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A tax guide to living and working in Monaco

The Principality of Monaco has for many years enjoyed a reputation as an attractive place to live with a tax regime that is more advantageous than many other jurisdictions, excellent banking facilities, a strong economy, while being within easy access of all of the major European centres. This guide provides a summary of the personal tax position for individuals who wish to live and work in the Principality.

Please note that although the tax rates in Monaco are nil or comparatively low, a Monegasque resident may still be liable to pay tax on income or gains made in other jurisdictions under the applicable local tax regime.

Personal taxes in Monaco

1. Income tax

Residents of the Principality do not pay any income tax on Monegasque sourced income (except in respect of certain commercial activities).

2. Capital gains tax

The Principality does not levy capital gains tax on individuals who are resident in the jurisdiction.

3. Inheritance tax and gift tax

Inheritance tax is limited to Monegasque located assets only and is payable at the following rates:

• Between parents and children	0%
• Between spouses	0%
• Between brothers and sisters	8%
• Between uncles/aunts and nephews/nieces	10%
• Other relatives	13%
• Non relatives	16%

The estate tax treaty between Monaco and France provides for a specific set of rules regarding French assets held by Monegasque or French nationals.

The scope of gift tax is (like inheritance tax) limited to movable property and real estate located in Monaco.

4. Wealth tax

The Principality does not levy a wealth tax, real estate tax or general property tax save for registration taxes on the transfer of real estate.

It is not uncommon for a Monegasque resident to own property in France. The property may be held directly or indirectly (via a Societe Civile Immobilier ("SCI"), a property owning company).
It is important to note that such a property may be subject to French wealth tax (although there are ways to structure the holding of French property to mitigate this tax). Please see our Guide to French Wealth Tax under the Articles section of the Gordon S. Blair website at http://www.gordonblair.com/en/download-document.php.

In addition, nationals of a non-EU country which has not signed a Double Tax Treaty with France may also be liable to an additional tax charge in France if they have a French property at their disposal.

5. Taxation of Real Estate income and gains in Monaco

Monegasque sourced rental income and capital gains are not subject to tax.

6. Transfer Tax payable on Real Estate transactions

The sale of real estate located in Monaco is subject to a 7.5% transfer tax on the sale proceeds (or fair market value if the sale is at an undervalue).

The sale of shares in a Monegasque SCI will trigger the following tax liabilities:

a) A 6.5% transfer tax assessed on the sale proceeds relating to the underlying real estate; and
b) A 1% transfer tax on the portion of the sale proceeds relating to the other assets

The sale of shares in other types of companies entails the payment of a 1% transfer tax. The sale of shares in a foreign company is currently exempt.

7. Withholding tax on savings and other income

Under the agreement between Monaco and the EU regarding the EU Savings Directive, Monaco sourced interest payments made to EU nationals are subject to a withholding tax in Monaco. An individual can avoid paying the withholding tax by authorising the paying agent to disclose details of the interest payments to the tax authorities of his residence state.

Monaco does not withhold tax on any dividends or royalties derived from a Monaco source that are paid to non-resident individuals.

8. Double Tax Treaties and Tax Information Exchange Agreements

Monaco has historically only ever entered into bilateral tax treaties with France. However, in 2009 following its commitment to the G20 initiative, Monaco has signed a number of Tax Information Exchange Agreements which enable information to be exchanged with a number of other countries subject to detailed rules being observed.

9. Trusts in Monaco

Monaco is a civil law jurisdiction. However, it recognises the common law concept of equity and trusts, subject to certain criteria being satisfied.

i) Residents wishing to establish a trust in Monaco

Monegasque law enables residents of Monaco who are citizens of countries having a common law system to settle trusts in the Principality in order to dispose of their assets. This is a particularly useful way of dealing with the forced heirship rules which apply on death in a civil law jurisdiction such as Monaco. This is subject to an overriding requirement that the law of the individual's country of nationality permits the creation of a trust and the trust is usually constituted under the trust law of that country.

ii) Residents with a trust established in a foreign country:

It is possible to transfer trusts to Monaco under Law 214. This is a very specialised area and detailed professional advice should be obtained before any trust is imported.

10. VAT

For the purposes of VAT, there is a Customs Union between France and the Principality. As a result, EU VAT rules apply in Monaco, subject to a few exceptions. The rate is currently 19.6%.

11. Social taxes

Social taxes (analogous to social security contributions in the UK) are payable by employees and employers in Monaco. The average rate for employees is approximately 14% and for employers 35% (the exact rate will depend upon a number of factors including salary level and the range of benefits offered by the employer).

12. French nationals working in Monaco

Please note that there are special rules which apply to French nationals working in Monaco. Broadly, even if they are tax resident in France, they do not pay some of the additional welfare contributions they would be liable to pay if they worked in France.

13. French nationals living in Monaco

A French national living in Monaco will remain taxable in France for income tax purposes unless:

- they were habitually resident in Monaco for 5 years on October 13, 1962; or
- they are the French spouse of a foreigner living in Monaco and the marriage occurred before 1st January 1986.

A French national living in Monaco who remains French tax resident will nevertheless benefit from the following:

- a French national will avoid paying inheritance tax if they were resident in Monaco for at least 5 years before their death; and
- a French national living in Monaco will benefit from not having to pay additional welfare contributions on all their income even if they are considered French tax resident for income tax purposes

If you require any further advice or assistance please contact the following:

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Please note that this guide provides a high level overview of the tax regime in Monaco. The guide is provided for information only and reflects the law as at 1st September 2009. The application of tax and other laws can vary widely depending upon individual circumstances. Tax law is subject to change.

Gordon S. Blair Law Offices is one of Monaco's oldest professional services firms and through its Monegasque, French and English professionals provides specialist legal and tax advice from its Monaco office. Main switchboard telephone number +377 93 25 85 25.

More information is available at our website www.gordonblair.com.