

INFORMATION ON THE FISCAL AND CORPORATION LAW IN THE REPUBLIC OF SAN MARINO
SAN MARINO, the oldest Republic of the world (founded in the 301 a.c.), enjoys independent sovereignty having its own independent institutions; San Marino has acquired international status through acknowledgment from other States and adhesion to international treaties and organizations.

<<Benvenuti nell'antica Terra della libertà (Welcome to the ancient land of liberty)>>

(inscription at the entrances of San Marino)

TAX LAW:

Corporate tax (IGR)

The company income tax rate is **17%** (proportional).

The dividends distributed to shareholders (individuals) are subject to a 5% withholding tax. The dividends distributed to owners/shareholders (non individuals) are not subject to additional taxation in San Marino (if the shareholders are resident abroad becomes necessary to evaluate the treaties between San Marino and the foreign country on the "double taxation").

Tax withholding at the source

The San Marino companies act as withholding agent (on behalf of the Revenue Service) when they correspond payments to subjects nonresident (both companies and individuals), in money or nature, for carried out performances (consultancy of any kind). The withholding tax rate is **20%** with the exception of "artistic performances" where the rate is **7%**.

San Marino has a wide network of Double Taxation Avoidance Treaty which is necessary to evaluate for the application of such tax (for a complete list visit <http://www.studiogatti.sm/eng/news.php>)

Tax on services

Services rendered to individuals by a San Marino company are subject to a taxation at the rate of 3%. Services related to bar and restaurants, public transportation, estate rent, phone and telecommunications, insurance and banking and financial services are exempted.

Tax on commissions to agents / on advertising and data editing

The San Marino companies when paying out commissions to agents and/or representatives nonresident (both companies and individuals), are obliged to pay a tax rate of **6%** when selling or promoting foreign merchandise or services (the rate is reduced to 3% when selling or promoting sammarinese merchandise or services); such tax is to be withheld from the amount paid to the agents.

The San Marino companies when paying out remuneration to subjects nonresident (both companies and individuals) for advertising or data editing services are obliged to pay a tax at a rate of **3%**; such tax is to be withheld from the amount paid.

Import tax

The tax on the imports of goods and services connected to the goods is called "monofase" and has a rate of **17%**.

As a different concept from the "VAT", this tax only affects the goods and the services connected when those enter San Marino territory, not the "added value". The rate of 17% is reduced for specific categories of goods and according to their future use (i.e. personal computers or furniture for the company offices are taxed at 1% if they are instrumental to the activity). This tax is refundable when the goods are exported, even when they have undergone transformation.

START UP AND REGISTRATION OF A COMPANY:

The type of companies recognized by San Marino corporate law are:
the limited liability companies (S.R.L.) and the stock companies (S.P.A.).

Anonymous companies (S.A.) have been abolished effective September 30th 2010.

Anyone can own shares (up to 100%) of a San Marino company no matter the nationality and /or the residency (with limitations for specific sector where a preventative authorization must be released by the Administration - see below).

In the majority of cases, the registration of a new company in San Marino is very simple and not subject to restrictions.

The main conditions are the following:

- The owners/shareholders must be clearly identified by producing a valid I.D. and of "suitable integrity" by producing a clear criminal record and a non bankruptcy certificate;
- The company business case must be lawful, feasible, determined and consistent with the business purpose;
- The minimum company stock is according to the law: € 25.500,00 for the limited liability companies (S.R.L.), € 77.000,00 for the stock companies;

The administrative tasks for the start up and registration are fairly simple and can be fulfilled in about a week.

(our Chartered Accountant firm can guide you through all the steps of the process).

The companies can be managed by a "sole director" or by a Board of directors.

The financial statements must be approved by the shareholders assembly within May 31st, every year .

The companies are required to present the following fiscal documents to the Revenue Service every year:
the income tax return (within June 30th), and where necessary the declaration of "tax withholding at the source" (within June 30th), the declaration of "tax on commission to agents" (within June 30th), the declaration of "tax on imports" (within June 30th).

LIMITATIONS ON THE RELEASE OF A BUSINESS LICENCE :

For the following business categories the a.m. steps for the start up and the registration of a Company must be preceded by the authorization of the Administration (if there is a solid business plan behind the request, the authorization is normally granted):

1. the economic activities in the field of application of the 1997 Agreement between San Marino and the Italian Republic on the Mutual Regulation of the International Road haulage;
2. the economic activities of production and printing in the field of numismatics and philately;
3. the economic activities of construction in the field of road construction and repairs including the systems and nets below;
4. all the economic activities in the field of energy, water and gas, telecommunications;
5. the economic activities in the field of garbage management and metal scrap;
6. all the economic activities in the field of private security and investigations;
7. the economic activities in the field of precious metals and stones;
8. all the economic activities regulated by special law (i.e. banking and medical activities).

With reference to point 8, for the economic activities in the financial field (banking, investments, insurance, financing, fiduciary activity) it is necessary, other than the authorization of the Administration, the acceptance by the Surveillance Authority of San Marino Central Bank.

INCENTIVES FOR NEW BUSINESS ACTIVITIES

Following the approval of the tax reform (Law 166 /2013) entered into force on January 1st 2014, newly incorporated companies where shareholders and/or beneficial owners have not exercised the same business activities in San Marino in the last 12 months and will hire 1 employee (eventually including the company director) within 6 months and further 1 employee within 24 months from starting the activity, have the following benefits:

- Exemption on the payment of the first release of the license tax (€ 1.700,00);
- Exemption on the payment of the license tax for the first 3 years of activity (€ 650,00);
- For the first five years corporate tax is reduced to 50% (currently 8,5% instead of 17%) with the possibility to implement such benefit starting from the third year of activity;
- Losses of the first 3 years can be carried forward for an indefinite period of time and compensated against profit;
- Tax credit for training courses and R&D

Furthermore there are additional incentives regarding hiring of personnel, detaxation of re-invested profits and most of all on high tech start up companies for which there is a specific law.

SAN MARINO BANKING SYSTEM

San Marino is a SEPA (Single Euro Payments Area) member since February 2014.

Anyone can open a bank account in San Marino, by showing proof of identity (a valid I.D.) and undergoing Customer Due Diligence in accordance with Gafi recommendations.

San Marino bank privacy can be lifted in the following cases:

- upon specific request from countries whose tax authorities have signed a TIEA or DTA according to OECD model;
- upon request from a San Marino judge who is conducting a criminal investigation;
- upon request from San Marino Tax authorities;
- upon request from San Marino Financial Intelligence Unit who is in charge for countering money laundering and financing of terrorism.

SUMMARY OF SAN MARINO FISCAL ADVANTAGES:

1. The existence of only one company income tax . Companies are subject to an income tax rate of 17% (proportional).
2. Simple and friendly fiscal system.
3. All costs supported in managing the company and attaining the profit are tax-deductible
4. Amortization: totally tax-deductible from the first fiscal year.
5. The profit attained can be completely distributed (there is no legal reserve, except for banks and financial companies)
6. Financial lease contracts: possibility of deduction according to the duration of the contract (other than that, for properties the maximum amortization rate is 4%). Minimum duration of financial lease: 24 months for personal properties, 48 months for real estate.
7. Possibility to take forward a financial loss in the 3 successive fiscal years
8. No VAT system. The tax on the imports of goods and services connected to the goods is called "monofase" and has a rate of **17%**. As a different concept from the "VAT" , this tax only affects the goods and the services connected when those enter San Marino territory, not the "added value". The rate of 17% is reduced for specific categories of goods and according to their future use (i.e. personal computers or furniture for the company offices are taxed at 1% if they are instrumental to the activity). This tax is refundable when the goods are exported, even when they have undergone transformation.