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## **Moving to Monaco**

**Living in Monaco is very much a privilege, its overall population being less than 40,000, only some 8,500 of which are Monegasque nationals. Situated on the beautiful Mediterranean coast, the Principality of Monaco enjoys an exceptionally pleasant climate and keeps attracting every year new residents who relocate to Monaco in order to find security, stability and highly attractive tax conditions.**

### **Monaco's history**

For over 700 years the Principality of Monaco has been governed by the Grimaldi family (with minor interruptions). It was only in 1419 that Monaco first became a fully independent state. It was approximately 1612 when Honoré II of Monaco proclaimed himself Prince of Monaco, but it took several decades for the neighbouring countries to recognise his title.

Over centuries Monaco has been alternately under the influence of the various neighbouring countries, but since 1860 it has always been, in one way or another, affiliated with France. Monaco is the second-smallest state in the world, just after Vatican City.

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### **Monaco's government & economy**

His Serene Highness Prince Albert II of Monaco is the current reigning monarch of Monaco. He is the son of Rainier III, Prince of Monaco, and Grace Kelly, the American actress.

Monaco is a constitutional monarchy with the prince acting as head of state. Monaco's parliament consists of 24 members. Although Monaco is a constitutional monarchy, the Grimaldi family still holds considerable power.

Monaco, which is in fact a city-state, is the most densely populated country in the world, with over 18,000 inhabitants per square kilometre. The official language is French, but due to the considerable number of foreigners that have relocated to Monaco over the years, English,

Italian and other languages are also very common. Approximately a quarter of Monaco's residents also speak Monegasque, the traditional language spoken by the locals.

### *Monaco's economy*

High-tech industry, tourism (including gambling), financial services and luxury goods are the Principality's main economic sectors.

Business in Monaco is generally run in an environmentally friendly and sustainable way. Although Monaco is not a member of the European Union, its official currency is the Euro and it is, through France, practically part of the Schengen area.

There is close cooperation/connection between France and Monaco in a wide range of areas. For instance Monaco has a customs union with France and is dependent on France for its defence. The prudential and regulatory supervision of its banking industry is carried out by the French financial supervisory authority.

Monaco is one of the few countries in the world that does not have any public debt.

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## **Taxes in Monaco**

- **Personal income tax:** One of the primary characteristics of Monaco is the fact that no personal income tax is levied from the Monegasque residents. This fiscal 'tradition' has been in place since 1869. At that time there was so much income generated by the Grimaldi family through its casino business that the then ruling prince, Charles III, was able to stop collecting tax from the residents of Monaco. One of the beneficial side-effects of that decision was that wealthy families from all over Europe were attracted to Monaco. Most people do not realise it is that long ago wealthy individuals started moving to Monaco.

People who relocate to Monaco today are still exempt from personal income tax (income and capital gains are fully exempted). Only French nationals moving to Monaco cannot enjoy this benefit because on 18 May 1963 France and Monaco signed a bilateral convention in this respect. It stipulates that natural persons of French citizenship:

- who transferred their domicile or residence (irrespective of country of departure) to Monaco after 17 May 1963; or
- who cannot prove they have lived in Monaco since 13 October 1957 or earlier,

will be taxed in France under the Personal Income Tax regime as if they would have taken domicile or residence in France.

As a result, French nationals who relocate to Monaco will nevertheless be taxable in France as if they were domiciled in France (although they are residing or domiciled in Monaco).

- **Wealth tax:** Monaco does not levy tax on wealth either (again, this does not apply to French nationals who have relocated to Monaco).
- **Inheritance and gift tax:** Contrary to what most believe, Monaco does levy inheritance- and gift tax (transfer tax) from the families living in Monaco, but this is limited to movable and immovable properties located within the Principality (a so-called "situs tax"). The applicable tax rate depends on the relationship between the deceased and the beneficiary. The applicable tax rate for children, spouses, and also parents is 0%. Therefore in effect, in most cases, no inheritance tax is levied.
- **Stamp duty and VAT:** Stamp duty is payable on registered properties, up to 7.5%. Value added tax (VAT) is levied at a rate of 20%.
- **Exit tax:** Monaco does not levy an exit tax from people who decide to leave Monaco and relocate to another jurisdiction.

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### Special tax treatment for foreigners relocating to Monaco

There is no special tax regime applicable to foreigners taking up residency in Monaco.

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### Benefits of living in Monaco

Residents of Monaco enjoy an exceptional climate. In the middle of the luxurious triangle stretching from Portofino to Porto Cervo and St Tropez, Monaco is only 30 kilometres from the international airport of Nice, serving 130 destinations.

The quality of the health system, security for residents and their belongings and a multi-cultural environment (120 different nationalities have relocated to Monaco over the years) make Monaco one of the most sought-after locations to move to. Over the last decades so

many wealthy families have taken the step to relocate to Monaco that almost one-third of its residents are millionaires.

The cultural scene there is thriving, with many music events and cultural venues (circus) as well as a sporting calendar of world-class events such as the Formula One GP, Rolex Tennis Masters, Monte Carlo Rally, Jumping etc.

### *Schools*

Monaco has excellent bilingual and international schools for foreign children. The Monegasque school system has been approved by the French authorities, which means that children schooled in Monaco can go on to universities in France (or elsewhere). Monaco also has its own university, the International University of Monaco.

### *Real estate*

Real estate prices are high, but the fact that you can live in Monaco practically tax-free easily makes up for that for most of its residents. It is also worth noting that real estate prices have not had any problem recovering from past financial crises, and as there will always be limited supply this is not expected to be any different in the future.

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## **Visa and residency permit**

Your first step to residency in Monaco is to actually get into Monaco. For EU nationals and Schengen area nationals (Switzerland, Liechtenstein, Andorra) this is easily done with just a valid travel document (i.e. passport and/or identity card). Non-EU nationals will need to check whether a (Schengen) visa is necessary. A visa will be needed for Monaco if France requires one. It can be obtained from a French embassy or consulate.

If you want to stay longer than three months in Monaco, you will need to obtain a residence permit from the Monegasque authorities.

## Monaco residency

The *main* conditions for becoming a resident of Monaco are:

1. To rent or acquire property in Monaco,
2. To provide a certificate of good conduct from the original home jurisdiction, and
3. To open a bank account with a private bank in Monaco.

The application procedure for a residency permit in Monaco is relatively simple, but it is recommended that you use a local advisor or private bank to assist you with it.

### The conditions to fulfil are (in detail):

1. **Property.** The applicant is free to acquire or rent property. When a property is rented this should be for a period of at least 12 months. The property should be of sufficient size for you in your specific (family) situation. A copy of the acquisition (notarised property deed) or rental contract (which should be registered with the Monegasque department of tax services) and an electricity bill should be provided in the application procedure.
2. **Administrative documentation.** At least the following documents must be provided:
  - A valid passport (also for your children (<16) if applicable), including a long-stay visa if this applies in your situation;
  - Your birth certificate;
  - Your marriage certificate, or divorce certificate (where applicable);
  - A certificate of good conduct (criminal record check) issued by the authorities in your former home jurisdiction. The document should cover the last five years of your residency there. If you have not lived there as long as five years, you will need a similar certificate issued by the jurisdiction in which you lived before that;
  - Your CV and overall background information, including the source of your wealth;
  - Health insurance valid in Monaco;
  - A completed copy of the official application form.

In every case all the documents must be submitted in original form, in French, English or Italian. This means that in many cases you will have to arrange for the documents to be translated by a qualified translator.

3. **Bank account.** You need to deposit a sufficient amount in an account with a local private bank in order to prove that you are able to financially sustain yourself. This private bank will issue a reference letter for you to submit to the authorities.

Last but not least you will need to have an interview with the local authorities to discuss your application. If the authorities approve your application you will be issued a residency permit within six weeks. After you have received a residency permit and have actually moved to Monaco, you will have to regularly renew the permit during the first ten years of your stay.

It is also possible to obtain a Monaco residency permit when you establish a business in Monaco. That option is outside the scope of this article.

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### **Monaco citizenship**

It is not easy to obtain Monegasque citizenship. There is no special citizenship program (such as a Monaco investor visa program / Monaco citizenship by investment program) as there are in some other jurisdictions, and citizenship is normally only granted to people who have resided in Monaco for at least ten consecutive years after reaching the age of 18.

To acquire Monegasque nationality one has to give up one's own nationality. So it is not possible to obtain the Monegasque passport as a second passport.

#### *Requesting citizenship*

The request for Monegasque citizenship should be addressed to the Prince of Monaco. He decides sovereignly on such a request and his decision cannot be appealed. He is also the only one allowed to release applicants from the above conditions. This means that he can act on his own and grant somebody citizenship without this person having been a resident in Monaco for at least ten years.

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### **Leaving your home country and moving to Monaco**

Once you have obtained your residency permit and have actually moved to Monaco you are allowed/obligated to remain in Monaco for at least three months per year.

As a considerable number of jurisdictions consider anybody to be a resident when he/she remains there for longer than six months, individuals relocating to Monaco need to make

sure that they are really leaving their former home country. This is even more important in the case of relocation to Monaco due to the fact that Monaco does not levy any income or wealth tax.

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### **Taking the step**

If you are considering moving to Monaco, please make sure that a local private bank, multi-family office or dedicated lawyer guides you through that process. If you would like to receive more information about the benefits and possibilities of international relocation, please contact us. We look forward to supporting you.

### **Disclaimer:**

The information that is provided on this page with respect to the tax system and residency criteria is of general nature and should not be perceived as (tax or legal) advice, or the solicitation of tax or legal services. Although all information is regularly updated, some facts could be outdated.