

Malta Tax System



Malta has a dynamic economy based on international trade and international business. Amongst its achievements, Malta

has built a sound and competitive manufacturing and services base that does not rely only on its favourable geographic position, but also on its multi-skilled, multi-lingual workforce. Our country offers political stability, healthy industrial relations, a pleasant and secure living environment and evident cost advantages together with high productivity levels, an infrastructural set-up with advanced telecommunications, and well connected air and maritime distribution network. Air links with all major European, North African and Middle Eastern destinations are both frequent and efficient. Shipping lines are served by excellent natural harbours while international shipping companies provide both conventional and roll-on/roll-off services transporting merchandise to ports across the Mediterranean, Europe, Asia and the Americas from Malta's Freeport zone.

Key features of Malta Entities

Type of companies:

- Limited Liability Company:
 - Public
 - Private
- General/Limited Partnership
- Co-operative
- Branch of overseas company

Trust and Foundation

Yes.

Registered office in Malta

Yes.

Minimum authorised and paid-up capital

€1,164. Where the capital does not exceed the minimum, it must be fully subscribed on incorporation. Where it exceeds the minimum, at least 20% of the nominal value of each share must be paid up on incorporation.

Bearer shares

No.

Why Malta?

- ◆ Strategic geographical location and marketing advantages
- ◆ Malta's convenient time-zone
- ◆ English is an official language
- ◆ Multi-lingual and highly skilled workforce
- ◆ Dedicated, competitively priced human resources
- ◆ A 'can do' business environment
- ◆ Consistently pro-business government policies
- ◆ Stable political environment
- ◆ Top business support services
- ◆ Excellent telecommunications
- ◆ State-of-the-art transshipment and distribution facilities
- ◆ Social and economic stability
- ◆ Access to the European market
- ◆ Legislative framework in line with EU directives
- ◆ Attractive tax system:
 - The majority of holding companies in Malta are taxed at 0%, trading companies taxed at an effective rate of 5%
 - No withholding taxes
 - No tax on dividend payments
 - Only €240 to be paid up in share capital on company incorporation
- ◆ An extensive Maltese double tax treaty network and other double tax relief mechanisms (Malta has concluded over 50 double tax treaties)
- ◆ A pleasant lifestyle



Shareholder/Director

Minimum number of shareholders - 1 (individual/s or company/ies).
Minimum number of directors – 1.

Company Secretary

Minimum 1.

Fiduciary/Trustee

Yes.

Requirement to file Annual Return

Yes, 42 days after the date to which it is made up.

Requirement for Financial Audited Accounts

Yes.

Requirement to file Financial Statements

Yes, ten month after the end of the relevant accounting reference period + 42 days.

Requirement to file Tax Return

Yes.

Double Taxation Agreements

60.

Tax

The overall Malta effective tax rate is generally approximately 5%.

Full Imputation system

Malta operates the full imputation system of taxation whereby the tax paid by the company is available as a credit to the shareholders when distributions are made to them.

Explanation

Companies in Malta are subject to income tax at the flat rate of 35%. Shareholders in Maltese companies are entitled to claim a tax refund on the advanced corporate income tax paid by the distributing company. The operation of the tax refund system reduces the effective tax rate suffered in Malta to 0% - 5%.

The refund system

- refund of 100% – in the case of companies which distribute dividends out of profits derived from holdings that qualify as participating. Total effective tax rate paid in Malta will be **0%**;
- refund of six-sevenths (6/7th) – when dividends are paid by trading companies to the shareholders, the shareholders are entitled to claim 6/7ths refund of the Malta tax paid by the company on the profits out of which the dividend is paid. Taking into account such refunds, this results in an effective rate of Malta tax of **5%**;
- refund of 2/3rds – in case of a Maltese company which derives any type of income, including passive interest or royalties and in respect of which profits the company has claimed double tax relief, the shareholders may apply for a refund of two-thirds of the tax paid by the Maltese company. This results in a maximum effective tax payable of **6.25%**, which can be reduced further depending on the company's expenses;



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- refund is of 5/7ths - in the case of companies which distribute dividends out of profits derived from passive interest or royalties, resulting in a net tax paid in Malta of **10%**. Conditions apply.

Procedure for refund

These statutory refunds are legally guaranteed and are paid efficiently by the Inland Revenue Department to the shareholders within 14 days from the payment of the tax.

Example

Company	€
Chargeable Income	100
Tax @ 35%	35
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Profit after taxation available for distribution	65
Shareholders	
Dividend received	65
Refund of company tax to shareholders (6/7ths)	30
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Total fund received by shareholders	95

Combined Malta Effective Tax is 5%.

Group relief

Trading losses incurred by a company may be surrendered to another company or companies within the same group.

Exchange control

No.

Redomiciliation permitted

Yes.

Trust

Exempt from taxation (where the beneficiaries under a trust are non-residents and the income of the trust does not arise in Malta).

Maritime

Shipping companies based in Malta are totally exempt from taxation on ships over 1,000 tons. The exemption is valid for the operation and ownership of Maltese registered vessels, including charterers and financiers.



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*For more detailed information on the above and on how we can help you, please contact us at info@ejz.com.mt
or visit our website at www.ejz.com.mt*