

UAE and Liechtenstein foundations: uses, Italian tax and risks

By [Pietro Cumpostu](#), Chartered Accountant (Dottore Commercialista) Updated 25 October 2026

IN SHORT

DIFC, ADGM and RAK ICC foundations and the Liechtenstein Stiftung are legal entities that hold assets for beneficiaries, often for succession planning. For Italian tax purposes they are, as a rule, non-resident non-commercial entities, which may be treated as arrangements similar to trusts if they have a trust's key features: what matters is their actual residence, whether they are nominee structures, and how distributions to residents are taxed, which for the UAE, and according to the Revenue Agency also for tax-exempt Liechtenstein foundations, can mean full taxation as investment income. RW reporting, automatic exchange of information and the limits set by Italian forced heirship also apply.

UAE foundations: DIFC, ADGM and RAK ICC

In the United Arab Emirates, foundations are governed by the free zones that have their own legal systems:

- **DIFC** (Dubai): Foundations Law, DIFC Law No. 3 of 2018, in force since 21 March 2018 and amended several times (2024 consolidated text);
- **ADGM** (Abu Dhabi): Foundations Regulations 2017, amended several times, most recently by Amendment No. 1 of 2026 (published 24 April 2026), which rules out purposes falling within the definition of non-profit organisation;

- **RAK ICC** (Ras Al Khaimah): RAK ICC Foundations Regulations 2019, in force since 15 December 2019 and amended in 2025.

The **founder** sets up the foundation and may reserve certain powers. The **council** runs it. The **guardian** oversees the council and is mandatory in some cases, for example in the DIFC for foundations with a charitable or a specified non-charitable object. The **beneficiaries** may be named in the charter or in internal by-laws.

The foundation is registered with the free zone's Registrar. The public register shows the essential details; beneficiaries usually remain confidential. Beneficial ownership information, however, is filed with the Registrar and is available to the authorities.

Typical uses are **family holding structures**, succession and asset protection. All three regimes expressly provide that inheritance rights under foreign law, including forced heirship, cannot invalidate endowments. Foundations are therefore also used to plan succession differently from the shares set by sharia or other legal systems, or, if desired, in line with sharia principles. For Italian nationals or residents, however, the Italian forced heirship limits described below still apply.

UAE corporate tax and foundations (Federal Decree-Law 47/2022)

Since 2023 the UAE has levied a 9% corporate tax on income above AED 375,000. A foundation with legal personality is, in principle, a taxable person. However, Article 17 of Federal Decree-Law 47/2022 allows a **Family Foundation** to apply to the Federal Tax Authority to be treated as transparent. The main conditions are:

- beneficiaries are identified or identifiable individuals, or public benefit entities;
- its activity is limited to holding and investing assets, with no business activity;
- its main purpose is not tax avoidance.

Further conditions are set by Ministerial Decision No. 261 of 2024. With transparency, income is attributed to the beneficiaries, and individuals are not subject to corporate tax on personal investment income.

The Liechtenstein foundation (Stiftung, Article 552 PGR)

The foundation is governed by **Article 552 of the Persons and Companies Act (PGR)**, §§ 1-41, rewritten by the reform in force since 1 April 2009. Foundations are either:

- **charitable** (gemeinnützige): entered in the commercial register and supervised by the foundation supervisory authority (Office of Justice);
- **private-benefit** (privatnützige), including family foundations: usually not registered, but they file a formation notice with the Office of Justice, and are supervised only if the charter so provides.

For tax purposes the foundation pays income tax at 12.5%, with a minimum of CHF 1,800. If it obtains **private asset structure (PVS)** status (Article 64 of the Tax Act) because it carries on no economic activity, it pays only the minimum tax.

The Italy-Liechtenstein **tax information exchange agreement**, signed on 26 February 2015 and ratified by Law 210 of 3 November 2016, has been in force since 20 December 2016. Liechtenstein, like the UAE, is on Italy's white list (Ministerial Decree of 4 September 1996, as replaced by the Decree of 23 March 2017). Both countries exchange information automatically under the CRS.

Italian tax treatment: Article 73 TUIR and foreign foundations

For income tax purposes, a foreign foundation is, as a rule, a **non-resident non-commercial entity** (Article 73(1)(d) of the Italian Income Tax Code, TUIR) and is taxed in Italy only on Italian-source income. Trust rules apply to "arrangements with similar content"; according to Circular 34/E of 2022 the similarity must be assessed case by case. For a Liechtenstein family foundation the Revenue Agency accepted it where the trust's key features are present (Ruling 221 of 2023); there is no official guidance on UAE foundations. If the beneficiaries are entitled to demand the income, the foundation may be treated as

transparent and the income attributed to them. For the general concepts, see the [guide on trusts](#).

Residence of the foundation and foreign-entity rules (Article 73(3) and (5-bis) TUIR)

A foundation is resident in Italy if, for most of the tax year, its registered office, place of effective management or day-to-day management is there; for a foreign foundation the last two tests are what matter. The typical risk is a resident founder who takes decisions in place of the council.

The presumptions for trusts set up in countries not on the white list do not, in principle, apply to the UAE and Liechtenstein. The presumption in paragraph 5-bis still applies to entities controlling Italian companies, if they are controlled by residents or, more commonly for a foundation, which has no shareholders, if the council is made up mainly of residents. If treated as resident, the foundation pays Italian corporate income tax (IRES) and the wealth taxes on foreign assets.

Distributions to resident beneficiaries (Article 44(I)(g-sexies) TUIR)

Amounts paid to residents by trusts and similar arrangements **established in preferential-tax countries** are investment income, taxed on receipt, even if the beneficiary is not identified. If income cannot be distinguished from capital, the whole amount is treated as income, unless proven otherwise (Article 45(4-quater)).

The test looks at the nominal taxation of the entity's income: it is preferential if below half the Italian level (Article 47-bis). For a UAE foundation, taxed at 9% or transparent, the condition generally appears to be met. For Liechtenstein, an EEA state with an information exchange agreement in force, Article 47-bis in principle rules out preferential-regime status. However, the Italian Revenue Agency considers letter g-sexies applicable to entities established in an EEA state that enjoy a tax exemption regime (Circular 34/E, para. 3.3) and applied it, together with the Article 45(4-quater) presumption, to amounts paid by a tax-

exempt Liechtenstein family foundation (Ruling 221 of 2023). For a foundation that pays only the minimum tax as a private asset structure (PVS), distributions may therefore be taxed in full as investment income unless the portion attributable to capital is documented. Distributions are also relevant for inheritance and gift tax.

Endowment and inheritance and gift tax

If the founder is resident, endowing a foreign foundation falls within inheritance and gift tax for all assets, wherever located. It is not settled whether the rules for trusts and other dedicated-purpose arrangements apply (Article 4-bis of Legislative Decree 346/1990: tax charged when assets are distributed to beneficiaries, see the [guide on trusts](#)), or whether endowing an entity with legal personality is a gift to the entity, taxed immediately at 8% with no allowance (Article 56 of Legislative Decree 346/1990). There is no official guidance on foreign foundations: both views are uncertain and the classification should be checked before the transaction. Where the foundation holds family shareholdings, the points made in the [guide on family holding companies](#) also apply.

RW reporting, IVAFE and IVIE

Under Circular 34/E, the guidance on beneficial owners of trusts applies, where compatible, to foundations too:

- **resident beneficiaries** who are beneficial owners file the RW section under the same rules;
- if the foundation is a **nominee**, the founder reports the assets directly and pays **IVAFE** (0.2%, or 0.4% for financial assets held in countries on the Ministerial Decree of 4 May 1999 list, including the UAE and Liechtenstein; a flat €34.20 per bank account, not due if the average balance does not exceed €5,000) and **IVIE** (1.06%, not due up to €200). Crypto-assets are subject to a separate 0.2% tax.

CFC rules

If the foundation is a nominee, the companies it holds are treated as controlled by the founder. The controlled foreign company rules (Article 167 TUIR) may then apply, if the company has more than one third passive income and an effective tax rate below 15% (based on audited accounts) or, without audited accounts or if the 15% test is failed, below half the Italian level.

From 1 January 2027: new article numbers

In the Consolidated Income Tax Act (Legislative Decree 117 of 19 June 2026):

- Article 73 becomes Article 82, with paragraph 5-bis becoming paragraph 6;
- Article 44(1)(g-sexies) becomes Article 46(1)(o);
- Article 45(4-quater) becomes Article 47(6);
- Article 47-bis becomes Article 162;
- Article 167 becomes Article 186.

In the Consolidated Act on registration tax and other indirect taxes (Legislative Decree 123 of 1 August 2025), Article 4-bis of Legislative Decree 346/1990 becomes Article 90.

What to do in practice: UAE and Liechtenstein foundations

1. **Before setting up:** check whether the foundation is similar to a trust and whether, for Italian purposes, it is opaque or transparent (Circular 34/E).
2. **Endowment:** settle its classification before the transaction, as it is unclear whether Article 4-bis or the 8% rate with no allowance applies.
3. **Governance:** real bodies, decisions taken where the foundation is established, limited founder powers and, if the foundation controls Italian companies, care over the council's make-up.
4. **Every year:** RW section for beneficiaries who are beneficial owners and, for distributions, records of the part attributable to capital.

Key risks for UAE and Liechtenstein foundations

- **Nominee structures.** If the founder keeps control (revocation, broad reserved powers, a council that follows instructions), the foundation is disregarded: income and assets are attributed to the founder and, on death, form part of the estate; the founder bears RW reporting, IVAFE and IVIE, and the CFC rules may apply (Article 167 TUIR). If the beneficiaries in fact manage the assets, the foundation is disregarded and income and assets are attributed to them (Ruling 9 of 2022); a founder's nominee structure also affects the children as beneficiaries (Ruling 473 of 2019).
- **Foreign-entity rules.** If managed from Italy, the foundation is resident; if it controls Italian companies and is controlled by residents or managed mainly by residents, it is presumed resident unless proven otherwise (paragraph 5-bis). As a resident it pays IRES and the wealth taxes on foreign assets (Article 73 TUIR).
- **Distributions taxed in full.** For UAE foundations and, according to the Revenue Agency, Liechtenstein foundations paying only the minimum tax, the amounts may be taxed in full as investment income unless the capital portion is proved (Article 44(1)(g-sexies) TUIR; ruling no. 221/2023).
- **Endowment.** If the view that it is a gift to the entity prevails, tax is due immediately at 8% with no allowance (Article 56 Legislative Decree 346/1990).
- **CRS.** The foundation's accounts and beneficiaries are reported to the Italian tax authorities.
- **Forced heirship.** Under EU Regulation 650/2012, succession is governed by the law of the deceased's habitual residence, unless the law of nationality is chosen. If Italian law applies, forced heirs can bring a clawback action against endowments too. For successions opened from 18 December 2025, after the reform of Articles 561-563 of the Civil Code (Article 44 of Law 182 of 2 December 2025), a clawback of gifts generally results in an obligation of the donee, here the foundation, to compensate the forced heirs in cash, and the free zones' "firewall" rules hinder enforcement abroad. Clauses governing succession after the founder's death should also be assessed against the Italian ban on succession agreements.

A personal move to the UAE must be considered separately: the UAE, like Liechtenstein, is still listed in the Ministerial Decree of 4 May 1999, which shifts the burden of proof to Italian citizens moving there (see the [guide on moving tax residence](#)).

Legal sources

- [DIFC Foundations Law, DIFC Law No. 3 of 2018](#)
- [ADGM Foundations Regulations 2017](#)
- [ADGM, 2026 amendments to commercial legislation](#)
- [RAK ICC Foundations Regulations 2019 \(2025 consolidated text\)](#)
- [Federal Decree-Law No. 47 of 2022 – Ministry of Finance UAE](#)
- [Taxation of Family Foundations \(CTGFF1\) – Federal Tax Authority](#)
- [Automatic exchange of information, FATCA and CRS – Ministry of Finance UAE](#)
- [Personen- und Gesellschaftsrecht \(PGR\), Article 552 – gesetzte.li](#)
- [Steuergesetz \(SteG\), Articles 61, 62 and 64 – gesetzte.li](#)
- [Privatvermögensstruktur \(PVS\) – Steuerverwaltung Liechtenstein](#)
- [TIEA agreements, Liechtenstein – Italian Department of Finance](#)
- [Ministerial Decree of 23 March 2017 \(white list\)](#)
- [Ministerial Decree of 4 May 1999 – Italian Revenue Agency](#)
- [Article 73 TUIR](#)
- [Article 44 TUIR](#)
- [Article 47-bis TUIR](#)
- [Article 167 TUIR](#)
- [Article 19, Decree-Law 201 of 6 December 2011](#)
- [Article 56, Legislative Decree 346 of 31 October 1990](#)
- [Article 4-bis, Legislative Decree 346 of 31 October 1990](#)
- [Revenue Agency Circular 34/E of 20 October 2022](#)
- [Ruling no. 221/2023 \(Italian\)](#)

- [Ruling no. 9/2022 \(Italian\)](#)
- [Ruling no. 473/2019 \(Italian\)](#)
- [Article 4, Decree-Law 167 of 28 June 1990](#)
- [Article 44, Law 182 of 2 December 2025](#)
- [Regulation \(EU\) No 650/2012 – EUR-Lex](#)
- [Legislative Decree 117 of 19 June 2026](#)
- [Legislative Decree 123 of 1 August 2025](#)

Frequently asked questions

Is a UAE foundation taxed in Italy?

As a rule, no, if it is genuinely managed abroad and is not a nominee. It becomes taxable if it is in fact run from Italy or if the founder keeps control of it.

Are distributions from a UAE foundation to an Italian resident taxed?

Generally, yes. For the foundation's income the UAE is a preferential-tax country, so amounts received are investment income taxed on receipt, even if the beneficiary is not identified.

What about distributions from a Liechtenstein foundation?

In principle Liechtenstein, an EEA state with information exchange, is not a preferential regime. However, the Revenue Agency has taxed distributions from a tax-exempt Liechtenstein family foundation as investment income (Ruling 221 of 2023): for foundations paying only the minimum tax the risk is real. Distributions are also relevant for gift tax.

Must a resident beneficiary file the RW section?

Yes, if they are a beneficial owner under the rules of Circular 34/E, which also apply to foundations. If the foundation is a nominee, the founder reports the assets directly.

Can a foundation be used to avoid Italian forced heirship?

Not with certainty. If the succession is governed by Italian law, forced heirs can bring a clawback action against endowments too; for successions opened from 18 December 2025 they generally obtain cash compensation from the foundation, whose enforcement abroad may be hindered by local rules.

When is a foundation treated as a nominee?

When the founder, or the beneficiaries, keep de facto control of the assets, for example through revocation powers, binding instructions to the council or vetoes over key decisions. Income and assets are then attributed directly to them.

More answers on the topics of this guide are on the [FAQ](#).

Related questions

[How are family foundations taxed in the UAE, and how does Italy view them?](#)

[What is the best instrument for asset protection and succession planning?](#)

[How is an Italian resident beneficiary of a foreign trust taxed?](#)

[What changes for Italian tax purposes when moving to the United Arab Emirates?](#)

Other guides

[Trusts in Italy: how they work and are taxed](#)

[Family holding companies and succession](#)

[Italy–UAE tax residence](#)

[Moving tax residence abroad](#)

[All practical guides](#)

[All frequently asked questions](#) – short answers on international tax and HNWIs, moving tax residence and generational transfers, holdings, trusts and foundations, court-appointed experts

Contact

Risks and obligations depend on the facts of each case: for an analysis of the specific case, see the contact page.

Contact form

Legislation cited with the article numbering in force until 31 December 2026. For information only; it does not replace advice on a specific case.