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NEWSLETTER

March 2008

Liechtenstein in the international press

There has been a spate of articles about Liechtenstein in the international press recently, predominantly Germany, but also the UK and other countries.

The main story broke on the 14th February with the CEO of the German Post/DHL having his villa raided by the German Tax Authorities. This was done in full view of German State TV, press etc. It certainly was not a coincidence that they were there.

German officials informed that they had hacked into a Liechtenstein bank and gained important data. The verifiable content of the press reporting from that time on was negligible and we would like to sum up the position today based on facts rather than speculation.

In actual fact a Liechtenstein employee (H. Kieber) of a Liechtenstein Trust Company had illegally copied data and attempted to extort money from his employer. The fact, that this company belonged to the Reigning Prince's bank group, added spice to the story. Kieber was arrested and under the assumption he had returned the stolen data was convicted, but placed on probation. He then absconded to Germany and sold the data to the BND (German Secret Service).

The BND in turn passed the information on to the German Tax Authorities and they in turn passed information on EU citizens to their respective countries. According to the British press the UK HMRC paid £ 100'000 for their part of the dvd with information on UK taxable

persons. The German Authorities paid the convicted H. Kieber 4.2 million Euros and gave him a new identity. The Germans received supposedly over 1400 names and addresses of German based clients.

Liechtenstein has protested to Berlin on their use of "stolen goods" and appropriate legal steps have been initiated. There are those who will question the use of such material in the courts. The opinions range from inadmissible evidence to full acceptance depending on political intentions.

Notwithstanding this the German authorities via massive publicity attempted to influence potential persons mentioned on the dvd to give themselves in on the promise of only limited sanctions and penalties. The spectre of evidence being disallowed obviously encouraged this approach.

Germany has in the past lambasted Liechtenstein and in particular the infamous Spiegel magazine article. In late 1999 the BND leaked to the press a sensational and damaging "report" alleging that Liechtenstein was at the service of criminals all over the world. The Liechtenstein Government asked the Chief Prosecutor of Innsbruck, Austria, to conduct an independent investigation.

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His concluding report (August 2000) showed that these allegations were unfounded. They were based on the fabrications and mistakes of a German citizen who was by that time serving a five-year sentence in Germany on unrelated charges of investment fraud and attempted blackmail.

The reform of the foundation law in Liechtenstein has nothing to do with tax evasion. Then, as now, reforms were already underway when the allegations were made. The reforms 1996 – 2001 and ensuing regulations produced regulatory and supervisory standards, which can match any in Europe in the fight against money laundering and terrorism.

Indeed, it was the vigilance of the Liechtenstein authorities that not long ago alerted the German authorities to large scale illegal financial transactions by a German multinational company via Liechtenstein. Top management and Board members of Siemens, the company involved were forced to resign and many are being prosecuted. It is important to note that it was the Liechtenstein procedures that led to the discovery not the often well vaunted German regulations.

Tax evasion cannot be condoned and the Jeeves Group only offers many legal and/or tax-efficient services as Private Eye wrote this last week. This is from them indeed a back-handed compliment and carefully written.

However, people have been hiding their money under a bed for centuries, but forbidding beds cannot be the answer. It is obvious from the press that the general intent of certain EU countries is to increase their own taxation income by

eliminating alternatives. The wide variation of taxation from low flat tax to draconian tax rates in various EU countries will not allow a level playing field for a long time. For the particularly nervous client the Caribbean, Singapore, Dubai and Hong Kong, to mention just a few, will be delighted to take up the slack.

A visit to Singapore and Hong Kong by the responsible EU Commissioner, Mr Kovacs, requesting that they also sign an agreement on the exchange of information and the European Savings Tax initiative evoked the response that it was not on their agenda.

On our agenda is the well being of our clients worldwide and our multi-jurisdiction approach is a great advantage.



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