

The tax haven that today's super rich City commuters call home

Monaco's rules from the steamship age allow UK entrepreneurs to enjoy financial advantages of the Riviera

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Monaco harbour. Photograph: David Levene

A new generation of Britain's super-rich are moving to the Riviera to avoid the Inland Revenue, largely thanks to tax loopholes which allow them to commute to work from Monaco. Such well-known residents as the recently-knighted retailer Philip Green and the Easyjet founder Stelios Haji-Ioannou have been joined in this tax haven by a new class of astonishingly-wealthy hedge fund managers, property developers and internet entrepreneurs.

The Guardian has traced more than 650 directors of British companies who give their current address as Monaco, and the top 10 residents there with UK interests alone control family assets worth more than £13.5bn.

"It's very commutable. It's as easy as living in Birmingham and working in London," says Roger Munns, who sells £3m-plus apartments to those referred to in the City as "the Monaco boys".

His sales territory is a corner of the principality reclaimed from the sea at Fontvieille, where new apartments are christened with reassuringly English estate-agents' nomenclature. The Maseratis and Mercedes convertibles cruise by blocks called "Seaside Plaza", while the rows of London-based yachts in the small harbour have names which tell their own story of modern English attitudes - "Sledge Hammer" and "New Flash".

Around the corner is the Columbus hotel, UK-owned, where visiting Britons sit in the bar discussing property prices, personal tax accountants and the relative merits of Monaco schools for their children versus those in the rival tax haven of Guernsey. Most of the snatches of mobile phone conversations overheard on the streets of Fontvieille are in English

One of Seaside Plaza's key attractions is that it is next to the heliport, where helicopters shuttle British businessmen along the coast to Nice airport in a mere seven minutes.

The crucial tax loophole, dating from the steamship age, allows non-residents 90 days a year in Britain, plus the day of travel out and the day of travel back. This means businessmen can fly in on Monday morning, work four days, fly out on Thursday night, and do this for most weeks in the year without breaking the rules.

One of those involved says: "You can even fly in one day and out the next, and it doesn't count at all, provided you don't do it too often."

The tax authorities have also allowed non-residents, since 1993, to keep a UK house without losing their status. Coupled with the laptop and a mobile phone, this makes it easy to run a British business from Monaco.

Traditionally, elderly Britons used to sell up their firms and retire to Monte Carlo with the proceeds, which were free of capital gains tax in return for a minimum of five years residence spent playing golf and lazing in the sun. Many still do this.

But now they are being joined by the thirty- and forty-somethings who treat the crowded principality more as a British suburb. There is zero income tax to pay on their dividends, and the Sûreté Publique will hand out a residence permit in return for evidence of a hefty deposit in a Monaco bank, and a willingness to pay sky-high prices for property.

"In the 90s, it was the Russians who turned up here with millions in suitcases", Mr Munns says, "but now the British have taken over. Many are high earners in the City and, of course, it is an attraction that their money is perfectly legitimate." He estimates that up to 40% of the current inquiries to YourMonaco.com, his online agency, are from Britain.

One of the City's richest Monaco commuters is Peter Cruddas (worth £864m), the son of a Smithfield meat porter and founder of internet financial traders CMC. His £10m apartment on the Avenue de Spélugues is one of Monte Carlo's swankiest addresses, just by the famous casino.

It only takes him one hour and 40 minutes to fly to London's City airport in his Cessna Citation.

"I don't want to give the impression I don't work hard. I never stop," he says. Mr Cruddas pays some tax on his UK income, but at a lower rate overall, and does not regard himself as a tax exile.

Another Monaco commuter is John Hargreaves, (worth £650m), the founder of the discount clothes chain Matalan, whose private plane regularly flies him to the company's Skelmersdale headquarters, via Blackpool airport.

Alongside his Dassault Falcon on the Nice tarmac can be seen the Gulfstream G550 of Philip Green (whose family is worth £4.9bn), and a host of other private jets. Sir Philip's enormous yacht, Lionheart, dominates Monaco's main waterfront at Port Hercule, tied up alongside the almost equally large Lady Beatrice, belonging to the semi-retired Barclay brothers, owners of the Daily Telegraph (family trusts worth £1.8bn). Directly overlooking the waterfront is the Shangri-La apartment of the Easyjet founder Sir Stelios, (£727m). Nearby is the residence of the big Tory party donor and conference company tycoon Irvine Laidlaw (£714m).

The tax arrangements are sometimes complex. Lord Laidlaw is reported to have ceased claiming tax exile status since receiving a peerage in 2004. Sir Philip does not claim non-residency, but receives his dividends via his Monaco tax-resident wife Tina. Sir Stelios is of Greek-Cypriot origin, and therefore has privileged "non-domicile" as well as "non-resident" tax status. He says: "I have no UK income to be taxed in the UK."

Last week, the former formula one racing champion and businessman Jody Scheckter (£100m) was on his 2,500-acre Hampshire farm, Laverstoke Park, selling buffalo milk ice-cream and lecturing visitors on the virtues of organic husbandry. He is tax-resident in Monaco.

His farm partnership is run with a Fontvieille resident, Jonathan Dudman, financial manager for the Monaco-registered IMG, which represents many international sportsmen. (Another Dudman client is Sven-Goran Eriksson, for whom he has set up a Monaco company for his international earnings). The Leeds United chairman Ken Bates (£15m) also resides in Monaco.

Another of Dudman's Fontvieille neighbours is the racing driver David Coulthard, who says tax is only part of his reason for living there, along with ease of international travel. He owns the Columbus hotel with a Glasgow hotelier and Seaside Plaza resident Ken McCulloch (£45m). In the next block is another British hotelier, the Tory party donor Firoz Kassam (£250m), who made his fortune from housing benefit claimants and asylum seekers.

Colourful figures who commute from Monaco include the Candy Brothers, Nicholas and Christian, who paid themselves £8m in dividends last year from developing luxury London flat interiors for Russian oligarchs. They are now under investigation by HM Revenue and Customs over capital allowance claims.

The financier Andrew Regan was threatened with extradition from Monaco before voluntarily returning to stand trial over claims of bribery in his attempted takeover of the Co-op. He was acquitted and subsequently went into business with the former Mercury Asset Fund manager Matthew Tawse, another resident of the palm-lined Avenue Princess Grace, overlooking the plages. Mr Tawse is a friend of Nigel Robertson, (£50m), founder of the internet information service Scoot.com, who lives in an adjoining block.

Jon Wood, a £20m-a-year UBS trader, is now planning Monaco's first hedge fund, SRM Global this autumn. He was criticised by Mr Justice Warren over a business dispute as a "very hard and calculating man".

Other financiers arriving in Monaco include Jim McColl (£330m), who runs the Glaswegian engineers Clyde Blowers, the Australian-born hedge fund manager Richard Farleigh (£62m) and Dominic Redfern, managing partner of the London hedge fund Altima, which has just purchased a privatised brewery in the Serb enclave of Bosnia.

The wealthiest residents

- 1 Sir Philip Green, retailer, est. family wealth £4.9bn**
- 2 Simon Reuben, property developer, £3.25bn**
- 3 Sir David & Fredrick Barclay, Daily Telegraph owners, £1.8bn**
- 4 Wafic Said, arms deal broker, £1bn**
- 5 Peter Cruddas, financial trader, £864m**
- 6 Lord (Irvine) Laidlaw, conference organiser, £730m**
- 7 Sir Stelios Haji-Ionnanou, Easyjet founder, £727m**
- 8 John Hargreaves, Matalan retailers, £630m**
- 9 Sir Michael Smurfit, Packaging group, £274m**
- 10 Richard Emanuel, mobile phone entrepreneur, £225m**

