

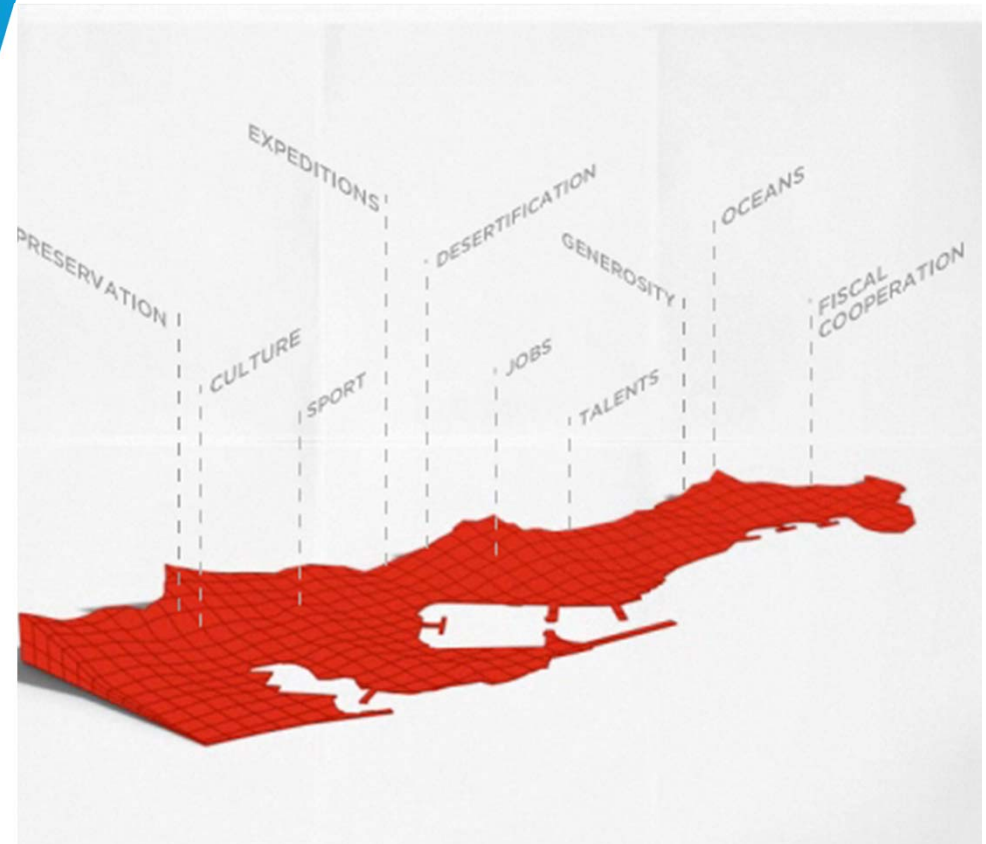


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Monaco Business Relocation

Key information

Dec. 2010



PRINCIPALITY
OF MONACO

Playing a special Role in the World

KPMG GLD et associés

KPMG GLD et associés is one of the leading advisory and audit professional firms in Monaco, with over 40 years of activity in the Principality.

KPMG's activities encompass all aspects of accounting, legal, auditing and advisory services, on an on-going as well as on a transactional basis. GLD has been representing KPMG in Monaco since 2006.

KPMG GLD et associés Monaco also has substantial experience in establishing local companies, as well as in cross border transactions involving foreign entities and Monaco-based companies. The firm avails itself of having excellent connections with local authorities. The firm is comprised of over 60 employees, including CPA staff and legal experts (corporate and labor).

This document contains detailed information which aims to address most of your questions regarding the establishment of a business in Monaco.

We remain at your disposal for any further information that you may require.



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Monaco General Information

Monaco Key figures

Monaco's key figures (2009) :

- An independent country since 1297 and a constitutional monarchy since 1911.
- A tax free country since 1869.
- A member of the UN since 1999.
- Part of the OECD white list.
- About 35,000 inhabitants, of which 6,000 Monaco nationals, 10,000 French residents and 19,000 residents of other nationalities.
- In total, some 124 nationalities officially recorded.
- Labor force of about 44,500, of which some 35,000 migrants from neighboring towns.
- GDP in 2008 : €3,7 billion, representing about €51,100 per capita (including residents and migrant workers), one of the highest in the World.
- 70 Financial Institutions, of which 35 are banks.
- 5,000 companies registered in Monaco.
- Average Real Estate prices : €20,000 / sqm in 2009.

Monaco, a international place for business and for living

EASY BUSINESS

- **7 minutes away from Nice airport, in the heart of Europe, by helicopter.**
- **Regular flights to more than 100 destinations.**
- **Excellent telecommunications systems.**
- **Highly trained workforce in areas such as finance, shipping and luxury tourism.**
- **Easy and controlled process for creation of companies.**
- **Facilities for visa granting for European nationals.**
- **Low interference from and easy access to administration.**
- **Availability of conference and luxury business hotel facilities.**

GOOD LIVING CONDITIONS

- **One of the most attractive and sophisticated countries in Europe.**
- **Highly secured environment.**
- **Active real estate market.**
- **Excellent educational system.**
- **Excellent level of medical care, both public and private.**
- **Active cultural life.**



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Key technical matters for businesses

Business Environment: ethics, transparency and governance

The Principality strives to be one of the leading business centers in Europe, without sacrificing strict rules of ethics, transparency and governance

- **All activities in Monaco must be licensed**

This filter guarantees the quality of the businesses and generates the necessary levels of business protection.

- **Empty Shelf companies are not available.**

- **Business entities only obtain a license if they have a real business activity and engage employees**

Business premises are obligatory and businesses must engage in activities congruent with the requirements of the Monegasque authorities.

- **All business entities wishing to obtain an operating license must present a business plan, which must be approved by the Monaco authorities**
- **A company wishing to operate in Monaco is required to provide audited information, demonstrate a successful track record over several years and have sufficient funding.**

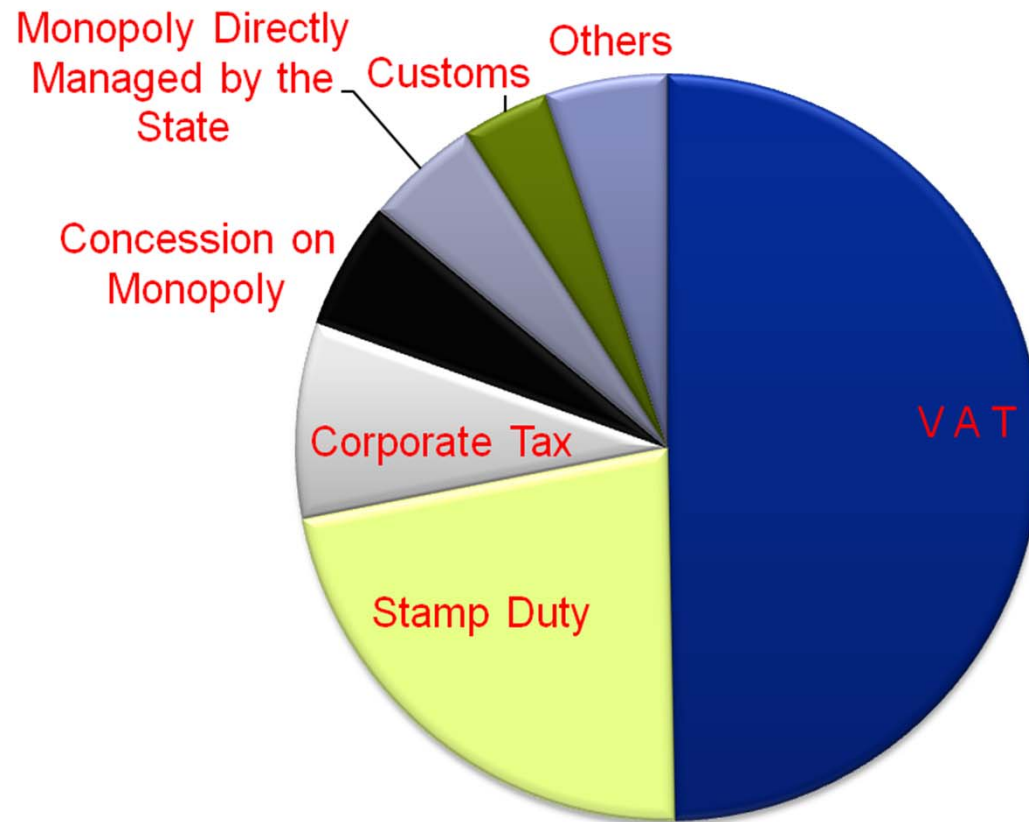
Business Environment: opportunities, facilities, benefits

The Principality offers a business environment where dealings are simplified, while efficiency is constant

- **International business companies are encouraged to set up offices in Monaco**
- **International businesses bring value to Monaco as top management resides, works and connects with others in the Principality**
- **Confidentiality and banking secrecy are central in doing business in Monaco**
- **There are no exchange controls in Monaco**
- **Monaco's currency is the Euro since 2002**
- **VAT is the main source of Government revenue for the Principality of Monaco**

How does it work ...

Monaco Revenue



Conditions for residency in the Principality of Monaco

- Any foreign national who wishes to enter Monegasque territory and stay there for a period not exceeding 3 months must possess the document required when entering French territory (passport, travel or identity document)
- Residency does not give automatically the Tax Residence
- French nationals must hold the national identity card issued by the French administration.
- How to get the Monegasque residency card:

EU NATIONAL	NON EU NATIONAL	
	Not Residing in France	Residing in France
<ul style="list-style-type: none"> • Exemption from visa procedure • Application to the "Sureté Publique" of Monaco to obtain the Monegasque residence permit • Some documents must be provided for the application (an extract of their legal record, a work document / a rental contract or a deed of ownership, for example) • Reduced formalities for French nationals 	<p>Interested parties are required:</p> <ul style="list-style-type: none"> • to apply to the "Consulat de France" with territorial jurisdiction for a visa to set up residence and must submit some documents. • After obtaining the visa, any foreigner aged over 16 is obliged to apply for a Monegasque residence permit ("carte de séjour") from the "Sureté Publique" of Monaco. 	<p>Two hypothetical cases should be differentiated</p> <ul style="list-style-type: none"> • Applicants residing in France during at least 1 year have to apply to the "Consulat General de France" in Monaco and must provide some documents. • Applicants residing in France during less than 1 year have to apply to the "Consulat General de France" in their former country of residence and must provide some documents.

Global information on Monaco Tax System for Individuals

- **No personal income tax is levied by the Principality of Monaco. This has been the case since 1869.**
- **Investment income : not taxed in Monaco**
- **Director's fees : not taxed in Monaco**
- **Capital gains : not taxed in Monaco.**
- **Stock Options : Recipients of Stock Options are not subject to income tax either at the time of granting or at the time of exercising. However, if the Stock Option Plan is considered additional remuneration, social security contributions apply at the time of exercising on the difference between the exercise price and the fair market value of the stock.**

Note that having an established residency in Monaco does not protect individuals from being taxed in other countries. Residents are encouraged to analyze their own tax situation with their tax advisors.

One exception : French nationals who cannot claim residence before 1962, are liable to taxes as French residents.

Global information on Monaco Tax System on Companies

Business Profits tax is levied on 3 types of entities :

- An entity receiving royalties or income related to intellectual property rights;
- An entity involved in commercial or industrial activities, in which 25% or more of income comes from sources located outside of Monaco;
- A company incorporated in Monaco which holds 20% or more of the shares of a non-resident company will pay business profits tax on a portion of dividends received from the non-resident company.

Tax rate

- Business profits tax rate is 33^{1/3} % after allocation of directors and management fees (which are defined on a case by case basis and in relation with the industry in which the company is working).
- Specific situations
 - Companies registered as “*administrative offices*” will be subject to corporate tax calculated on the basis of a Cost+8%.
 - Companies registered as “Foreing Fund Managers” are expected to pay a corporate tax calculated on the basis of a Cost+20%

This topic is addressed directly with the Local Administration during the process of incorporation of the company.

• Customs

- French and Monegasque territories, including territorial waters, were brought under one customs union formed by the Convention of May 1, 1963 resulting in the application of French customs laws in Monaco.
- On the basis of this agreement, Monaco comes under the European Union's customs laws, even though it is not a full member of the E.U. Accordingly, the transfer of goods and services from and into Monaco within the single European market is guaranteed.

•Value added tax,

- The European Community V.A.T. is effective in Monaco. The most commonly used tax rate is 19,6%.

Global comments on tax

- **Monaco is not so small ...**

- Many monegasque residents own French or Italian properties. The taxation on the owners of such properties depends on the application specific clauses contained in Tax Treaties. The situation is analyzed on a case by case.

- **Substance First ...**

- Conflict of tax residency between Monaco and other jurisdictions. Anybody claiming to be a tax resident of Monaco must demonstrate the substance of his/her residence in Monaco. Other jurisdictions will attempt to prove that the individual is an actual residence through the application of various tests : place where business is conducted, permanent presence or any proof that the centre of economic interests lies outside Monaco.

- **European Savings Tax**

- In 2004, Monaco joined the EU's Savings Tax Directive regime, and agreed to impose a withholding tax on the interest income of EU residents at the same rate as Austria, Belgium and Luxembourg (initially 15%, rising to 20% from July 1, 2008) and agreed to hand over 75 per cent of such revenues to the Member State of the EU resident concerned. Monaco also agreed to exchange information regarding requests in criminal or civil cases of tax fraud or similar misbehavior.

- **OECD white list**

- Monaco has signed various agreements for the exchange of information in several tax matters in accordance with international standards developed by the OECD and recognised by the United Nations. This limits the type and format of information that can be exchanged (avoidance of data fishing, etc.) and define the way these jurisdictions can access the information. (USA, Holland, Denmark, Austria, Belgium, Germany, etc.). For the time being, nothing is signed with the UK, Greece or Italy. A few bilateral agreements French DTT and NDTA (OECD format signed with Luxembourg and Cyprus).

Setting up a business in Monaco

Société Anonyme Monégasque (S.A.M / PLC) is the most appropriate structure under which large businesses operate in the Principality of Monaco. S.A.M is governed by the Sovereign Order of March, 5th, 1895, the Law-Decree n 152 of February, 13th, 1931 and laws n 408 and 767, in addition to the Commercial Code.

Companies may only be formed with government authorization by ministerial decree and after approval of their articles of association, which must be established by authentic deeds.

Forming S.A.M requires a minimum of two shareholders, regardless of their nationality and/or residence. Both companies and individuals are qualified for shareholding. The company must be managed by a minimum of two directors who must hold at least one share in the company (guarantee share) , regardless of their nationality and/or residence.

The general manager (administrateur délégué) must be a member of the Board of Directors and is vested with full power to act on behalf of the company and defined by the Board of Directors. Ideally, for operational reasons, the “administrateur délégué” should be situated “around” Monaco.

Two statutory auditors must be selected from the list of chartered accountants of the Principality of Monaco.

There is no requirement to publish the financial statements of the company which must only be disclosed to the Monegasque Government and Tax authorities.

Setting up a business in Monaco

In Monaco, a director is appointed by the shareholders' meeting or by the board when a resigning director must be replaced during the current year. In the latter, the appointment will have to be approved by the next shareholders' meeting. No age limit is imposed in respect of the appointment of a director. However, one director cannot be a member of more than 8 boards in Monaco. All directors do not have the same powers.

Indeed, the Managing Director (Administrateur Délégué) is vested broad powers to act on behalf of the company though the Chairman (Président) is only responsible for the correct march of the meetings and has more of an honorary rather than an effective mandate. One Director can be at the same time both Managing Director and Chairman. The appointment or dismissal of the Managing Director or the Chairman is decided by a majority vote of the Board of Directors.

The statutes of the company define all other competencies and corporate procedures.

A minimum of 150.000 Euros full paid-up is necessary; Company capital must be bought in the form of shares. The shares and certificates can only be negotiated after the constitution of the company and these shares are nominative until they have been completely released.

Employment in Monaco

Foreigners need work permits to be regularly employed in Monaco. Any change of employer and qualification requires a new license. An employer who wishes to engage or re-employ a foreigner must obtain a prior written authorization. At parity of qualifications, priority is given to Monegasques. Priorities according to the Monegasque law are:

- Monegasque Nationality
- Foreigners married to a Monegasque and not legally separated,
- Foreigners resident in Monaco and having already worked in Monaco,
- Foreigners resident in the communes bordering and authorized to work in Monaco.

These priorities are intended to protect the local labor force. Potential employers must file a vacancy post with the Department of Employment, who can send priority candidates within 4 days. In the absence of a priority candidate, the employer can then propose alternative candidates.

The employee must hold:

- (if he resides in Monaco) a valid residence permit;
- (if he resides in France) a French identity card or a valid residence permit and work permit;
- (if he resides neither in Monaco, nor in France) the applicant must get proper authorizations.

In this last case, the employer must draw up a contract of employment for the immigrant worker. This contract will, after approval by the department of Employment, allow the candidate to obtain the necessary visa for establishment in the Principality.

National Insurance and applications

Many different statuses are available and depend on the type of entity registered.

The main characteristics for people acting within a SAM are:

- **Board Members**

- Without delegation from the board, they can only take attendees fees but no remunerations
- With delegation from the board, they are able to get remuneration for their work
- No residency conditions (except for regulated entities, mainly in the financial sector)
- No national health insurance
- Expenses deductible from benefits
- Corporate law is applicable

- **Employees**

- Residency conditions presented earlier
- They are eligible to receive national insurance from the company for Health, Retirement, Unemployment, etc. Contributions are paid partly by the company and partly withheld by the company on behalf of the employee. To simplify, the employee being paid "Gross", the calculation is : (net for the employee = 87% of the gross amount) and contributions for the company is (gross amount x 1,35). The is a maximum over which these social charges are not due anymore.
- Labor law is applicable

Board Positions and Employment can be combined under certain conditions: all three of the above situations are cumulated and both laws are applicable. Whatever the salary of the employee position, the cost will be calculated on the assumption that the salary is 7.600 Euros.



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About shipping

Existing organizations

- **There are over 50 companies involved in shipping in Monaco**
- **20 of them are of medium to large size and well known in the shipping industry**
- **All sectors of the shipping world are active:**
 - shipowners, shipmanagers, shipbrokers (S&P, chartering), insurance brokers, shipping lawyers, traders, consultants, investment bankers, financial advisors
- **The total manpower involved in shipping is about 1,000 people**
- **The Monaco Chamber of Shipping was created four years ago and 27 companies have joined since.**

Monaco, a place for shipping: reasons for success

- **A large shipping culture, allowing good opportunities for networking and contacts.**
- **A history of shipping and a structure that allows for efficient and low-risk offshore operations.**
- **A Country that has demonstrated its interest for in the sea over the years and developed a strong environmental sensibility.**
- **A Government looking to boost the sector, and familiar with the organization of shipowning activities.**
- **A port that has become a major cruise hub in the Mediterranean sea, thanks to new facilities.**
- **Opportunities to socialize with other shipping contacts: the Propeller Club meets every month, and many other events and conferences are organized in Monaco.**
- **The Monaco Shipping Event, organized every other year in alternance with Posidonia, is now becoming one of the most prized social events of the shipping world.**

Standard organization for the Shipping Industry in Monaco

Private Holding or Listed holding registered abroad

One ship shipowning companies registered abroad

In Monaco

Administration / Management Companies

Charter Companies

With : Management contracts and/or Chartering contracts

Ship-owner, Top management and CEO ideally resident of Monaco to benefit from the entirely organization

The technical operations are located outside

In conclusion

Live in Monaco,

Benefit individually from not paying tax in a secure area where there is:

- **No tax or administration pressure**
- **No corruption**
- **A dynamic community which shares the same values.**

... And efficiently run your international business from an ideal hub in the center of Western Europe.

It will be our pleasure to be of any assistance in relocating your business to Monaco. Our scope of services is large and we can introduce your team to all preferred partners selected for key matters (telecom, IT, real estate, etc.) related to business relocation in Monaco.



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We are at your disposal

Contact details

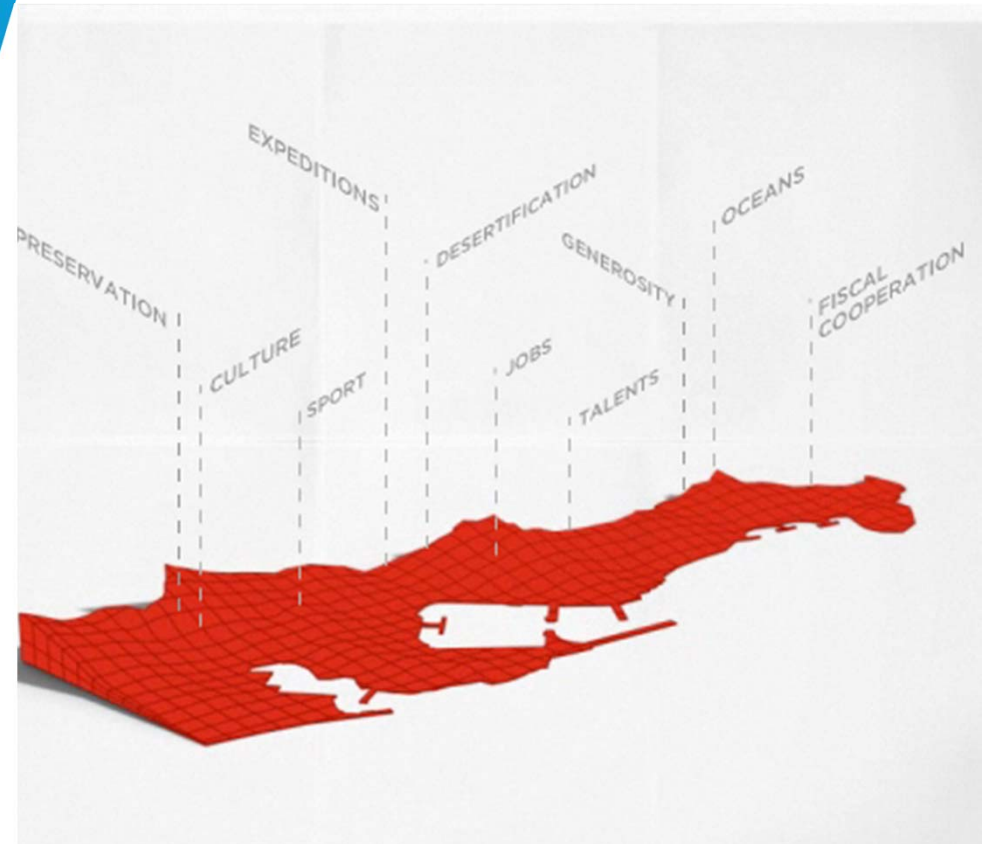
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