Liechtenstein is not graded in the 2021 Index of Economic Freedom because of the lack of adequate specific data concerning the country's economy. Liechtenstein is closely interlocked with Switzerland and shares the Swiss currency, the Swiss franc.

Flexibility and openness to global commerce have been the cornerstones of Liechtenstein’s modern and widely diversified economy. Minimal barriers to trade and investment foster vibrant economic activity, and a straightforward, transparent, and streamlined regulatory system supports an innovative entrepreneurial sector. Banking has benefited from Liechtenstein’s high levels of political and social stability and its sound and transparent judicial system.

**IMPACT OF COVID-19:** As of December 1, 2020, 16 deaths had been attributed to the pandemic in Liechtenstein, and the International Monetary Fund had not forecast whether the economy would expand or contract for the year.

**BACKGROUND:** Liechtenstein celebrated its 300th anniversary in 2019. It is a member of the European Free Trade Association, the Schengen Area, and the European Economic Area. Prince Hans-Adam II is the principality’s head of state, but his son, Prince Alois, wields considerable power as regent and can dismiss the government and veto bills. Prime Minister Adrian Hasler’s center-right Progressive Citizens’ Party won a reduced share of the vote in 2017 parliamentary elections but still captured the most seats. Traditions of strict bank secrecy have helped financial institutions to attract funds as well as interest from blockchain and cryptocurrency businesses. The government has signed an agreement with the European Union to allow automatic exchanges of financial account information. In 2018, Liechtenstein and Switzerland entered into a similar agreement to exchange tax information.
**12 ECONOMIC FREEDOMS | LIECHTENSTEIN**

**RULE OF LAW**

- Property Rights
- Judicial Effectiveness
- Government Integrity

Property rights and contracts are secure. Despite the appointment of judges by the hereditary monarch, the constitutionally independent judiciary is impartial. Liechtenstein is largely free of corruption, and the government enforces anticorruption laws effectively. Although the country is a leading offshore tax haven and traditionally has maintained tight bank secrecy laws, the government has made efforts to increase transparency in banking.

**GOVERNMENT SIZE**

- Tax Burden
- Government Spending
- Fiscal Health

Liechtenstein imposes low taxes. The national personal income tax rates comprise eight tax bands with a maximum rate of 8 percent. Other taxes include a state tax and a municipal tax that varies. The corporate tax rate is a flat 12.5 percent. The standard value-added tax rate is 7.7 percent. Although the fiscal system lacks transparency, government fiscal management has been relatively sound.

**REGULATORY EFFICIENCY**

- Business Freedom
- Labor Freedom
- Monetary Freedom

Liechtenstein’s business climate is largely identical to Switzerland’s because of Liechtenstein’s integration into the Swiss economy. The free-enterprise economy is affluent, and the financial services sector is thriving. About 54 percent of the workforce commutes from Austria, Germany, or Switzerland. Liechtenstein has a de facto monetary union with Switzerland but has no say in determining the Swiss National Bank’s monetary policies.

**OPEN MARKETS**

- Trade Freedom
- Investment Freedom
- Financial Freedom

Minimal barriers to trade and investment foster vibrant economic activity. The combined value of exports and imports is equal to about 125 percent of Liechtenstein’s GDP. The average applied tariff rate is 2.0 percent, and nontariff barriers are relatively minimal. Foreign and domestic investors are generally treated equally. Banking benefits from the country’s high degree of political stability and its sound and transparent judicial system.