



## International entertainers and sports personalities

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International entertainers and sports personalities have become the world's latter-day nomads. They perform their art (whether hitting tennis balls, driving racing cars, composing music, or conducting orchestras) all over the world. Private jets allow international entertainers and sports personalities to perform in numerous countries to minimal time scales. The commercialisation of images, endorsements, merchandising and the exploitation of trademarks, names and logos may provide sources of revenue which far outstrip the revenue derived from the performance itself.

Large numbers of international entertainers and sports personalities reside in the Principality. They are made most welcome by the authorities. They will not be pestered by paparazzi or by the general public except when they choose. Monaco's excellent record of safety and security will help relieve fears of kidnapping or robbery for themselves, their spouse or their children.

The process of becoming a resident is relatively simple (see our publication "Moving to Monaco" for details). A residence card is taken up by direct

application to Monaco's immigration police authorities. An establishment visa from the French authorities will be required in advance, save where the applicant is a citizen of the European Economic Area (ie The European Union States plus Iceland, Norway and Liechtenstein) plus Switzerland.

## Monaco as a place of business

International entertainers or sports personalities may wish to do more than reside in the Principality. They may wish to set up a business such as a retail outlet, a recording studio, or an administrative office managing their image rights. Invariably they choose to use the services of a sports or media management company authorised to do business in the Principality.

## Taxation in the Principality of Monaco

There are no income taxes, wealth taxes or capital gains taxes in the Principality. A business profits tax applies but this is unlikely to be of direct relevance to international entertainers and sports



personalities save where:

- Royalties are received by a Monaco company or
- A commercial business run from the Principality generates more than 25% of its turnover outside the Principality.

But generally speaking, the income and capital of an international entertainer or sports personality will not be subject to any form of taxation in the Principality.

It may be subject to taxation elsewhere.

## Taxation in a country other than Monaco

Income tends to be taxed either by reference to an individual's place of residence, or by reference to the jurisdiction in which it arises. Clearly, an entertainer or sports personality resident in Monaco may expect not to be treated as tax-resident in another country but, beware, because residency in Monaco is not tantamount to being non-resident elsewhere .... an individual may have more than one place of residence for tax purposes.

Where an individual is not resident in a country in which they realise income the question of taxation at source arises.

Often tax at source is avoided completely, but only where a tax treaty can be invoked.

Having said that, Monaco has signed several tax treaties recently and will sign more. For example, a tax treaty exists between Monaco and Luxembourg.

If Monaco does not levy any taxes which are likely to affect an international entertainer or sports personality and if Monaco has not signed tax treaties with those territories in which an entertainer or sports personality is likely to derive revenue, corresponding taxation at source might be anticipated. The rate of such taxation will be a matter for the local law of the country where such revenue arises.

Value Added Tax or Goods and Service Tax might also arise.

## Tax avoidance

Attempts to circumvent or avoid or reduce taxation at source are an inevitable consequence of punitive withholding tax. Often income is redefined or re-classed

by entertainers or sports personalities, perhaps in an attempt to avoid taxation at source rules or to bring the income into a more favourable category. These matters can be highly complex. As early as 1987 the OECD said "Sophisticated tax avoidance schemes, many involving the use of tax havens, are frequently employed by top-ranking artists and athletes... there is general agreement that where a category of – usually well-known tax payers - can avoid paying taxes this is harmful to the general tax climate, which therefore justifies co-ordinated action between countries."

## Marital property and estate planning

But what of protecting assets that an entertainer or sports personality has already secured ? Like any assets they are prey to contentious claims in any number of jurisdictions. Not only should thought be given to unknown and unexpected litigation, but to claims closer to home (from managers, partners, spouses and even children) either during the individual's lifetime or on death.

Careful structuring of assets perhaps using Trusts or Foundations is an important part of the protection of assets.


Similarly, the drafting of Wills or the use of joint accounts must be considered.

Entertainers and sports personalities intending to marry (or already married) need to consider the implications of marital property rights and the use of ante-nuptial marriage contracts.

## The use of Monaco

An entertainer or sports personality who is demonstrably a resident of the Principality can better avoid a claim that he/she is resident in a high tax country. Furthermore, the entertainer's or sports personality's capital assets, which may be significantly more valuable than a revenue stream, are wholly protected from taxation with careful planning since Monaco has no punitive tax system for its own residents.

Monaco has also passed legislation which allows residents to consider the use of Trusts (in practice this is particularly relevant for Will Trusts) which will be wholly recognised and enforced by the Courts of the Principality provided specific circumstances prevail and formalities are respected. Moreover, in September



2008, Monaco acceded to the Hague Convention of 1 July 1985 on the Law Applicable to Trusts and their Recognition.

Monaco can be used, therefore, wholly legitimately and properly by international entertainers and sports personalities who genuinely reside there, to valuable effect.

## How can we help?

Our office has existed in the Principality since 1979. We are the only English based international law firm in the Principality. Between our Monaco, Dubai, Moscow and London offices we have the strength and depth to offer a full legal service to both local and international clients. We aim to advise our clients in an efficient and cost effective manner and with a particular emphasis on commerciality and confidentiality.

We speak a number of languages including English, French and Icelandic. We have a client base which includes entrepreneurs, entertainers, financial or banking services companies, fund managers, trust companies, sporting personalities and international families from many jurisdictions.

Beyond its London, Dubai, Moscow and Monaco offices LG has strong relationships with law firms throughout the US, Asia and around the world. These relationships enable us to advise comprehensively on any matters with an international dimension.

## Contact Details

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