



Relocation to the Principality of Monaco

Multi Family Office Monaco

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Welcome to Monaco

The Principality of Monaco is less than 2 hours away from most European capitals and enjoys a strategic geographical location. Its climatic conditions with almost 300 days of sunshine per year complement its essential assets with an exceptional quality of life.

In a world that is proving to be increasingly violent and chaotic, the Principality of Monaco presents itself as a haven of peace, conducive to the calm of daily life and the security of investments.

Thanks to the policy conducted by H.S.H. Prince Albert II, the country's economy ensures Monaco's future and offers entrepreneurs or investors privileged conditions to carry out their professional activities. Similarly, over the last few decades, this policy has ensured the growing presence of international groups and large fortunes looking for a safe place, whose stability and neutrality were such as to favour the durability of their assets.

Thanks to the quality of its medical, educational, cultural and sports infrastructures, its hotel capacity and banking environment, as well as its low taxation, the Principality of Monaco is nowadays, with certainty, one of the most welcoming countries in the world for any individual looking for a quality family residence. New major real estate projects such as "offshore extensions" are also a major asset for residential or capital-intensive investments (Cf. <https://mareterra.com/fr/>).

The Principality also allows, through the creation of companies under Monegasque law, the setting up of Single Family Offices responsible for managing the interests of the economic beneficiary and his family, or any commercial company that can be part of the strategy of their group established abroad and thus contribute to their development or management.

Such companies may only be set up with the authorization of the Monegasque Government, following an authorization procedure carried out on the basis of an investigation file relating to the activity, the partners of these companies and their representatives.

From a tax point of view, it is useful to specify that there is no personal income tax for individuals (except for people of French nationality who decide to move their residence to Monaco). Consequently, any individual resident in the Principality of Monaco may receive income from a professional activity, dividends, capital gains in exemption from any tax or taxes levied in the Principality of Monaco.

However, for any income from a foreign source, it will be necessary to validate the taxation in the country of origin related to income, or the withholding tax to which it may possibly be subject, in the international tax framework.

It is therefore essential for any person wishing to become a resident of the Principality of Monaco to clearly draw up his or her income and business planning outside the Principality of Monaco in order to assess his or her sources of foreign taxation.

The Principality of Monaco, on the other hand, has a tax on commercial companies, when they make more than 25% of their turnover outside the Principality of Monaco. It is therefore important to include this data in the tax planning of a group when it sets up a company in the Principality of Monaco.

A Sovereign and Independent State

The Principality of Monaco is a sovereign and independent state, taking the form of a Constitutional Monarchy. The Sovereignty of Monaco was recognized by Charles VIII, King of France, and the Duke of Savoy in 1489.

The Constitution of 17 December 1962 defines the nature of the Government. Its Sovereign, H.S.H. Prince Albert II, is the Head of State and embodies the Principality in relationships with the powerful nations.

The executive power of the high authority is vested in the Prince and the Minister of State leads the Government.

The voting of laws, the national budget and the ratification of international treaties belong to the National Council, made up of subjects of Monegasque nationality elected by citizens by universal suffrage.

In some contexts, the Prince is also accompanied by consultative assemblies, which are the Crown Council and the Council of State.

Further information on public institutions can be found on the official Government portal (see: [Portail du Gouvernement Princier de Monaco](#)).

The Principality of Monaco was recognized by the United Nations in 1993.

The Principality of Monaco has adopted the euro as its national currency and has concluded a customs union with the European Union (EU). Monaco has transposed various EU directives and has concluded various conventions, in particular on the exchange of information for the purposes of international tax cooperation and the fight against money laundering. Monaco has a privileged relationship with France, with which it has had a customs union since 1865

Settling in Monaco – Administrative certificate

Any foreign national over 16 years of age and wishing to move to Monaco must apply to the Monegasque 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 or renting a house or apartment;
- 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.

On this basis, the person may apply, after 6 months of establishment in the Principality, for the issue of a residence certificate "for the purposes of administrative formalities" from the Public Safety Department. Any individual wishing to settle in the Principality of Monaco is required to apply for a Resident's Card issued by the Police.

Settling in Monaco – The residence certificate "for tax formalities"

Based on Sovereign Order 8.372 of 26 November 2020 and in accordance with international standards, individuals resident in Monaco may now apply, under certain conditions, for a certificate to meet their tax obligations, including with regard to the Common Reporting Standard (CRS). This certificate can be used for 5 years, unless circumstances change. The purpose of this certificate is, in particular, to enable people to establish their country of residence for tax purposes in the eyes of their country of origin, of which they are nationals. It will also be useful if they are required to prove their tax residence in the context of their business relations (e.g. Monegasque banks).

The certificate of fiscal residence in the Principality of Monaco may be obtained by any person meeting the relevant conditions and in particular by any person who resides in Monaco for more than 183 days per year.

However, it is worth mentioning that the criteria of fiscal residence can be assessed differently depending on the State, particularly if the center of economic interests of the person or his family is located outside the Principality of Monaco.

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 %
- Partners under civil union : 4 %
- Sibling: 8 %
- Uncle, aunt, nephew, niece: 10 %
- Other relative: 13 %
- Unrelated beneficiaries: 16 %.

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 Monegasque forced heirship.

Trusts must be created through an authentic instrument executed before a Monegasque 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 Monegasque 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 %
- two beneficiaries: 1.5 %
- more than two beneficiaries: 1.7 %.

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

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

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

The registration duties/annual tax fully satisfy the tax liability, 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 %.

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 % on the transfer price.

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

Foreign companies and Monegasque companies considered as non-transparent owning a property in Monaco must appoint a Monegasque 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.

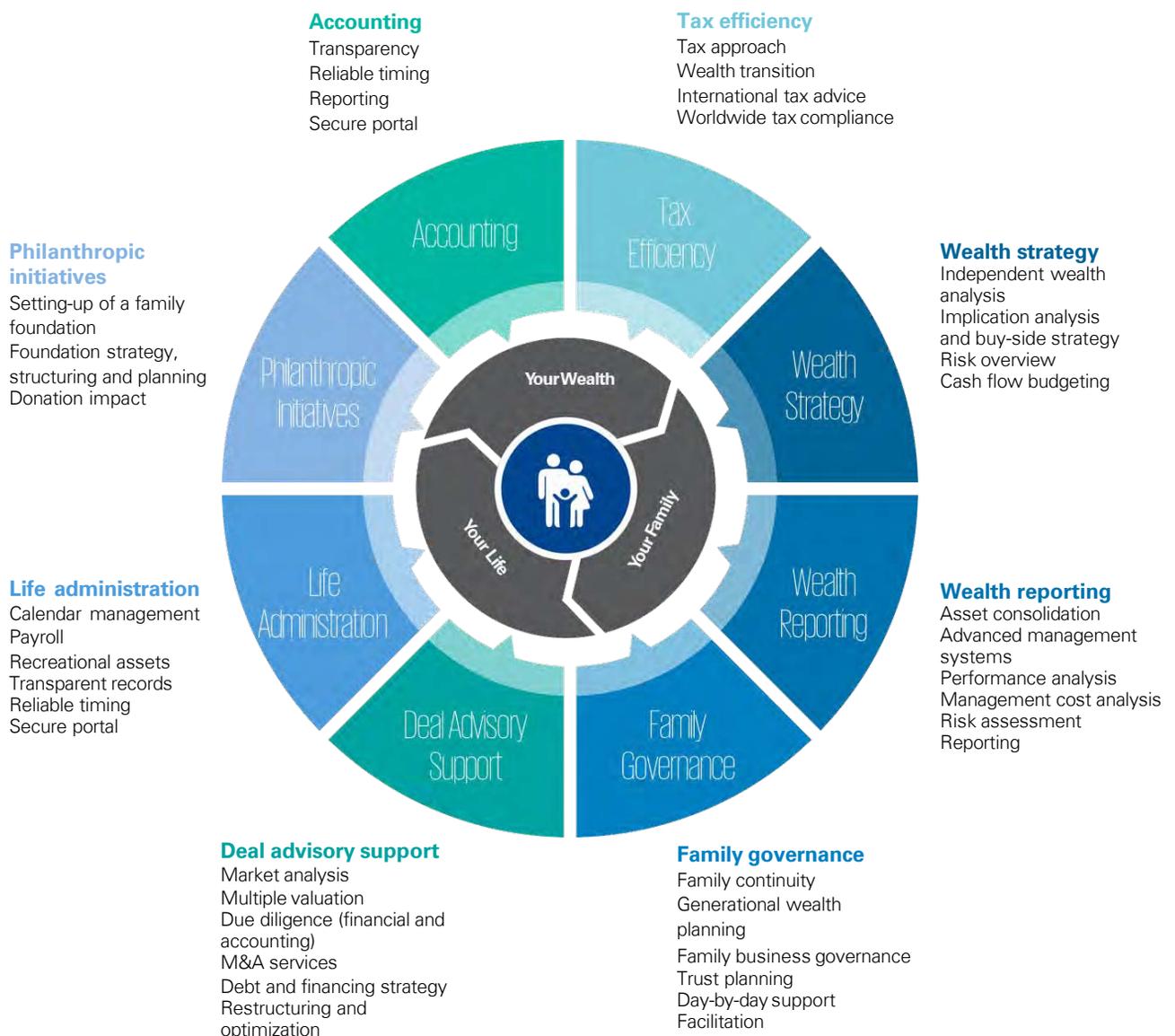
In order to work or open a business activity in Monaco, it is necessary to apply for a work or a business permit.

How we can help you: our KPMG Monaco 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, supporting every member of your family at every stage of their lives.

For this purpose we can assist you in the process to relocate to Monaco also onboarding our KPMG colleagues of your country of origin in order to solve any issue sourcing from there. Moreover we will assist you to model in Monaco the centre of your business interests balancing the structure of your wealth with the tax efficiency.





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