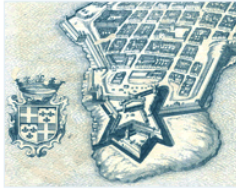




QUBE SERVICES LIMITED

NEWSLETTER

October 2008



QUBE Services Limited and the associated law firm David Griscti & Associates (DG&A) provide a comprehensive range of services to all international business structures, funds, trusts, companies, individuals and other entities. We focus on trust and company formation, fund licensing and registration, tax and other advice to funds, companies and individuals and provision of related administration services. We seek to provide premium quality services in a timely manner to the satisfaction of our selected clients.

NEWS

Prevention of Money Laundering and Funding of Terrorism

New regulations have been introduced with the objective of implementing the provisions of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing, including Directive 2006/70/EC of the European Commission of 1 August 2006 laying down implementing measures for Directive 2005/60/EC.

Double Taxation Treaties with Greece and USA

On the 30th August, 2008 the agreement between Malta and Greece for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes on Income, became operative.

On the 8th August 2008 an agreement between Malta and the USA for the avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes on income was signed. The agreement is not yet in effect.

Hedge Funds on the increase

By June this year Malta had licensed double the amount of hedge funds licensed during all of last year. According to Prof. Bannister, the MFSA Chairman, the UCITS sector in Malta is also showing signs of further expansion while the fund servicing sector, particularly fund administration capacity, is also expanding.

Being part of the EU has allowed Malta to develop into a fully fledged funds domicile that provides competitive access to the European and international markets. Recent updates in legislation have been mainly inspired by developments at EU level and included the implementation of the EU Markets in Financial Instruments Directive (MiFID), the Capital Requirements Directive (CRD) and UCITS III, including the incorporation of the new eligible assets regime.

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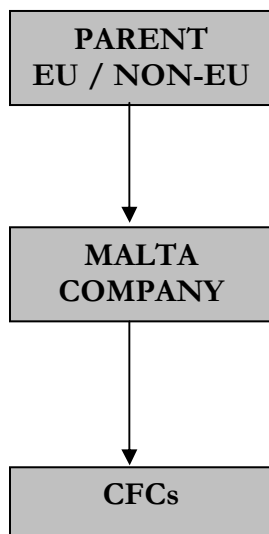
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INTERNATIONAL TAX PROVISIONS – GENERAL INFO

Intellectual Property Model Structure

A Malta Company receiving royalty income from non-Maltese CFCs is taxable in Malta at a rate of 35% on the profit (eg after deducting any royalties paid). If the royalty has not suffered any tax outside Malta, the Malta Company may opt to use the Flat Rate Foreign Tax Credit (FRFTC) whereby the net tax liability of the company goes down to 18.75%. Furthermore, when the Malta Company distributes the income to its shareholder, the shareholder would be entitled to a refund of 2/3 of the tax paid by the Malta Company, resulting in a refund of tax equivalent to 12.50%. Therefore, in this case, the effective Maltese tax on the profit from the royalty income would be 6.25% after distribution of the income.

If the Malta Company chooses not to avail itself of the FRFTC, the parent would qualify for a 5/7 refund of the tax paid by Malta Company when distributing the profits, resulting in an effective Maltese tax on the royalty income of 10% after distribution of the income.



Advantages include:

- Avoids the use of tax havens and non-EU structures
- Effective tax after refund 6.25% or 10% (optional)
- No Maltese withholding tax on dividends (or royalty) payments out of Malta
- No Maltese thin capitalisation rules
- The Maltese company should benefit from Malta's Double Tax Treaty network and EU direct tax Directives
- Malta offers high quality cost efficient solutions for administration services

Naturally, the CFC regime in the parent company jurisdiction should be considered.

Maltese transfer pricing rules are not sophisticated, and therefore back-to-back structures with low profit margins left in Malta should be feasible. The tax treatment of the margin would be as above.

For more information regarding the above, or any other matter concerning Maltese issues, please do not hesitate to contact Michael Ellul (michael.ellul@qubeservices.com) or Thomas Jacobsen (thomas.jacobsen@qubeservices.com) on +356 21227553

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