

Factsheet

PRECISE. PROVEN. PERFORMANCE.

Monaco briefing

Monaco is a stable country located in the heart of Europe with exceptional quality of life, a well-adapted taxation policy and exemplary domestic security. Monaco's accessible location, on the borders of France and Italy, close to a major European airport and a strong international community, make it an excellent place to locate your business and family.

Advantages of Monaco

Secure stable environment, well located with a strong economy

Monaco is located on the borders of France and Italy with most major cities being within a couple of hours' flight. Monaco offers a secure location, with good policing and one of the lowest crime rates in the world. Monaco's institutions are closely linked to France and it is a member of the Council of Europe. Monaco is not a member of the EU, but it is in the EU customs territory and VAT area through its relationship with France and levies VAT at a rate of currently 20%.

Personal Tax regime

Monaco does not levy income tax, wealth or capital gains tax. It does not require the filing of personal tax returns.

Inheritance and gift tax apply to transfers of assets located in Monaco at the following rates:

- to children: 0%
- between spouses: 0%
- between siblings: 8%
- between uncles, aunts, nephews and nieces: 10%
- between other relatives: 13%; and
- between unrelated parties: 16%.

Family Offices

Family offices or groups of companies can operate their in-house treasury and portfolio management activities from Monaco.

A family office will not be subject to corporation tax since it has a non-commercial activity. It does not register for VAT and cannot recover VAT as a consequence.

The government will require assurances that the operation is for the family group only. The family office usually takes the form of a SAM.

Administrative Offices

Monaco is an attractive administrative center to manage international operations. The Monaco administrative company is taxed either:

- on a percentage of the office's local running expenses resulting typically in an effective tax rate of 2.66% (cost plus basis), or
- under the normal profits tax regime at a rate of 33%. Directors' remuneration is tax deductible to an agreed amount, which may be interesting if the directors are also resident in Monaco.

If taxed on a cost plus basis, VAT cannot generally be recovered, whilst the normal profit tax regime allows for VAT registration and recovery.

Monaco Société Civile

A Monaco Société Civile is a non-commercial company often used to hold real estate in Monaco or France. It can also hold bank accounts and indeed, shares in other companies as long as it does not carry out a business. This type of company is not subject to prior authorization and gives a structured framework for management of private assets which is appreciated when ownership is split between family members, for example.

Trusts

A foreign Trust can be managed and administered from Monaco. Monaco is a civil law jurisdiction but recognizes Trusts and has signed the Hague Convention relating to the recognition of Trusts.

Matters to be considered

1. General considerations

Tax in home country

Individuals and companies wishing to relocate to Monaco need to consider their tax liability in the country of source of income or in the country of prior residence and/or citizenship and whether they need to rely on double tax treaties.

Bilateral agreements

Monaco has signed up a number of bilateral agreements in recent years of which the majority are Tax Exchange of Information Agreements.

CRS

Monaco has adhered to the automatic exchange of information and has implemented the OECD Common Reporting Standard. Procedures are in place for automatic exchange of information as of 2018 with all EU countries plus certain non EU countries.

2. Personal considerations

Monaco residence requirements

The requirements vary depending on the nationality of the applicant, but in all cases accommodation (lease, ownership or the free use of a property) and sufficient means to live in Monaco (evidenced by an attestation from a Monaco bank or salary slip if employed in Monaco) will be required. Further, a clean extract from the applicant's criminal records will be required as proof of the applicant's good character.

Monaco grants residence cards but not passports.

Civil law consequences

Generally, Monaco has jurisdiction for matters concerning Monaco residents. It has recently introduced a new private international law and this fundamental text has modernized the Monegasque legislation and brings legal certainty and clarity to situations containing an international element.

An important change introduced by the Private International Law relates to succession matters. It is now possible to choose one's national law to apply to the future devolution of the estate. The choice of law must be made by Will and applies to the whole succession.

Monaco's Private International Law is in line with the development elsewhere in Europe and encourages international families to relocate their businesses and families to Monaco.

Health Cover

The principalities health facilities are numerous both public and private and provide excellent health care.

Education

The Principality has a complete portfolio of public and private educational establishments, from kindergarten to the final year of secondary school, all of the highest standard. Schools are French and English speaking.

The international University of Monaco offers undergraduate and post graduate courses for Bachelor and Masters degrees.

3. Business in Monaco

Incorporation

The Monaco Government supervises all business applications irrespective of the legal form chosen. The entire process to complete a business license application and obtain authorization generally takes around 3 months, although this may be longer depending on the activity.

Corporate entities

Monaco companies may incorporate with limited liability either as a *Société à Responsabilité Limitée* (SARL) or a *Société Anonym Monégasque* (SAM). The incorporation procedure includes the necessary approval from the Monaco authorities to commence business.

SARL

The SARL is a limited liability company with a commercial activity. The minimum share capital is EUR 15,000 and a minimum of two shareholders is required. It is necessary to appoint a local manager (*gérant*). Shareholders may be individuals or corporate entities. The incorporation process takes approximately 3 months.

SAM

A substantial business in Monaco would normally take the form of an SAM which is a limited liability company with a minimum share capital of EUR 150,000. At least two shareholders are required and two directors, one of whom must be resident in Monaco. Directors are appointed amongst the shareholders of the company.

The SAM may have a commercial or non-commercial activity. The incorporation process takes approximately 3-6 months.

Branch office

A branch office may be set up to represent a foreign corporation in Monaco for certain activities such as shipping. Most branches register to have a non-commercial activity, and apply the cost plus basis for taxation.

As the branch is not a corporate entity in its own right, the foreign corporation must demonstrate that it is active and not a shell company. Due diligence will be required on the owners of the foreign company.

Other forms

It is also possible to structure the business through a partnership or as a sole trader, but this is generally limited to smaller, local enterprises.

Employment

Recruitment of personnel is monitored by the Monaco Employment Services and a job offer must be submitted prior to any employment stating the specific qualifications required. Candidates will be sourced through the list of registered job-seekers. In case no candidate matches the job offer, the employer can recruit through other sources.

Monaco has a skilled work force and its employment legislation provides protection for employees and flexibility for businesses.

How Moore Stephens can help you

Moore Stephens Monaco was founded in 1956 and is one of Monaco's leading service providers offering international clients advice and assistance on relocation to the Principality.

We have an international team covering various languages including English, French, Russian and Chinese. We can assist you with the following services:

- Residence application
- Relocating of business in Monaco (advice on structure and taxation)
- Estate planning before and after relocation
- Monaco SCI set up, accounting and administration
- Assistance in relation to property purchase in Monaco and in France
- Fiscal representation for non-transparent companies owning real estate in Monaco
- Provision of licensed Monaco Law 214 Trustee
- Corporate and trust formation and administration
- Tailor made family office services
- Audit and assurance services for international companies

For more information please contact:



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