

Malta

A Financial Services Centre



The Tax System in Malta



Something about Malta

- Rich history and cultural heritage, including Neolithic temple buildings pre-dating the pyramids in Egypt
- The rule of the Knights of Malta
- British rule from 1801 to 1964
- Independent since 1964
- EU member since 2004
- English as an official language



Malta - a Financial Services Centre

- Offshore jurisdiction in 1988
- Business legislation was revised in 1994
- 1994 legislation designed to turn Malta into an onshore international Financial Services Centre
- International tax provisions accepted by OECD - June 2000
- Malta joined EU on 1 May 2004
- Agreement with EU reached on 23 March 2006 leading to changes effective 1 January 2007



QUBE – main areas of activity

- Tax advice and implementation
- Limited liability companies
- Local branches/partnerships and other flexible and transparent structures that achieve tax efficiency
- Trusts
- Funds & other Collective Investment Schemes, including Professional Investor Funds (PIFs)
- Banks & Financial Institutions
- The Malta International Ship Registry



Definition of “Participating Holding”

- 10% of equity shareholding; or
- Shareholder entitled to Board position; or
- At least Lm500,000 (approx €1,165,000) and held for 183 days; or
- Shareholder entitled to call for entire balance of equity shares; or
- Shareholder entitled to first refusal in case of disposal/cancellation; or
- holding is for furtherance of own business

Where more than 50% of income of subsidiary consists of passive interest/royalties, subsidiary would still qualify for PH status if it is not a portfolio investment and the income has been subject to at least 5% tax.



Participation Exemption

- Exemption on income & gains from PH
- Income not included in tax computation
- Some anti-abuse provisions on income, but not on capital gains

Some exceptions to anti-abuse provisions :

- a. Income from EU subsidiaries
- b. Income from subsidiaries subject to foreign tax of at least 15%
- c. Less than half of income represents passive interest/royalties;
- d. Holding not a portfolio investment and passive income not taxed at less than 5%



Double Taxation Relief

Three main types of relief

- Treaty Relief
- Unilateral Relief
- Flat Rate Foreign Tax Credit
- EU Directives



Double Taxation Relief

Treaty Relief

- 47 Double Taxation treaties
- Based on the OECD Model
- Credit Method
- Source by source and country by country



Double Taxation Relief

Unilateral Relief

- virtual DTA with the entire world
- Any overseas taxes allowed as credit against the income tax chargeable in Malta, subject to proof of tax at source



Double Taxation Relief

Flat Rate Foreign Tax Credit

- In the absence of evidence of tax at source...
- Income deemed to have suffered tax at source...
- ...and a credit is allowed for such deemed tax

	€
Income	800
Deemed Tax (25%)	200
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Grossed-up Income	1000
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Malta Tax (35%)	350
Credit for Deemed Tax	200
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Malta tax payable	150
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Expressed as %	18.75



Tax Accounts

5 Different tax accounts

- Final Taxed Account (FTA)
- Immovable Property Account (IPA)
- Foreign Income Account (FIA)
- Maltese Taxed Account (MTA)
- Untaxed Account



Refunds of Malta tax

- Companies charged to tax at 35% of profits
- Shareholders entitled to claim refunds of tax paid in Malta by company
- On income allocated to the FIA and MTA
- Upon dividend distribution
 - 6/7 Refund
 - 5/7 Refund
 - 2/3 Refund
 - 100% Refund



Refunds of Malta tax

6/7ths refund

	<i>No foreign tax suffered</i>	<i>Foreign tax @ 5%*</i>	<i>Foreign tax @ 15%*</i>
Income allocated to MTA*/FIA	100.00	100.00	100.00
Foreign tax suffered	-	5.00	15.00
Net received in Malta	100.00	95.00	85.00
Chargeable income	100.00	100.00	100.00
Malta tax @ 35%	35.00	35.00	35.00
Credit for foreign tax	-	5.00	15.00
Malta tax paid	35.00	30.00	20.00
Tax refund (6/7 subject to maximum)	30.00	30.00	20.00
Maltese tax leakage	5.00	-	-

If income is allocated to the FIA and relief for foreign tax has been claimed, a 2/3 (instead of 6/7) refund is available



Refunds of Malta tax

5/7ths Refund (passive interest/royalties)

*No foreign tax
suffered*

Income allocated to FIA	100.00
Foreign tax suffered	-
Net received in Malta	100.00
Chargeable income	100.00
Malta tax @ 35%	35.00
Credit for foreign tax	-
Malta tax paid	35.00
Tax refund (5/7 subject to maximum)	25.00
Maltese tax leakage	10.00



Where interest and royalties have been subject to foreign tax at a rate of 5% or more, no longer passive and therefore 6/7 refund

Refunds of Malta tax

2/3rd s refund (FRFTC)

	<i>Claiming FRFTC</i>
Income allocated to FIA	100.00
Grossing up for FRFTC	25.00
Chargeable income	125.00
Malta tax @ 35%	43.75
FRFTC	25.00
Malta tax paid	18.75
Tax refund (2/3)	12.50
Maltese tax leakage	6.25

Note : it may be more beneficial, in some situations, to claim FRFTC even if other forms of tax relief are available



Refunds of Malta tax

100% refund (participating holding)

	<i>Not claiming FRFTC</i>	<i>Claiming FRFTC</i>
Income allocated to FIA	100.00	100.00
Grossing up for FRFTC	-	25.00
Chargeable income	100.00	125.00
Malta tax @ 35%	35.00	43.75
FRFTC	-	25.00
Malta tax paid	35.00	18.75
Tax refund (100%)	35.00	18.75
Maltese tax leakage	-	-



Trusts

- The Maltese Trusts and Trustees Act
- Malta resident trustee – Malta resident trust
- Tax neutral
- Trust may opt to be taxed as a company



Funds

- Well regulated, reputable jurisdiction
- Flexible, swift and open regulator
- Professional Investor Funds (PIF)
 - Investor qualification emphasis
 - No investment restrictions
 - Virtually no leverage restrictions
- Swift and cost-effective licensing
- Low initial capital
- Tax neutral



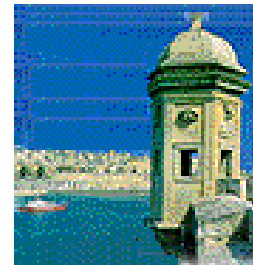
Ship Registration

- Well regulated, reputable jurisdiction
- Tonnage Tax regime
- Tax exemption for owners, operators & charterers
- Cost effective jurisdiction
- No nationality restrictions
- No sale and mortgage restrictions



Other

- No outbound withholding taxes
- Mix trading and holding activities
- Annual audit, IFRS compliant
- Well regulated jurisdiction
- Skilled workforce
- Low operating costs
- EU approved laws



THANK YOU



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