



TAXATION OF MALTA TRADING COMPANIES

Trading Companies Taxation

TAX SYSTEM

EU Approved

NO WITHHOLDING TAX

On outbound dividends

TAX REFUND SYSTEM

Possible effective tax rate of 5%.

DOUBLE TAX TREATIES

Broad network of approx. 70 signed DTTs

EU

Member of the EU & Eurozone

WORKFORCE

Well qualified, multilingual workforce

REDOMICILATION

Swift procedure

UNILATERAL RELIEF

Double taxation relief without DTT in place



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MALTA

Malta's location at the crossroads of Europe and North Africa and its many years of being a colony has led it to becoming a highly adaptable jurisdiction and accustomed to the challenges brought about by change. During the last couple of decades it has enjoyed political stability and a long period of uninterrupted economic growth. It has been a member of the EU since 2004. Moreover, Malta offers a transparent administrative and legal framework, low incorporation and maintenance costs for businesses and a highly efficient tax regime. It boasts an excellent education system based on the British model and a multilingual, qualified workforce.

All of those reasons contribute towards making Malta a perfect location for the setting up of trading companies with an international footprint. Maltese laws place no restrictions on the scope of a company's business activities and trading is taken to mean anything from buying and selling goods to provision of consultancy services, the development of software or the creation of perfumes.

LEGAL BASIS

The taxation of Malta companies is governed by the Income Tax Act and the Income Tax Management Act.

The Income Tax Act contains the laws regulating the taxation of trading income, whilst the Malta tax refund system, along with other formalities, is regulated by the Income Tax Management Act.

TAXATION OF MALTA TRADING COMPANIES

Malta trading companies are subject to tax on their worldwide income less deductible expenses at standard corporate income tax rate of 35%. Nevertheless, upon receipt of dividend, the shareholders of such company would be eligible to claim a refund of part of the tax paid in Malta at the level of the trading company. The same would apply to shareholders of foreign companies with a branch in Malta that receive dividends out of branch profits which have been subject to tax in Malta.

The amount of the refund would depend on the type and source of income received. In most cases the shareholder of a Malta trading company would be eligible to obtain a refund of 6/7ths of Malta tax paid. Where the income which has suffered tax overseas is income from permanent establishment or branch outside Malta, the tax refund which a shareholder can claim will be limited to 2/3rds of the Malta tax paid.

Furthermore, Malta does not levy withholding taxes on outbound payments of dividends, interest and royalties to non-resident shareholders.

Malta is one of the few remaining jurisdictions to operate a full imputation system of taxation. The full imputation system provides relief from economic double taxation on dividend income by granting a credit of the tax paid at source on profits by a Malta company to its shareholders receiving dividends. As a result no further tax is due in Malta on the dividend at the level of the shareholders.

BENEFITS



Reputation of an EU jurisdiction



Broad interpretation of trading activities



No WHT on outbound dividends



Gains on disposal of shares by non-residents are exempt from tax in Malta



TAX LOSSES

Deductibility of expenses: Expenses incurred wholly and exclusively in the production of the company's income may be taken into account when calculating the company's taxable profit

TRADING LOSSES

Any unutilized trading tax losses may be carried forward indefinitely until they are completely offset by taxable profits. Unutilized capital losses may also be carried forward indefinitely however they can only be offset against capital gains.

GROUP RELIEF

As an alternative to the carrying forward of tax losses, the Income Tax Act permits a company to surrender a trading loss to another company provided that other company forms part of the same "group".

For the purposes of the group relief provisions two companies resident in Malta but neither of which is resident for tax purposes in any other country shall be deemed to be members of a group of companies if one is the fifty one per cent subsidiary of the other or both are fifty-one per cent subsidiaries of a third company resident in Malta. Group relief shall be available where the surrendering company and the claimant company are both members of the same group throughout the year preceding the year of assessment for which the relief is claimed.

DOUBLE TAXATION RELIEF

Any income received by a Malta trading company which has already suffered tax overseas may benefit from relief from double taxation either by virtue of a bilateral tax treaty which Malta has signed with the jurisdiction in question, Commonwealth relief or by virtue of unilateral relief provided under Maltese domestic tax law.

REDOMICILIATION TO MALTA

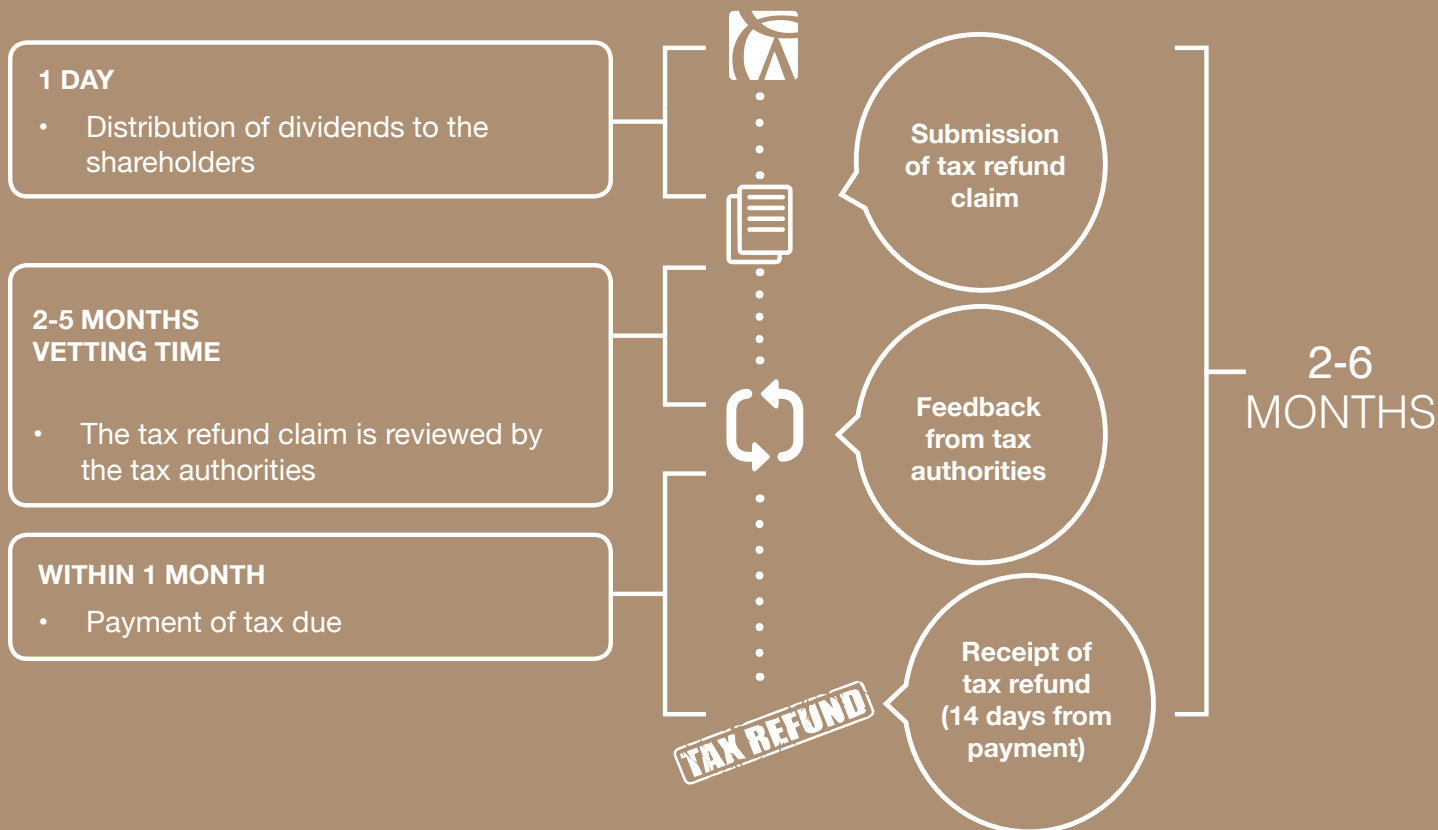
The Maltese legal system allows for moving the domicile of a foreign company to Malta, subject to certain conditions. This efficient solution enables a smooth business transition. It may be executed in a single procedure and does not require winding-up of the foreign company and subsequently re-incorporating in Malta, which means that existing contracts and agreements may remain in force.

Once a foreign company has been redomiciled to Malta, it will enjoy exactly the same tax treatment as companies incorporated in Malta. The redomiciliation itself would also not trigger any entry tax. Moreover, the company could claim a step-up in the base cost of assets located outside Malta. Therefore, foreign investors that would like to benefit from favorable Maltese corporate tax regime may consider, as one of the options, redomiciliation of their existing foreign trading companies to Malta.



MALTA TAX REFUND MECHANISM

Tax Refund Timeline



WHY WORK WITH US?

