrations and keep business compliance costs to a minimum by providing a common EU reporting standard.	DAC8 establishes uniform requirements for **transparency and disclosure for crypto-asset service providers and issuers** as well as for e-money institutions	**EU crypto-asset providers and issuers**	Croypto exchanges are required to **perform due diligence** procedures to identify their customers/account holders and to report them to the local tax administration. This information is then shared with other European tax administrations.	Unclear.	Unclear.

How this might work

Simplified example



A local entity is classified as a Financial Institution. It is maintaining a financial account for its client who is German tax resident (Step 1).

The entity performs due diligence to determine the tax residence of the client (e.g. obtains self-certification form or performs electronic search of existing information. It must then report that person to the local tax administration (on an annual basis). (Step 2).

The Swiss FTA will then exchange that information with the tax authorities of the country of tax residence of the client provided both countries have an exchange of information agreement in place (Step 3).

What's next?

Paradeplatz, Zürich (Bild: Keystone)

BANKEN

Freitag, 03. September 2021 06:13

EU-Vermögensregister: Droht Schweizer Banken der «AIA 2.0»?

- English Version
- Was auf die Schweiz in Sachen Geldwäsche

Von Samuel Gerber | Stv. Chefredaktor

Geld, Gold und selbst die Kunst an den Wänden: Das alles soll in einem Vermögensregister erfasst werden, erwägt die EU. Warum Schweizer Banker dies nicht auf die leichte Schulter nehmen dürfen.

Brave EU-Bürger, bis auf den letzten Cent durchleuchtet: Dieses Schreckgespenst geht derzeit in Politik und Medien der Mitgliedländer um. In Deutschland, wo derzeit Wahlkampf herrscht, wird das Menetekel **vom «gläsernen Bürger»** an die Wand gemalt – all dies wegen einer Machbarkeits-Studie zu einem künftigen EU-Vermögensregister.

ADVERTORIAL

Freitag, 03. September 2021 20:

Zurich Schweiz wi
Versicherungspart
Auto-Abo-Anbieter

„GLÄSERNER BÜRGER"

EU plant Register für Privatvermögen: Die Empörung ist riesig – „Geht viel zu weit"

Die EU-Kommission will gegen Geldwäsche und Korruption vorgehen. Ein Vermögensregister soll helfen. Doch schon die ersten Pläne dafür stoßen auf heftigen Gegenwind.

Brüssel - Kunstwerke, Kryptowährungen, Gold oder Immobilien: Geht es nach der EU, könnten die Vermögensinfos von Privatpersonen bald in einer zentralen Datenbank zusammenfließen. Damit will die EU-Kommission um Präsidentin Ursula von der Leyen* Geldwäsche und Korruption einen Riegel vorschieben. Doch schon die Ausschreibung einer ersten Machbarkeitsstudie für das EU-weite Vermögensregister sorgt für erhitzte Gemüter.

Quelle: www.merkur.de

Quelle: www.finews.ch

5

Tax Transparency

The Public Debate around how much Tax Corporates pay

What does Tax Transparency mean?

Transparency towards tax authorities

- Tax returns
- Country-by-country reporting
- DAC6, 7

Public tax transparency

- Tax Strategy
- Tax Risk Framework
- Public country-by-country reporting
- Total tax contribution

Internal tax transparency

- Understanding the approach to tax
- Having the right information
- Making the right decisions

EU directive Proposal on public Country-by-Country Reporting (‘pCbCR’)

Proposal to amend the Accounting D (Directive 2013/34/EU) in order

by providing for estors, creditors nerally

5 Conclusion

Tax Jurisdiction	Revenues			Profit (Loss) Before Income Tax	Income Tax Paid (on Cash Basis)	Income Tax Accrued–Current Year	Stated Capital	Accumulated Earnings	Number of Employees	Tangible Assets other than Cash and Cash Equivalents
	Unrelated Party	Related Party	Total							

Commission pCbCR proposal

2016

ublication of report

2026 (?)

revenue for European countries, using minimum tax rates at 15%, 21% and 25%. Importantly, the analysis showed that the revenue potential from banks’ profits depends on the minimum tax rate choice; a 15% minimum tax rate would generate EUR 3-5 billion annually for countries in Europe, while revenue doubles at EUR 6-9 billion with a 21% minimum tax rate and triples at EUR 10-13 billion with a 25% minimum tax rate. Finally, our findings signify the importance of implementing additional measures that complement the public disclosure requirement, to address the profit shifting and tax planning behaviour of multinational enterprises.

Public Tax Transparency as a contributor to the ESG strategy

“

To prosper over time, every company must not only deliver financial performance, but also **show how it makes a positive contribution to society**.

Companies must benefit **all** of their stakeholders, including shareholders, employees, customers, and the communities in which they operate

Larry Fink, CEO of BlackRock
Annual Letter to CEOs – 2018

Public Tax Transparency to ESG metrics

E

Environmental

- Environmental taxes e.g. carbon taxes, plastic taxes, etc.
- Green subsidies and incentives

S

Social

- Total Tax and other Economic Contributions
- Country-by-Country reporting

G

Governance

- Aligning ESG policy with Tax behavior
- Tax governance framework incl. tax strategy, tax risk and control framework

What is Public Tax Transparency?

Low tax rate jurisdictions

At the end of 2020, the Group had nine[1] entities (2019: nine entities) tax resident in jurisdictions with a headline corporate income tax rate of 10 per cent or lower. Figure 7 provides an analysis of these entities by location and activity.

Figure 7: 2020 analysis of entities tax resident in low tax rate jurisdictions

	Number of entities	
	2020	**2019**
Insurance and investment management entities:		
Bermuda	1	1
Cayman Islands	2	2
Guernsey	1	1
Total	4	4
Revenue for each entity	<$1m	<$1m
Investment entities:		
Cayman Islands	5	5
Total	5	5

In common with the asset management industry, our asset management businesses – Eastspring Investments and PPM America – manage fund-related entities in jurisdictions that are established centres for asset management businesses. This includes entities in the Cayman Islands (as noted in Figure 7), Luxembourg and Mauritius. As these jurisdictions typically have either low or zero corporate income tax rates or special rules for asset management vehicles, basing funds in these jurisdictions will in most situations ensure that our customers are only taxed once, where the customer is resident. As mentioned in the Our Investments section, our own investment in these funds will be subject to tax on income and capital returns from the fund based on the investing company's tax profile.

The insurance companies and the investment management company in Figure 7 are not material for Group reporting purposes, and each accounted for less than $1 million of total Group revenues and total Group profit.

We also have a number of business operations in jurisdictions that often feature on lists of low tax rate jurisdictions. For example, as evidenced in Figure 3, we have a significant presence in Hong Kong and Singapore, where we are one of the leading providers of life insurance and asset management services, offering savings and protection opportunities to local customers.

Interaction with tax authorities

Our tax affairs are complex, reflecting a combination of specific or additional corporate income tax rules for life insurance companies, the range of taxes that apply to our businesses and the cross-border dimensions that come from being an international group. We deal with tax authorities in an open and constructive manner aimed at bringing matters to a timely conclusion. In the UK, we are committed to discussing all significant matters in real time with HMRC.

The complexity of the tax laws and regulations that relate to our businesses means that from time to time we may disagree with tax authorities on the technical interpretation of a particular area of tax law. Generally this is due to:

- Ambiguity in the law and its intent;
- Changes that occur over time in tax authority interpretation;
- Case law developments; and
- Tax law not keeping pace with product or wider commercial/regulatory developments.

Most of the time, these disagreements can be resolved through discussion. Sometimes, however, it is necessary for the matter to proceed to litigation to clarify the interpretation of the law. As noted on page 241 of our 2020 Annual Report, $113 million of provisions in respect of open tax issues were held at 31 December 2020, reduced from $198 million at 31 December 2019.

(e.g. EU or OECD lists) plus other jurisdictions Swiss Re considers to have such regimes.

Irrecoverable VAT | Payroll tax | VAT declared

How are companies responding?

Tax Transparency Strategy	Tax Transparency Report	Tax Transparency Report Review
• Develop a **Tax Transparency strategy** based on the current tax landscape • **Evaluate** the different Public Tax Transparency options and **align** the tax transparency strategy with **your broader ESG agenda**	• **Define format and content** of the Tax Transparency Report • **Engage with internal stakeholders** to ensure alignment of Tax Transparency Report with other ESG reports	**Review and sense-check** of the qualitative and quantitative data covered in the Tax Transparency Report
• Provide input into senior management deliverables and comment on best practice approaches for **engaging with senior internal stakeholders** • Compare **value and risk** of increased tax disclosures	Conclude on the **relevant qualitative and quantitative data** to be included in the Tax Transparency Report to avoid any **misinterpretation risks** as well as **any inappropriate disclosures** that may deteriorate the competitiveness of your company	• Provide **assurance over the quality** of data collection and consolidation processes (i.e. verification of the processes and the data collected) • **Validate assumptions and identify limitations** in the data and the data collection process
• Compare your tax transparency strategy to **sustainability standards or other initiatives**, such as GRI: 207 Tax, WEF IBC's white paper, DJSI requirements, etc. • Conduct a **benchmark analysis** of peers and broader market practice	• Set up data collection process and consolidate as well as harmonize **data for Total Tax Contribution numbers** • **Industrialize** the data collection process to achieve **operational efficiencies** through automation and taking account of recent developments	Potentially **seek independent external assurance** of non-financial tax disclosures included in a stand-alone tax transparency report

Tax Transparency Rules in Liechtenstein

Exchange of Information on Request
Constant expansion of double tax treaties (24) and information exchange agreements (34)

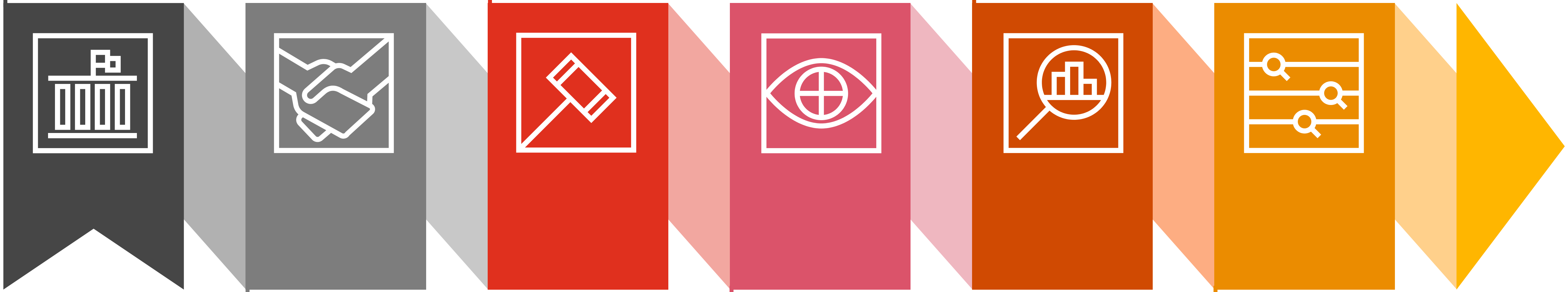
FATCA
Signed on May 16, 2014

AEOI
Automatic Information Exchange (AIA Act) in force per January 1, 2016 as early adapter

CbCR
Country by country reporting in force since January 1, 2017

Spontaneous Exchange of Tax Rulings
Automatic exchange of tax rulings in effect since January 1, 2018

Exchange of Information on Request
Liechtenstein has been assessed as being largely compliant with the OECD Model Agreement on Exchange of Information



Exchange of Information on Request

Liechtenstein has meanwhile concluded 24 tax treaties and 34 information exchange agreements.

According to the 2019 Peer Review Report on the Exchange of Information on Request Liechtenstein has been considered as largely compliant, which is in line with many other territories, including Switzerland.

Information is provided if – amongst other requirements – the information is foreseeably relevant for the enforcement of the foreign tax law, which might be difficult to judge in certain cases.

- ➢ What does foreseeably relevant (voraussichtlich erheblich) mean?

Peer Review Report on the Exchange of Information on Request

LIECHTENSTEIN

2019 (Second Round)

Element		First Round Report (2015)	Second Round Report (2019)
A.1	Availability of ownership and identity information	LC	C
A.2	Availability of accounting information	LC	LC
A.3	Availability of banking information	C	C
B.1	Access to information	C	C
B.2	Rights and Safeguards	LC	C
C.1	EOIR Mechanisms	PC	LC
C.2	Network of EOIR Mechanisms	C	C
C.3	Confidentiality	LC	LC
C.4	Rights and Safeguards	PC	LC
C.5	Quality and timeliness of responses	LC	LC
	OVERALL RATING	LC	LC

C = Compliant; LC = Largely Compliant; PC = Partially Compliant; NC = Non-Compliant

6 Other International Developments

EU business taxation for 21st century

New EU own resources

- Propose EU Directive on EU Digital levy [July 2021]
- Green taxes [July 2021] → Carbon Border Adjustment Mechanism (CBAM) and revised EU Emissions Trading System (ETS).
- Other own resources (possibly FTT & an own resource linked to the corporate sector).

Business in Europe – Framework for income taxation ("BEFIT") [2023]

- Propose EU Directive for combine a common rulebook for the tax base → formulary apportionment
- Replace CCCTB

Annual publication of Effective Tax Rates paid by large companies in the EU [2022]

Based on the methodology under discussion in Pillar 2 of the OECD negotiations.

Implementing pillar 1 and pillar 2 in the EU

- Propose EU Directives for implementing Pillar 1 and Pillar 2 in the EU.
- Implications for existing and pending EU Directives (e.g., IRD) and initiatives (e.g., CFC rules).
- EU blacklist implications

Targeting shell companies ("ATAD 3") [Q4 2022]

Propose an EU Directive that will require companies to report certain info to assess whether they have substantial presence and real economic activity → deny tax benefits linked to the existence or the use of abusive shell companies.

Debt Equity Bias Reduction Allowance ("DEBRA) [Q1 2022]

Propose an EU Directive to address the debt-equity bias in corporate taxation via an allowance system for equity financing and stimulate the re-equitisation of financially vulnerable companies.

Adopt a recommendation on the domestic treatment of losses

EC recommendation to Member States on the domestic treatment of losses to ensure businesses are fully supported during the recovery

The EU Digital Levy Initiative

Background

In July 2020, EU leaders tasked the EU Commission with putting forward proposals for new EU “own resources”, including a “digital levy”.

This levy aims to address the issue of fair taxation of the digital economy, without interfering with the ongoing work at the G20 /OECD level on a reform of the international corporate tax framework.

Pre-2021

EU Digital Tax Package proposed 2018

- Proposed temporary DST and Digital PE

OECD BEPS 2.0 Process

- Blueprints for Pillar I and II released in 2020

Q1/Q2 2021

EU begins feedback process on Levy

- EC Roadmap (*Inception Impact Assessment*) consultation runs until 11 February 2021
- Main *public consultation* runs until 12 April 2021.
- Digital levy proposal expected in mid-2021

July 2021

G20 Finance and central bank meeting

- Political agreement will be sought for BEPS 2.0 blueprints from the 9-10 July.

Q3/Q4 2021

Global Rules? EU Rules? Both?

- Absent of coordinated global or EU level agreement, it is expected that many countries will introduce or retain DST individually

PwC response to the public consultation

Key comments:

- Focused on the place of the digital levy in the international tax architecture
- Need for a principled solution
- No ring-fencing of the digital economy
- Need for a minimal economic assessment
- Need for definitional clarity

Possible Outcome 1:

Global Solution Reached – Global Rules + Digital Levy(?)

Possible Outcome 2:

No Global Solution Reached – EU Rules + Digital Levy

Possible Outcome 3:

Partial Global Solution Reached – Global & EU Rules + Digital Levy

EU listing of non-cooperation tax jurisdictions

The EU's inter-governmental Code of Conduct Group (Business Taxation) has responsibility for:

- EU Member States – 'Standstill' on introducing harmful tax provisions, 'rollback' on existing regimes
- Third, non-EU, countries – Non-cooperative jurisdictions

Blacklist (Annex I)

The list adopted by the Council on 22 February 2021 (official per OJ 26 February)

- American Samoa
- Anguilla
- Dominica (new)
- Fiji
- Guam
- Palau
- Panama
- Samoa
- Trinidad and Tobago
- US Virgin Islands
- Vanuatu
- Seychelles

Greylist (Annex II)

The list adopted by the Council on 22 February 2021 (official per OJ 26 February)

- Turkey
- Botswana
- Barbados
- Eswatini
- Jordan
- Thailand
- Maldives
- Australia
- Jamaica

Criteria

The current criteria are

1 Transparency

1.1 AEOI via MCAA or bilaterally

1.2 Global Forum member & EOI rating

1.3 MAC or al MS bilaterally

[future 1.4 Beneficial ownership information exchange]

2 Fair taxation

2.1 No harmful tax regimes [docs foreign source income exemption regimes]

2.2 Substance – Not facilitate offshore structures that attract profits without real economic activity

3. BEPS

3.1 Member of the OECD's Inclusive Framework on BEPS

Defensive measures

Guidance note 25/11/2019

1. Administrative measures
2. DAC6 requirements
3. Access to funds
4. 1 January 2021 (or 1 July 2021) deadline for at least one of:
   - Non-deductibility of costs
   - CFC rules
   - WHT measures
   - Limitation of participation exemption on profit distribution

Other relevant developments

EU Financial Transaction Tax

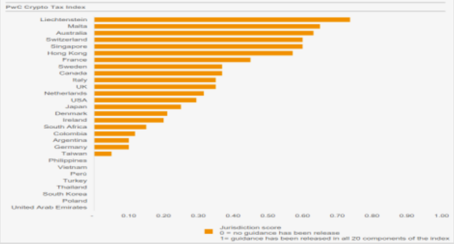
- In discussion since 2011
- Tax levied on transactions such as sale and purchase of financial element (currencies, shares, etc)

UN Solution for Taxing the Digital Economy

- Automated Digital Services "ADS" - minimum human interaction
- ADS Income may be taxed in the payee resident state
- New article 12B in UN model treaty

TRACE – Treaty Relief and Compliance Enhancement

Improvement of process for portfolio investors to claim treaty benefits

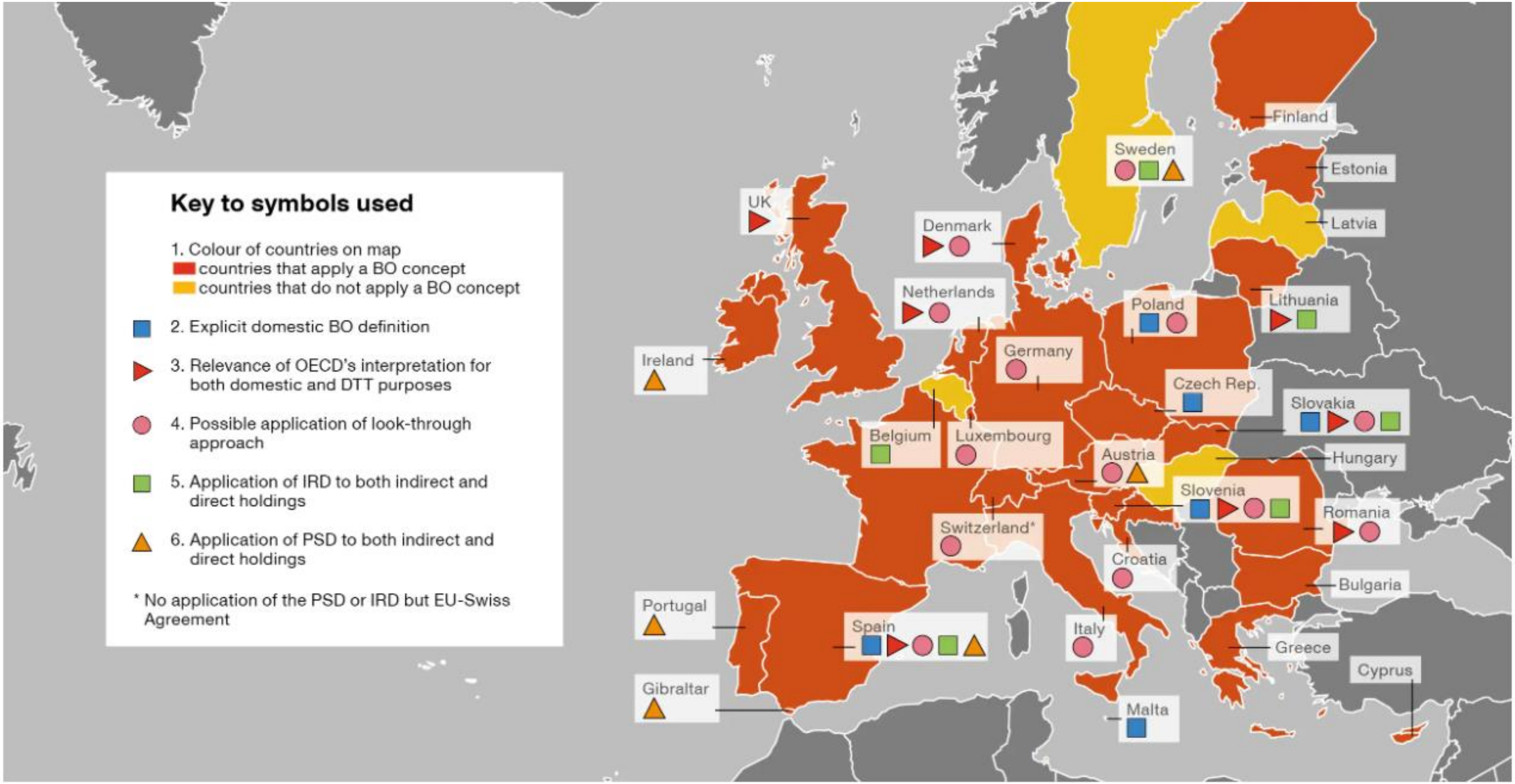


Crypto Taxation & Regulations

- Taxation and regulation of crypto-assets is enhancing
- Liechtenstein as front runner with clear rules and guidelines

Treaty Relief and Compliance Enhancement (TRACE)

- Improvement of process for portfolio investors to claim treaty benefits, launched in 2006.
- Standardised system to allow claiming of withholding tax relief at source on portfolio investments
- In 2019, Finland has introduced TRACE as first country.
- In 2020, the OECD released the standardized IT format and XML scheme to exchange investor-specific information.


Key to symbols used
1. Colour of countries on map
countries that apply a BO concept
countries that do not apply a BO concept
2. Explicit domestic BO definition
3. Relevance of OECD's interpretation for both domestic and DTT purposes
4. Possible application of look-through approach
5. Application of IRD to both indirect and direct holdings
6. Application of PSD to both indirect and direct holdings
* No application of the PSD or IRD but EU-Swiss Agreement
Finland
Sweden
Estonia
Latvia
UK
Denmark
Netherlands
Poland
Lithuania
Ireland
Germany
Czech Rep.
Slovakia
Belgium
Luxembourg
Austria
Hungary
Slovenia
Romania
Switzerland*
Croatia
Bulgaria
Portugal
Spain
Italy
Greece
Cyprus
Gibraltar
Malta

Tax Policy & Climate Change

Flagship Publications from th

Taxing Energ
Developme

- This report detail
emissions) price c
- In 2018, the 44 OE
Pricing Score of 19
per tonne of CO2 is
2020 benchmark.
- Full report to be relea

Climate Summit (April 2021)
COP 26 (November 2021)

High Level Tax Symposium
(July 2021)

what's needed to achieve

ent, support public
arbon pricing revenues;
on; reduce broader

EU climate change

EU Green Deal (Dec

- Carbon border adjustmen
- Revision of the Energy Ta
- Changes to the emissions
- Introduction of a national co

See PwC's submission on the
PwC consultation responses E

ffecting New Own
s (July 2021)

with incentives for clean energy

Guidance

Get your business ready for the Plastic Packaging Tax

Updated 12 August 2021

Contents

- What's changing
- How the tax will operate
- Check if you will need to register and pay the tax
- Check if you will need to keep records
- Consider using more recycled plastic
- Make sure your record keeping systems provide the right information

If you are a business that manufactures or imports plastic packaging, including if you import packaging which already contains goods (such as plastic bottles), there are things you should do now to prepare for the tax.

The primary legislation for Plastic Packaging Tax is currently before Parliament and is not yet law. Secondary legislation will be introduced later in the year. Until the primary and secondary legislation become law, the contents of this policy paper are subject to change. More guidance will be published later in the year.

You must continue to comply with all regulatory requirements for plastic packaging in other legislation.

“

How do you get your company ready for the future to comply with transparency, big data, automation, systems, digitalization?

“

Which of the international tax developments will have most impact on Liechtenstein?

Income Tax

Tax Reporting

Tax Transparency

Other

www.sli.do

NIS21

Thank you

pwc.li