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## PORTRAIT OF A TERRITORY

# France - Italy - Monaco

## COMPARISON OF FRAMEWORK CONDITIONS

Framework conditions are fairly similar between France and Italy: GDP per capita in terms of purchasing power, with the European average (27 countries) giving the base of 100, stood at 98 for Italy in 2013 and 108 for France.<sup>50</sup> Businesses are taxed at one third of their profits in France<sup>51</sup> and at 27.5% in Italy. After Germany and France, Italy is the third-largest economy in the euro area. The two countries are one another's second trading partner.

The Principality of Monaco only taxes companies which generate more than 25% of their profits outside the principality,<sup>52</sup> at a rate of 33.3%. Apart from this, no tax is applied, neither on companies nor on natural persons. Monaco has signed just one bilateral tax agreement, which is

with France. This allows the taxation of French residents in Monaco as though they were within French territory. In addition, the same level of VAT is charged in France and Monaco. This agreement therefore serves to limit the tax differences between France and Monaco.

Territories close to the border face particular constraints with respect to land: from the coast up along the Roya Valley, on both the French and Italian sides, available land is very scarce as, in addition to the limitations of the physical geography, a large part of the territory is a protected natural area.<sup>53</sup> With urbanisation having reached its limit (no more land available), there are strong tensions between demand for housing for working people, houses bought by retired people wanting to settle in the area and tourism (rented accommodation and second homes).

<sup>50</sup> Source: Eurostat.

<sup>51</sup> Up to €38,120 profit, a reduced rate of 15% is applied.

<sup>52</sup> As well as companies whose activity in Monaco consists in collecting revenue from patents or royalties on literary or artistic property.

<sup>53</sup> Available land is particularly scarce in the coastal area (32% of artificially-constructed land as compared to less than 4% in the middle and upper parts of the region), as well as in the whole of the Menton-Roya Valley employment area, 93% of which consists of natural spaces that are difficult to build on (geography and protection of the countryside).