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CORPORATE INCOME TAX	
Resident companies	25% only on income from royalties and from commercial and industrial activities conducted in Monaco
<i>Bureaux administratifs</i>	profit tax of 8% -30% applied to the notional net profit
Offshore companies administered in Monaco	exempt (if they do not have commercial or industrial activity in Monaco)
OTHER TAXES	
Customs duties	As applied by France (customs union)
Stamp duty	Variable
VAT	As applied in France
Inheritance and gift tax	8% -13% on donations to relatives; 16% on donations to others
Social security contributions	Employees: 13% Employers: 32%
Tax on personal income	Not applied
Registration tax on real estate	4.75% of the purchase price + 1.5% notary fees
REGISTRATION TIME	3 months
REGISTRATION COSTS	1.5% of the capital (minimum € 150,000) + professional costs: € 18,000
MINIMUM SHARE CAPITAL	Varying from € 150,000 to € 450,000
ADVANCE RULINGS	Available only for ' <i>bureaux administratifs</i> '
EXCHANGE CONTROLS	Applied
BANK SECRECY	Limited
LEGAL SYSTEM	French civil law
BILATERAL TAX AGREEMENTS	Bilateral tax agreements with 8 countries Tax Information Exchange Agreements (TIEA) with over 20 countries

1- GENERAL INFORMATION

I- Political system

Monaco has been an independent sovereign state since 1489. It is a parliamentary hereditary monarchy, with a national council elected by Monégasque citizens (who are outnumbered by non-citizen residents).

Monaco's special relationship with France, governed not only by a series of treaties, including the 1963 Treaty signed after a dramatic international incident, but also by the very close involvement France and French citizens have in the executive, legislative and judicial branches of the Government of Monaco, and in the public service, including the tax authorities and police.

Monaco has a customs union with France. Today all French customs and excise laws, including laws concerning value added tax, apply equally in Monaco. The customs service of Monaco is staffed by French officials, and all customs duties and taxes are collected by the French Treasury (although at present value added taxes are rebated to Monaco according to a special formula).

There are no frontier posts between France and Monaco, so there are neither customs nor immigration checks carried out at their mutual border.

Monaco is a full member of the United Nations and the Council of Europe, but it is not a member of the EU.

II- Legal system

Monaco has a civil law system, with a codified system of laws. Certain French laws have automatic effect in Monaco. Monaco has had a written constitution since 1911 and the present constitution (recently amended) dates from 1962. Under the constitution the Prince of Monaco delegates judicial powers to an independent judiciary.

III- Currency

The euro (€) is legal tender.

IV- Foreign investments

The Monaco Government encourages foreign investment, particularly in light, non-polluting manufacturing and service industries.

In a business sense Monaco has many attractions as a centre for trading and the administration of international businesses, in particular towards the European countries, the Americas and the Middle East.

V- Financial institutions and exchange controls

There are at least 80 banks and other financial institutions licensed to operate and operating in Monaco.

There are stringent banking controls in Monaco. All banking and other financial activities require a licence from the Monégasque Government, and the Bank of France, the French central bank, closely controls and supervises not only the establishment of banks in Monaco, but also their continuing operations.

In 1993 Monaco introduced more stringent controls on banks and other financial institutions to counter money laundering and the proceeds of crime.

The money-laundering statute was entirely revised and strengthened in June 2018. The law applies to virtually all persons and entities involved in the movement of funds in a professional capacity, including stockbrokers and casinos. The laws require declaration of suspect transactions to the Financial Intelligence Unit (SICCFIN), and authorise freezing and possible sequestration of funds. All affected organisations must check the identity of new clients, and must keep records of the identity of the client and of the transactions for at least five years. Monaco is subject to French exchange control regulations which, however, do not affect most offshore financial centre transactions.

2- MONACO COMPANIES AND TRUSTS

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Companies</i>	<p>The principal forms of Monaco companies are:</p> <ol style="list-style-type: none"> 1. company limited by shares (société anonyme monégasque — SAM) 2. limited liability company (société à responsabilité — SARL) 3. partnership limited by shares (société en commandite par actions — SCA) 4. limited partnership (société en commandite simple — SCS) 5. general partnership (société en nom collectif — SNC) 6. civil partnership (société civile — SC; often for real estate activities — SCI; or to hold passive investments SCP). These do not require Government authorisation. <p>Capital: the minimum capital required amounts to € 15,000 for a SARL and ranges from € 150,000 to € 450,000 for a SAM.</p> <p>A minimum of two directors are required.</p> <p>At least one director or manager must reside in Monaco.</p>	All companies must be formed by notarial deed, subject to government authorization.	The Monegasque company must publish this authorization and the statute in the Official Gazette of Monaco. It must also be registered with the Government.

Monaco companies per se are not offshore entities for different reasons, including the time and authorisation required for registration, cost of formation, the 25% rate of profits tax (26,5% in 2021), and the many varied strict administrative requirements, most important of which is the requirement for the company to have a real activity, with offices, personnel and turn-over in Monaco. However, foreign companies may be managed from Monaco and may be of interest for offshore activities.

I- Resident companies

The establishment of a company in Monaco (including the various forms of civil law partnerships available in Monaco) and indeed the establishment of any business (commercial or industrial activity) requires the prior authorisation of the Government. This can take up to 3 months, and ensures that the government has a full understanding of the activity of the business and the source of its financing.

The principal forms of Monaco companies are:

- (1) company limited by shares (société anonyme monégasque — SAM)
- (2) limited liability company (société à responsabilité — SARL)
- (3) partnership limited by shares (société en commandite par actions — SCA)
- (4) limited partnership (société en commandite simple — SCS)
- (5) general partnership (société en nom collectif — SNC)
- (6) civil partnership (société civile — SC; often for real estate activities — SCI; or to hold passive investments SCP). These do not require Government authorisation.

In addition, activities in Monaco can be carried out by sole proprietors, branches of foreign entities, and Groupement d'Interet Economique (non-trading economic groups similar to the European Economic Group under European Community law). These all require Government authorisation.

Portfolio management (which is widely defined) is closely controlled and regulated and can only be carried out by a SAM.

The following activities are classed as portfolio management and as such can only be carried out by SAMs with the prior approval of the Government, if carried out habitually or on a professional basis (even if it involves a one-off or isolated transaction) and for third parties:

- (1) management for third parties of portfolios of securities and financial instruments
- (2) the placing of orders on financial markets in respect of securities and fixed-term financial instruments
- (3) advice and assistance with regard to (1) and (2) above
- (4) management of foreign investment funds
- (5) management of locally created investment funds.

These activities may only be undertaken by banks and other appropriate financial institutions or brokerage firms, and limited companies, that have obtained authorisation from the Minister of State.

Limited companies (SAMs) must have part or all of the above activities listed as exclusive objects in their statutes. This authorisation will be given based on the opinion of the Control Commission which is the regulator that controls the industry.

There are a number of requirements which must be met before approval will be given, such as:

- (1) appropriate letters of comfort from the shareholders
- (2) minimum capital requirements
- (3) personnel requirements
- (4) appropriate offices must be taken.

Approval will generally last for the lifetime of the portfolio management company (Monaco companies have a fixed duration of 99 years) or for the duration of the licence to operate in Monaco for a Monaco branch of a foreign company.

Care needs to be taken, particularly by individual financial advisers in or from Monaco, that they do not inadvertently carry out these activities without approval, or otherwise break Monaco's laws covering marketing and solicitation, as the penalties can be severe.

Limited liability companies (SAMs) must be formed by notarial deed. However, as discussed above, prior governmental permission is required before a company can be formed. In common with other civil law countries, Monaco requires that companies formed under its jurisdiction have very limited objects specified in the statutes. Broad and general objects are not allowed, and catch-all ancillary objects are treated as being purely ancillary to the principal objects. In Monaco the range of activities with which the Government will allow companies to be formed is limited and each application is treated on a case by case basis.

Incorporation

There is a minimum capitalisation requirement of €150,000. Higher capital of €300,000 to €450,000 is required for regulated companies in the financial management field. A société anonyme monégasque (SAM) must publish its authorisation and statutes in the Journal Officiel de Monaco shortly after the notarisation of its statutes. It must then be registered with the government

Any amendment of the original statutes requires the prior authorisation of the government, and consequently so do such things as a name change or a change in the share capital of the company.

SAMs are constituted for a fixed duration (usually 99 years) which can be renewed. Their statutes generally provide for dissolution and, if not, the general provisions of the Civil Code apply. Government authorisation may be revoked if the SAM has not carried out the activities

that conform with its objectives, the company does not have premises and facilities and personnel consistent with the carrying out of its authorised activities, or if it is in default of some of its legal obligations, including carrying out activities not consistent with its objectives. The minimum capitalisation requirement to incorporate a SARL is €15,000. The managing director (gérant) must be a person and not a company or other legal entity. A minimum of 2 shareholders is required and these must be physical people, whose responsibility for debts are limited to their investment in the capital.

“Shelf” companies

It is not possible to form shelf SAMs, although it is possible to purchase existing SAMs, subject to certain controls and conditions.

Capital

There is a minimum capitalisation requirement of €150,000 for a SAM and € 15,000 for a SARL. All the capital must be subscribed for and at least a quarter of the capital must be paid up at the date of formation.

There must be at least 2 shareholders and shares may be issued in registered form, or, with certain controls, in bearer form.

Management

According to the statutes of the company, various management powers and functions may be delegated to directors. At least 2 directors are required. There must be at least one responsible manager or director who is a resident of Monaco. Alternate directors may be appointed and executive (ie salaried) directors are permissible. The members of a SAM retain various powers, depending on the statutes of the SAM. These powers may be exercised at an annual general meeting or extraordinary general meeting of the SAM.

Shareholders and directors can be of any nationality. As a condition of granting approval, the Monégasque Government will generally require a certain number of Monaco-based employees. SAMs are required to prepare annual accounts in accordance with the prescribed form.

Two auditors must be appointed from the roll of Monaco accountants. The auditors have a continuing and permanent responsibility to monitor and keep surveillance on the company.

Migration of companies

A SAM may migrate by changing its registered office (siege social), but it would cease to be a SAM.

A company could only migrate to Monaco to become a SAM by going through the usual registration process.

II- Non-resident companies

There are 2 ways that foreign entities (including corporations and partnerships) can operate from Monaco:

- a Monaco branch of a foreign corporation or other entity
- a foreign entity not being a Monaco-established entity or a Monaco branch, but administered or managed by a Monaco management company.

Monaco levies a profits tax of 26.5% on all entities carrying out commercial and industrial activities in Monaco and the turnover of which is derived directly or indirectly by at least 25% from non-Monégasque sources (with certain exceptions).

III- Branches

Prior to the establishment of a branch (“agence”) of a foreign company (or other entity) in Monaco it is necessary to obtain authorisation from the Government of Monaco, which will require at least the following to be filed by a person designated by the company to be the Monaco branch manager (called the “legal representative”):

- (1) an application form available from service-public-entreprises.gouv.mc

- (2) the statutes and certificate of incorporation (as appropriate) of the entity translated into French
- (3) a copy of the minutes of the shareholders' meeting deciding the opening of the branch and appointing the legal representative
- (4) detailed information on the head office (including activities, number of staff, countries wherein the company operates) and beneficial owners within the meaning of the anti-money laundering ordinance
- (5) personal details of the legal representative (including qualifications and previous work experience)
- (6) a police report of the legal representative issued by their country of residence within the past 3 months, and
- (7) a copy of the passport, resident card or national ID card of the legal representative.

The legal representative will need to be or become, prior to the commencement of trade, resident in Monaco. In addition, they will need to have full power to conduct the business of the branch.

A branch is usually granted an indefinite licence, but this may be revoked if there is no effective activity.

IV – Administration companies

See Ch. 4 / VII – Offshore administration companies

V – Insurance companies

Companies and enterprises wishing to carry out insurance or reinsurance business in Monaco must obtain prior authorisation from the Monégasque Government. It may be possible for an offshore company administered in Monaco to enter into insurance and reinsurance contracts outside Monaco and the European Union, without obtaining specific insurance-related authorisation, provided its activities do not amount to the carrying on of insurance and reinsurance business in or from Monaco. The strict prior authorisation requirements and stringent regulation, together with the taxation of profits from insurance operations, mean that Monaco is seldom used as a base for IOFC insurance companies.

VI- Mutual funds

Monaco's financial services regulatory framework allows appropriately authorised Monaco-based financial management firms to create and manage local investment funds together with Monaco based custodian banks, and to manage foreign funds. The funds themselves are not subject to tax in Monaco, but the management income derived from foreign funds is subject to corporate tax. The regulatory framework on fund management was modified at the end of 2007, and there is an active policy to attract fund management firms to the Principality.

VII- Trusts

As a civil law country, Monaco does not have as part of the fabric of its legal system the body of equitable law on which the very existence of trusts depends. However, it is prepared, under certain very narrow circumstances to recognise a trust created by a settlor whose national law allows for the creation of trusts, with the validity of the trust under the laws of that country of domicile certified by a lawyer from that country on an approved list, and with a corporate trustee also from an approved list of trustees. The settlor must be resident in Monaco. Such trusts are known as Law 214 trusts. However, in the same way that it is possible to administer a foreign company from Monaco, it is possible to administer a trust in Monaco created under a different jurisdiction, without requiring registration under Law 214 and without adverse tax effects.

Both inter vivos and testamentary trusts can be created. As it is the national law of the settlor that is important, it is the creation procedure for trusts in that jurisdiction that must be followed. Under Law 214, the trust deed or will must be executed or adopted according to Monaco notarial procedures. Since 1999, however, the trust deed is permitted to be a private rather than a public document.

The registration requirements involve certification by an approved lawyer of the source jurisdiction, approval by the Monaco Government of the trustee, translations and payment of tax. Although an important possibility for a non-Monégasque resident in Monaco, Law 214 trusts are of very limited value for international offshore financial centre planning.

Registration tax is payable on registration of a Law 214 trust at 1.3%, 1.5% or 1.7% of the value of settled property, depending on the number of beneficiaries. For property comprising Monaco real estate or Monaco securities, the tax rate is reduced to 0.25% or 0.45%. Alternatively, the trust can from inception provide for payment of an annual tax of 0.2% of the value of the trust fund.

Trustees of a Law 214 trust must be chosen from an approved list. Moreover, from 28 June 2020, trustees must register themselves with the Trust Registry of Monaco.

3- TAXATION SYSTEM

I- Individuals

Monaco does not levy individual income tax. However, the rate of wage/salary based social contributions is high for both employers and employees.

II- Resident companies

The only direct taxes levied in Monaco are:

1. business profits tax, and
2. registration tax and stamp duty on a variety of transactions which may or may not be required to be registered in order to be valid, including: property sales, loans, mortgages, transfers of shares or of the goodwill of a business.

Monaco levies a profits tax at a rate of 25% of net profits. This tax applies both to non-residents and to residents, and applies to all entities whether SAMs, partnerships, branches, foreign companies or sole traders.

The profits tax applies only to:

1. entities which engage in industrial or commercial activities in Monaco, the turnover of which is derived directly or indirectly by at least 25% from sources other than Monaco, or
2. entities involved in receiving royalties or other intellectual property income into Monaco, such as the proceeds of licensing or selling artistic and literary copyrights, patents, trademarks and other similar income.

Thus, a company deriving all its income from Monaco sources is not subject to profits tax, and nor is a company based in Monaco but not carrying on an industrial and commercial activity in Monaco

Foreign companies administered from Monaco are not subject to profits tax unless they are deemed to be engaged in industrial or commercial activities in Monaco.

The factors to be taken into account in determining where the effective place of management of a corporation is are the place of residence of the shareholders, directors and principal officers of the corporation and the place where the corporation's board meetings or similar policy-holding meetings take place. Anyway, at least on Monaco-resident managing director or manager must be appointed

Industrial and commercial activities are defined in accordance with the civil law model and are contrasted to the carrying on of a “civil activity”, such as the practising of one of the liberal professions, passive investment in financial instruments or unfurnished rental property, or purchase and resale of real estate. None of these latter activities would be subject to profits tax. Taxable income is determined after deduction of business expenses, directors’ fees, depreciation and some provisions.

As there is no individual income tax, it is not uncommon, particularly for proprietary companies, for a part of the gross profit of the taxpaying entity to be paid out as deductible salaries or directors’ fees. These payments are not assessable in the hands of the recipients in Monaco. There are limits on this route, but this system tends to render the high rate of profits tax acceptable. Profits tax is levied at a rate of 25%. There is no income tax or other corporation tax.

Bureaux administratifs, although in theory subject to profits tax on the same basis as other enterprises, can negotiate a notional net profit in advance, based on expenses, to which the profits tax is then applied. Depending on the type of activity, rates of between 8% (for administrative offices) and 30% (for headquarters) of local expenditure may be agreed.

Reduced rates of tax apply to a new company which qualifies for these reductions, during the first 5 years after incorporation.

Companies and other entities not carrying out taxable activities in Monaco are not subject to tax in Monaco.

Monaco does not have a separate capital gains tax. However, capital gains and losses are included in the net profit and are subject to tax at 25%. If the entity is not subject to profits tax or, for some reason, by applying the usual rules the capital gains or losses do not arise from transactions within Monaco, the capital gains and losses would not be subject to profits tax.

There are no withholding taxes for companies.

III- Other taxes

The other taxes applied in Monaco are:

- *Import duties and tariffs* apply as for France;
- *Value added taxes* apply as for France;
- *Registration tax and stamp duty* is payable on the transfer of certain property in Monaco;
- *Gift and inheritance taxes*. There are no gift or inheritance taxes on transfers from parents to children and between spouses. The rates range from 8% to 13% for gifts between relatives, and 16% for gifts between unrelated persons. These taxes only apply to assets physically located in Monaco or deemed to be located in Monaco, and not to enterprises as such;
- *Social security contributions* are calculated on gross salary, director’s fees, benefits-in-kind and other remuneration. They are payable by both employees and employers on behalf of employees. The average overall rate for employees is approximately 13% and the average overall rate for employers is approximately 32% (subject to ceilings). Thus, although there is no individual income tax in Monaco, the cost of employing staff in Monaco is high;
- *Real estate registration tax* is payable by individuals on the purchase of real estate in Monaco at a rate of 4.75% of the purchase price, plus a notarial fee of 1.5%. The purchase of property in the Principality by an “offshore” entity is subject to registration tax at a rate of 10%. The transfer of beneficial ownership in such an entity which owns real estate in Monaco is subject to tax at a rate of 4.75% of the purchase price.

Dividends received from Monégasque companies

Dividends received by a Monaco entity from another company form part of the profits of that company subject to profits tax, provided that the dividends are the income of a commercial

activity in Monaco and not a passive investment. There are special rules dealing with taxation of dividends received by a Monégasque company from another company, whether foreign or Monégasque, in which it owns at least 20% of the capital.

Dividends paid by a Monaco company are not subject to any withholding tax.

Incentives

Monaco offers limited incentives, generally by way of negotiation of the formula used to determine the taxable profits.

Advance rulings

There is no formal procedure of advance rulings as the term is understood in some other countries. However, advance rulings on such matters as the method of determining the taxable base for a bureau administratif on the registration tax applicable to certain corporate transactions can be obtained.

As a matter of fact, the bureau administratif is taxed on a notional profit, agreed in advance with the Monaco authorities, equalling a fixed percentage of local expenditure. This percentage usually varies between 8% and 10% depending on the activities carried out. Headquarters are taxed on 30% of local expenditure.

Anti-avoidance

From 1 January 2019, the deductibility of net financing expenses is limited to the higher of €3m or 30% of EBITDA (earnings before interest, taxes, depreciation and amortisation). A lower limit of €1m or 10% of EBITDA applies to thinly capitalised companies, ie companies whose related party debt exceeds 1.5 times their equity.

IV- Resident trusts

Trusts are taxed in the same way as other entities, apart from the registration tax to be paid on establishment. That is, if they are involved in commercial or industrial activities in Monaco, they will be subject to profits tax unless they fall within any exceptions. If a trust is not involved in commercial or industrial activities in Monaco (or in the receipt of intellectual property income) it will not be subject to Monaco tax.

It should be noted, however, that in general terms civil law countries do not recognise the separation of legal and beneficial ownership implicit in the trust relationship, and a trustee may find itself (or themselves) taxed on trust income or property as if the trustee had beneficial ownership as well as legal ownership.

V- Non-resident companies

Monaco operates a territorial system of tax. Monaco taxable entities are in general subject to tax only on Monaco source income.

- However, the source rules are widely drafted and tend to bring into the Monégasque tax net many items of income which would otherwise be considered to be foreign source income. For example, foreign source passive income and investment income is included in the taxable base unless it falls within one of the exclusions below:
- profits and losses attributable to a complete cycle of activity realised outside Monaco, such as when goods are purchased, stored and sold without entering Monaco, and where the contracts of sale and purchase are negotiated, signed and completed outside Monaco, and
- profits and losses attributable to the activities of independent agents outside Monaco, where such agents either have and usually exercise the authority to conclude the contract outside Monaco, or hold a stock of goods outside Monaco for the purpose and with the effect of filling orders the agent has obtained
- profits and losses attributable to foreign permanent establishments

Similarly, foreign enterprises that have a permanent establishment for carrying out the above activities in Monaco are potentially subject to Monégasque profits tax.

In general terms of foreign source capital gains are not subject to tax in Monaco, unless they fall within the category of income of activities arising from a commercial or industrial activity carried on in Monaco.

One of the principal historical uses of Monaco as an international offshore financial centre is as a place of residence of individuals or companies during the time when a capital gain is to be made in a country which levies capital gains tax on its residents but not on its citizens when they are not resident. If such a person or company is resident in Monaco during the period that the capital gain is realised, in general capital gains tax will not arise, either in the country where the asset is situated or in Monaco.

VI- Foreign tax credits/double tax relief

Foreign tax credits are not given against foreign trading income, as Monaco operates a territorial system of taxation, and therefore such income is, in general, not subject to tax in Monaco.

As foreign passive income is subject to Monaco tax, Monégasque taxpaying entities are granted unlimited unilateral relief (credit) on such income.

4- OFFSHORE COMPANIES

I- Introduction

Monaco is most often used for international offshore financial centre (IOFC) tax planning in one of three ways:

- as a centre for administration of foreign entities that have a complete cycle of commercial or industrial activity outside Monaco
- as a centre for headquarters or specialised offices (whatever form of entity is used) where the absence of individual income tax, the pleasant surroundings, the central location and other “offshore” factors overcome the 28% profits tax rate, the lack of tax treaties and the high costs of doing business in Monaco.
- as the place of residence (or at least tax residence) for high net worth individuals, who are not of French or American nationality and who do not intend to exercise a commercial or industrial activity in the Principality. Such individuals are only taxable in Monaco in accordance with the rules discussed above.

II- Financing an offshore entity

If the IOFC entity is a Monaco registered or licensed entity (for example, a SAM, bureau administratif or branch of a foreign corporation), domestic Monaco rules (including thin capitalisation rules) apply.

If the entity is not “resident” in Monaco, but is merely managed or administered in Monaco, it is not subject to the domestic tax and allied jurisdiction. Such an entity is subject to the law of the country of formation of the company or partnership.

Monaco does not impose additional restrictions on inward or outward flows of capital and interest in such cases, as the entities are not regarded as resident in Monaco for these purposes.

III- Offshore holding companies

Monaco is not an appropriate place to site a holding company, except in the narrow sense of an offshore company administered in Monaco which has subsidiaries. Holding companies, as such, are prohibited in Monaco. Monaco does not offer the advantages afforded to holding companies in some other European countries, including France.

IV- Offshore finance companies

Companies wishing to conduct financial activities to / from Monaco must meet the strict eligibility requirements and need a banking license and many other authorizations which are time consuming and costly. Generally these companies cannot establish themselves in Monaco and, in any case, they have many disadvantages.

Due to the existing convention with France, exchange controls apply to cross-border cash transactions and inward investment into France or Monaco.

Where Monaco does not have any double tax agreements, interest flows to the IOFC finance company are subject to full withholding tax.

V- Offshore licensing companies

Companies whose Monégasque activity consists of receiving intellectual property income (such as royalties and licence fees) are subject to profits tax. This applies whether the company is a Monégasque company, a Monaco branch of a foreign company or an offshore company administered from Monaco.

An offshore company could not avail itself of the treaties and agreements governing the recognition of intellectual property rights which Monaco has signed.

The holding of intellectual property is a non-commercial activity and may therefore come within the ambit of “Société Civiles” that can be created without Government authorisation.

Given the tax treatment of intellectual property income and the inability to use tax treaties, Monaco is not an appropriate venue for a concessionary company, whether resident or managed by Monaco.

VI- Offshore trading companies

Because Monaco does not in general tax foreign income, it is an appropriate jurisdiction in which to base an IOFC trading company or other entity. Profits will not be subject to profits tax provided the entity ensures that the profits arise from:

- established premises outside Monaco
- a complete business cycle carried on outside Monaco, or
- operations carried on outside Monaco by dependent agents, having authority to conclude contracts, or having stocks of goods.

Either a Monaco resident entity (or indeed an individual) with the appropriate trading authorisation, or a foreign entity administered from Monaco by a company with the appropriate company administration authorisation may therefore be appropriate for this purpose.

VII- Offshore administration companies

Monaco is well situated as a base for an administration/headquarters company, either as a company formed and domiciled in another jurisdiction and only administered from Monaco, or as an entity resident in Monaco, as a bureau administratif.

A bureau administratif (administrative office) is more likely than some other activities to be granted permission to establish a business in Monaco. It is usually either a société anonyme monégasque (SAM), or a branch of a foreign corporation.

Three different categories are included.

(1) Administrative offices. These provide directing, managing, coordinating or control functions, but only for the exclusive benefit of other members of the group of foreign companies to which they belong. The administrative offices may be responsible for group accounting functions, treasury functions, and receivables and payables control, and group correspondence and general administration, but only under the control of a non-Monaco head office.

(2)*Representative or liaison offices.* These provide the services of retrieving and furnishing information, performing advertising services and carrying out research, but only for the exclusive benefit of other members of the group of companies to which they belong.

(3)*Research offices.* These offices provide, in addition to or instead of the administrative functions as above, services such as research, financial and technical analysis and surveys, again exclusively in a group context.

The "bureaux administratifs" enjoy a particular tax regime, agreed in advance with the competent authorities: usually they are taxed only on the notional profit agreed as a fixed percentage of local expenditure. This percentage varies from 8% to 30%, depending on the activities carried out. The profit tax is then applied to this percentage.

VIII- Offshore real estate companies

There is no particular regime for offshore real estate companies in Monaco. It is common for property in Monaco to be owned by offshore companies, both for registration tax and death duty reasons.

Foreign companies owning land and real property in Monaco do not share the taxation disadvantages that exist for foreign companies owning real property in France.

Except in the narrow case of the Monaco société civile immobilière (SCI), there is no advantage in a Monaco entity owning real property in France.

IX- Offshore shipping/air transport companies

Although Monaco does not offer any particular special tax treatment to ocean shipping companies, by the nature of that business the territorial nature of the Monaco tax system can be attractive.

There is no Monaco "flag of convenience", but Monaco is, however, used as the place of administration for ship-owning companies from other offshore centres. The income of such companies is not subject to Monaco tax, even though the income of the company administering them may be. In that case they are subject to taxation on expenses with a negotiated percentage of 30% of expenses.

X- Transfer of income

Monaco does not impose a withholding tax on profits repatriated from Monaco.

In general terms the return of capital from a foreign subsidiary to a company established in Monaco or administered in Monaco does not have Monaco tax effects.

5- BILATERAL TAX AGREEMENTS

Monaco has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. There is no withholding tax on income from dividends, interest or royalties arising in Monaco and paid to non-resident entities.

	<i>Dividends</i>	<i>Interest</i>	<i>Royalties</i>
	<i>%</i>	<i>%</i>	<i>%</i>
<i>Non-treaty countries</i>	0	0	0
<i>Treaty countries</i>			
France	0	0	0
Guernsey	0	0	0
Liechtenstein	0	0	0
Luxembourg	0	0	0
Mali	0	0	0

Mauritius	0	0	0
Qatar	0	0	0
Saint Kitts & Nevis	0	0	0
Seychelles	0	0	0

Monaco has signed the following TIEAs based on the OECD model convention: Andorra, Argentina, Australia, Austria, Bahamas, Belgium, Czech Republic, Denmark, Faroe Islands, Finland, Germany, Greenland, Iceland, India, Italy, Liechtenstein, Mali, Netherlands, Norway, Samoa, San Marino, South Africa, Sweden, United Kingdom and United States.