



The Corporate Foundation

What Is a Corporate Foundation?

The corporate foundation (Unternehmens[träger]stiftung) is a type of foundation. Generally, it does not differ from the foundation that serves mainly private interests (see Foundation fact sheet). However, in addition to other assets, the founder also contributes to the foundation shares in a domestic or foreign company of which he is the owner. By contributing his company to the foundation, the founder wants to ensure that his company will continue to be run according to his will also after his death for generations.

With the transfer of the company shares to the foundation, the founder's company is separated from his personal assets, and from then on, the Board of Foundation makes all key decisions regarding the companies held by the foundation in accordance with the purpose of the foundation and the founder's will as stated in the foundation documents.

The founder may appoint his family members or other persons as beneficiaries of the foundation, and determine how they are to benefit from the company's earnings.

What Is the purpose of a Corporate Foundation?

- Succession planning for the long-term preservation of the company
- Continuation of the business in keeping with the founder's intentions: for example, if no (suitable) descendants are present
- Protection of the company against creditors of the founder or against heirs with a statutory entitlement of the founder
- Effective asset protection by separation of the participating interest in the company from the personal assets of the founder
- Financial security for family members or other persons

How does the supervision of the Foundation board work?

The supervision of the Foundation Board can be structured according to the needs of the founder. A distinction can be made between external and internal control. The Board of Foundation may set up a protectorate whose members supervise the Foundation Board, or implement a so-called Controlling Body, which checks once a year whether the assets of the foundation are being managed and used in line with the purposes of the foundation (internal control). In addition, the foundation may be subject to supervision by the Liechtenstein Foundation Supervisory Authority (STIFA). The founder is also free to appoint an auditor (external control).

Moreover, the Foundation Board is responsible by law for any misconduct under civil or criminal law.

What means of influence does the founder or entrepreneur have?

In principle, the founder or entrepreneur should not reserve the right to exert any influence on the corporate foundation. If the founder reserves certain rights of influence, a court could reach the conclusion that the shares in the company have not been removed from his personal assets and that he is still the beneficial owner.

However, the founder or his trusted persons may take a seat in the protectorate and reserve certain rights for the protectorate regarding with the management and use of the foundation's assets (in particular concerning the participating interest in the company).

Is the Corporate Foundation recognized abroad?

Due to Liechtenstein's membership in the European Economic Area (EEA), Liechtenstein foundations are recognized in the member states of the European Union (EU). Other countries usually also recognize Liechtenstein foundations.

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