



# Relocation to the Principality of Monaco

Multi Family Office Monaco

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## Welcome to Monaco

When looking for a new place of residence, many aspects have to be considered: economic and social stability, quality of school and health care systems, lifestyle and, last but not least, tax.

Located in Southern Europe, on the shores of the Mediterranean, the Principality of Monaco is an ideal destination for anyone looking for a cosmopolitan but quiet and safe environment.

Decades of careful but always forward-looking government now make Monaco one of the most attractive destinations for entrepreneurs, families and others wishing to live in a unique, modern and stable economic setting, with – why not? – a touch of glamour and style.

## Settling in Monaco

Any foreign national over 16 years of age and wishing to move to Monaco must apply to the Monégasque authorities for a residence permit.

Nationals from the European Economic Area (including Switzerland, Liechtenstein, Norway, Iceland and Andorra) must hold a valid ID card or passport before initiating any procedure in the Principality.

Nationals from other countries must apply to the French Embassy for a type-D visa enabling them to move to Monaco, before requesting a residence permit. Applicants should therefore contact the French consulate or embassy in their country of residence.

The supporting evidence and documents required for a residence application depend on the applicant's situation but in all cases applicants must have:

An accommodation in Monaco, large enough to accommodate all the occupants, by:

- owning a house or apartment, or
- being the director or member of a company which owns a house or apartment, or
- renting a house or apartment, or
- staying with their spouse, live-in partner or a close relative.

Sufficient financial resources, in the form of:

- a salary, or
- professional income (from an independent commercial activity or a company), or
- sufficient savings (the sum judged to be sufficient depends on the Monegasque bank providing the reference), or
- support from a spouse, live-in partner or close relative.

Proof of good character, in the form of criminal records information from the country or last two countries of residence in the five years prior to arrival in Monaco.

Driving licences and number plates must be switched to Monégasque ones within one year of obtaining a residence card.

## Taxation of individuals

### *Income tax regime*

Unless they are French nationals, resident individuals are not subject to personal income tax in the Principality of Monaco.

There is no tax on investment income, capital gains, dividends or directors' fees in Monaco.

### *Wealth tax and property tax*

There is no wealth tax or property tax.

### *Inheritance tax*

Inheritance tax applies only to assets located in Monaco, regardless of the domicile, residence or nationality of the deceased.

In 2017, following the standardization of international succession rules in the EU, Monaco aligned its legal system accordingly, making significant changes to various aspects of private law.



Under Monégasque law, succession is governed by the law of the state in which the deceased is domiciled at the time of death. However, a person may designate the law of a state of which they are a national when the choice is made (the principle of *optio iuris*).

The law applicable to the succession may not deprive heirs of the shares reserved for them by the law of the state of which the deceased was a national at the time of death; nor can it apply the reserved-share principle to the succession of a person who, at the time of death, was the national of a state whose law does not recognize forced heirship rights.

In Monaco the freedom of individuals to dispose of their estate on death is subject to statutory forced heirship rules, which cannot be overridden by a will.

An estate consists of a reserved portion and a disposable portion. The reserved portion, determined by law, must go to the protected or forced heir/s, regardless of the provisions of the will.

Children are legally entitled to inherit a reserved portion of their deceased parent's estate. If there are no children, a certain portion of the deceased's estate is reserved for the ascendants. The surviving spouse is not a forced heir and can only benefit from the disposable portion of the estate.

If the deceased makes gifts that infringe on the reserved portion, the forced heirs can bring a claim to set aside those gifts.

The inheritance tax rates depend on the nature of the relationship between the deceased and the heir/s:

- Spouse and direct beneficiary: 0 percent
- Sibling: 8 percent
- Uncle, aunt, nephew, niece: 10 percent
- Other relative: 13 percent
- Unrelated beneficiaries: 16 percent.

The treaty of 1 April 1950 with France is the only treaty concluded by Monaco for the avoidance of double taxation of estates.

### Gift tax

Tax on lifetime gifts applies only to assets situated in Monaco, regardless of the domicile, residence or nationality of the donor.

Gifts must be registered (evidenced by notarized deed) and are subject to gift tax at the inheritance tax rates.

When assets located in Monaco are gifted (through a will or otherwise) to certain charitable institutions or to the Principality, there is a tax exemption.



## Trusts

Since 2007, when Monaco acceded to the Hague Trust Convention, foreign trusts have been fully recognized.

Monaco does not have a substantive trust law. However, Law no. 214 of 27 February 1936 permits individuals whose national law governs trusts to transfer an existing trust to Monaco. It also permits the creation and operation of a trust by notarial will in Monaco. The effects of the trust will be enforced provided that the rules of Law no. 214 are respected when the will is executed and administered. This means, for example, that British residents of Monaco can opt to transfer their assets to a trust, the provisions of which do not have to comply with the rules of Monégasque forced heirship.

Trusts must be created through an authentic instrument executed before a Monégasque notary. A legal certificate stating that the instrument of trust complies with the law of the settlor or testator must be provided by a qualified Monegasque lawyer. A duly approved corporate trustee is appointed from a list of trustees kept by the Court of Appeal.

A 'Law 214 Trust' must have the following characteristics.

- The settlor must be a resident of Monaco.
- The trust deed must be registered.
- All trust powers must be either stated in the deed or implied by the foreign law governing the trust.
- Trust documents must be in French.

Foreign judgments are recognized and, other than the protection offered by general insolvency law, there are no specific asset protection laws in place which protect a trust from challenge by creditors.

Under Monégasque law, trusts cannot be in perpetuity unless they are charitable trusts.

Whether living or testamentary ones, trusts are subject to registration duties, which vary according to the number of beneficiaries:

- one beneficiary: 1.3 percent
- two beneficiaries: 1.5 percent
- more than two beneficiaries: 1.7 percent.

These rates may be replaced by an annual tax of 0.2 percent, if the parties agree to this at the formation of the trust.

The tax base for the registration duties/annual tax is the aggregate value invested in the trust, except for

Monégasque securities, which are subject to registration duties at the following rates:

- One beneficiary: 0.05 percent
- Two beneficiaries: 0.25 percent
- More than two beneficiaries: 0.45 percent.

The registration duties/annual tax fully satisfy the tax liability and inheritance and gift taxes are no longer applicable.

## Charities

Charities can be set up in Monaco, generally in the form of an association or a foundation. No income tax or capital gains tax is levied. Gifts and bequests of Monaco-based assets to charities (other than specific foundations exempted under Monaco law) are subject to gift and inheritance tax at 16 percent.

## Transfer tax

Stamp duties are levied upon transfer of ownership of real estate.

The tax rates vary depending on whether or not the transaction is for the benefit of persons that meet certain statutory transparency criteria.

In general, purchases of real estate by non-transparent entities – such as foreign companies, trusts and other such entities – are subject to registration duties of 7.5 percent on the transfer price.

When the purchases are made by transparent entities, the tax rate is reduced to 4.5 percent.

Foreign companies and Monegasque companies considered as non-transparent owning a property in Monaco must appoint a Monégasque tax representative and file an annual statement to declare whether or not there has been a change in beneficial ownership.

A change of beneficial owner (with exceptions, especially in certain direct line family transfers) requires payment of a transfer tax of 4.5 percent, on the fair market value of the property.

## Social contributions

Monégasque social contributions are withheld monthly by employers. They are due on compensation, including bonuses and benefits in kind, earned from work carried out and paid in Monaco.

In order to work or open a business activity in Monaco, it is necessary to apply for a work or a business permit.

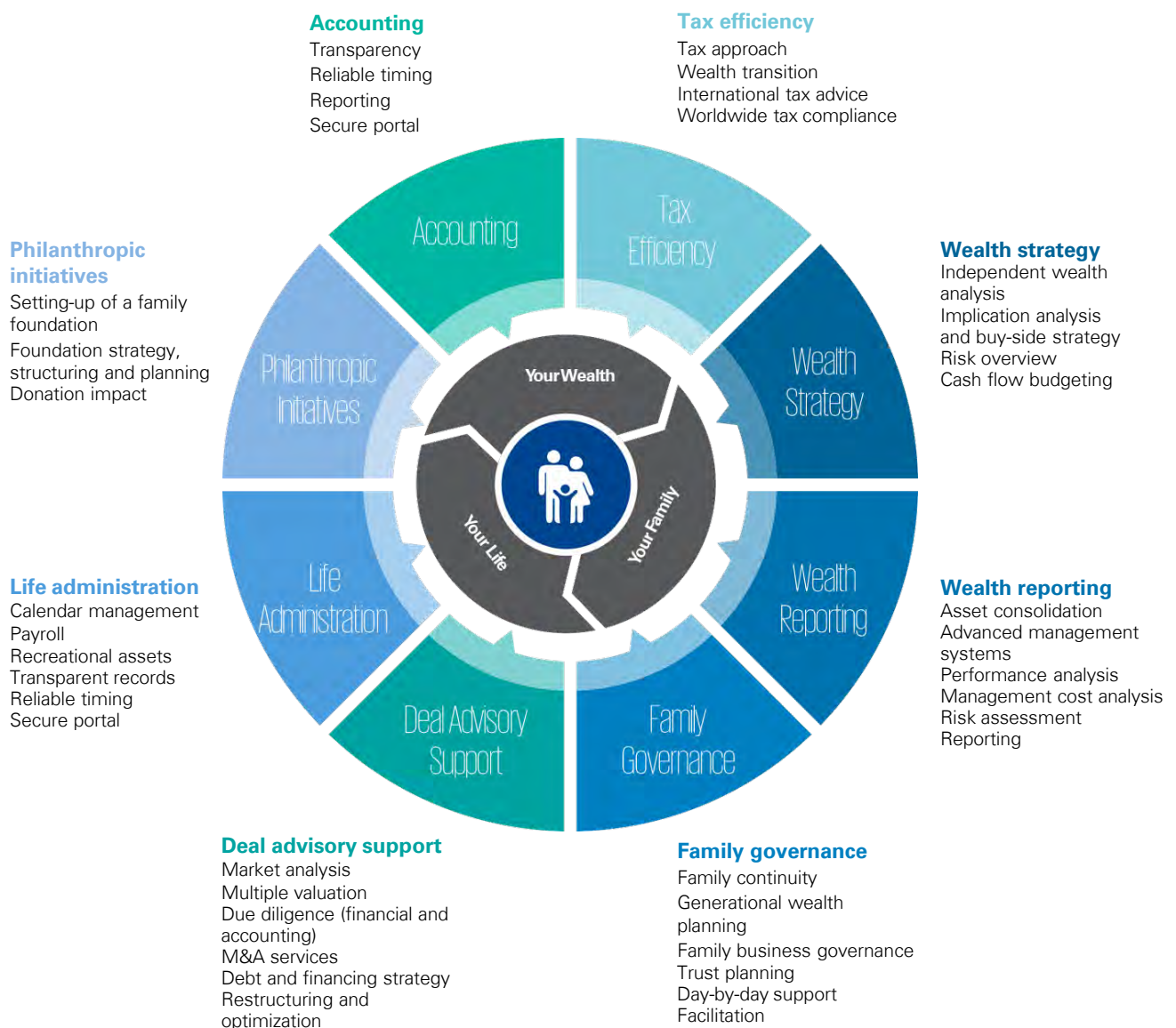


# How we can help you: our KPMG Multi Family Office services

Family businesses are unique. Surrounding each decision you take, there are strong family values - the cornerstone of every success story but sometimes the source of additional challenges.

The KPMG Multi Family Office understands the dynamics of a successful business and will work with you to provide tailored advice.

And it's not just about business - we'll support every member of your family at every stage of their lives.





# Contacts

**Tomaso de Simone**

**CEO**

**KPMG Multi Family Office, Monaco**

**E:** [tomasodesimone@kpmg.mc](mailto:tomasodesimone@kpmg.mc)

**T:** +377 9777 7700

**M:** +33 640 62 74 61

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