

Malta

General	
Type of Company	Private Limited Liability Company
Political Stability	Good
Common or Civil Law	Civil (strong common law influence)
Disclosure of Beneficial Owner	No (optional)
Migration of Domicile Permitted	Yes
Corporate Taxation	Yes but credits/refunds should apply to shareholder(s)
Language of Name	Latin Alphabet
Corporate Requirements	
Minimum Number of Members	Two/One
Minimum Number of Directors	One
Corporate Directors Permitted	Yes
Company Secretary Required	Yes
Authorised Share Capital	€1,165
Local Requirements	
Registered Office/Agent	Yes
Company Secretary	No
Local Directors	No
Local Meetings	No
Register of Directors	Yes
Register of Members	Yes
Annual Requirements	
Annual Return	Yes
Submit Accounts	Yes (Audited)
Recurring Government Costs	
Minimum Annual Tax/Licence Fee	N/A
Annual Return Filing Fee	€100 (min)

GENERAL INFORMATION

Introduction

The Republic of Malta is a small island nation consisting of an archipelago in the middle of the Mediterranean Sea, of which only the three largest islands Malta (*Malta*), Gozo (*Għawdex*), and Comino (*Kemmuna*) are inhabited. The strategically located islands constituting the Maltese nation have been ruled by various powers and fought over for centuries, and they have a deeply rooted history dating back to neolithic times.

Malta's strategic geographical location played a decisive role in its history and continues to play a very important part in its economical, political and cultural development and prosperity today. Having implemented a sound legislative framework over the past decade, Malta's accession as a member of the European Union has stimulated significant developments in the islands' economy, brought about principally by a boost of inward direct investment into the country. With its highly educated workforce and the comparatively lower cost of professional services when compared with other EU centres, Malta has become firmly established as a reputable business and financial centre offering attractive business solutions for individuals and international corporations alike.

Population

The population of the Islands is approximately 410,000 (this figure includes foreign nationals residing in Malta). Maltese society is homogeneous having its own identity and language (English and Maltese are both national languages). The natural population growth has in recent years been supplemented by a net inflow of returning migrants who had previously emigrated to America, Canada, Australia and the United Kingdom.

Political Structure

Malta boasts a rich history of tradition and culture lavishly woven by the many civilisations that have swept the Mediterranean leaving their imprints on those small islands. The first evidence of life dates back as far back as the Neolithic age, when early settlers some 6000 years ago left evidence of their magnificent temples of worship and burial grounds. After these, new faces belonging to new civilisations appeared, all leaving their indelible traits: Phoenicians; Carthaginians; Romans; Arabs; Aragonese; the Knights of St. John; the French under Napoleon Bonaparte and finally the British. The British stayed for more than a century and a half and during this time set up a prominent naval and military base for their Mediterranean fleet and their influence, particularly on the infrastructure of the country, its legal system and its civil service, remains.

Malta obtained its independence in 1964 but retained a NATO military base, which turned out to constitute the Island's main source of revenue. Ten years later it became a Republic and in 1979 it closed the military base.

Malta is a sovereign independent state enjoying traditional political, economic and social stability. It enjoys a parliamentary democracy based on the Westminster model. It joined the EU in May 2004 and forms an integral part of Western Europe both politically and culturally. Malta is a member of the United Nations, of the Council of Europe and of the Commonwealth. Malta maintains friendly relations with all countries through its policy of neutrality and non-alignment.

The President is the titular head of the state, while executive powers rest with the Prime Minister and the Cabinet. Parliament is composed of 65 representatives elected every five years. Based on the English juridical system, the judiciary has a tradition of independence that dates back hundreds of years. The supreme law of the country is its written constitution, which expressly incorporates the fundamental principles of Balance of Powers, the Rule of Law, the Independence of the Judiciary and the Human Rights.

Infrastructure and Economy

With the closure of the military base in 1979, it became imperative for the country to launch a series of development programmes to re-orientate the Islands' economy.

A strong infrastructure and promotional drive basing itself on price competition and on high standards of tourism facilities turned tourism into Malta's primary source of foreign exchange, with more than a million tourists visiting Malta each year. Malta's natural harbours host one of the most renowned dry-docks in the Mediterranean and a shipbuilding yard.

The geography of the Island has always provided natural attractive safe marinas for yachts coming from all over the world. Manpower is the most precious resource in Malta. Human resources development is fundamental to the Island's economic progress, which is why great stress is placed on an enlightened education system and the training and preparation of the labour force to levels required by modern industry and sophisticated technology.

Following an overhaul of Malta's financial legislation in the early 1990s, Malta has obtained international recognition as a stable financial services centre of repute. Today, Malta's regulatory framework for financial services is fully consolidated and aligned to internationally recognized standards. Its onshore regime provides a seamless framework that supports both domestic and international economic activity. The Malta Financial Services Authority (MFSA) is Malta's single regulator for banking, investment services, insurance and other financial services activity. The regulator's accessibility and its pro-active approach to addressing market developments has proved to be a highly successful formula.

The Maltese financial services industry has witnessed a rapid growth over the last decade, with over 7,000 people currently employed in the financial services sector (excluding law firms and accountancy firms), contributing a significant 12% to the

country's GDP. The Maltese Government continues to evaluate and update relevant legislation and regulations, keeping it abreast of developments in the industry with a view to maintaining Malta's competitiveness in this sector.

Malta joined the 2004 EU enlargement along with nine other countries. Several state-controlled corporations were sold and markets were liberalised in anticipation of Malta's EU membership whilst the Government's remaining participations in the private sector continue to be privatised.

Reserves for foreign currency per head are amongst the highest in the world. With more than 100 years experience behind them, Malta's banks are continually expanding and improving their services. Financial institutions have been streamlined to keep abreast of transformations that are taking place in what has become a global marketplace. Exchange controls have also been removed to facilitate the free movement of capital across Malta's national borders, in line with EU legislation.

The Maltese government entered the ERM framework II in May 2005, and adopted the Euro as the country's currency on 1 January 2008. Malta also adopted regulations implementing the provisions of the Schengen Treaty in December 2007.

There are several daily flights to Malta from all major European cities.

Language

The Republic's official languages are Maltese and English; all Maltese citizens speak the latter fluently. Business correspondence is mainly in English. Most of the population is also fluent in Italian.

Currency

Euro

Exchange Control

Exchange controls have been abolished since 19 April 2004, save for certain restrictions for transactions involving non-residents from non-EU/non-EEA countries.

Type of Law

Malta is a Civil Law jurisdiction, however, all modern legislation including company, tax and maritime laws are modelled on their UK counterparts.

Principal Corporate Legislation

Companies Act, 1995; Trusts and Trustees Act, 1988; Malta Financial Services Authority Act, 1994; Investment Services Act, 1994; Banking Act, 1994; Financial Institutions Act, 1994; Financial Markets Act, 2002 and the Business Promotion Act, 1988.

COMPANY INFORMATION

Procedure to Incorporate

This entails the deposit of the paid-up issued share capital into a bank account and the filing of the Memorandum and Articles of Association with the Registrar of Companies. Non-EU/ non-EEA resident shareholders are also required to submit a bank reference besides an identification document for the immediate shareholder (e.g. passport copy or certificate of incorporation).

Restrictions on Trading

There are no specific restrictions on trading imposed on Maltese Companies. However, companies involved in particular spheres of economic activity may require a licence before commencing their activities. Such activities would include investment services, insurance business, other financial services and also gaming activities, to mention a few.

Powers of Company

A Maltese company may exercise all those powers outlined in the Memorandum and Articles of Association of the Company.

Language of Legislation and Corporate Documents

English.

Registered Office Required

Must be maintained in Malta.

Shelf Companies Available

No.



ISO 9001:2000
Certificate Number 91196

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Time Scale to Incorporate

Two to three working days.

Name Restrictions

Anything identical or similar to the name of a company already incorporated or reserved; anything that in the opinion of the Registrar of Companies is offensive or otherwise undesirable.

Language of Name

Names can be expressed in any language using the Latin alphabet.

Suffixes to Denote Limited Liability

The name of the company must end with the word "Limited" or "Ltd" in the case of private limited companies and "p.l.c." in the case of a public limited company.

Disclosure of Beneficial Ownership to Authorities

The identity of the beneficial owners of a Maltese Company may remain confidential if a trustee company authorised by the Malta Financial Services Authority is engaged to act as shareholder on behalf of the underlying beneficial shareholders. This confidentiality is maintained as long as the company and its beneficial owners are not involved in any money laundering activity.

COMPLIANCE**Authorised and Issued Share Capital**

The minimum authorised share capital of a private limited liability company is of €1,165. The minimum issued share capital of a private limited liability company is €1,165, 20% paid up. The share capital may be denominated in any convertible currency.

Classes of Shares Permitted

A company may have different classes of shares.

Licence Fees

A one-time minimum fee of €245 for an authorised share capital of up to €1,500. The minimum annual return filing fee is of €100 with effect from the second year.

Financial Statements Required

Audited accounts.

Directors

A minimum of one who need not be a Maltese resident. Corporate directors are also allowed.

Company Secretary

The secretary is to be an individual and may be a non-resident of Malta.

Shareholders

The minimum number of shareholders is normally two; however a "single member company" may also be registered, subject to the satisfaction of certain requirements.

TAXATION**Full Imputation System**

Malta operates the 'full imputation' system of taxation so that any tax paid by the company is imputed to the shareholder in the event of a dividend distribution. The tax withheld by the company from the dividend it distributes is, therefore, no more than a payment on account of the shareholder's own liability.

Tax Rates

Income Tax is the only tax imposed on the profits of companies. The standard corporate rate of income tax is fixed at 35% of taxable income, which is the net profit (accounting profits) as reported in the companies' audited financial statements, subject to certain adjustments. All expenses incurred wholly and exclusively in the production of the income are considered deductible for tax purposes.

The distributable profits of a company registered in Malta (which includes a Maltese branch of a foreign company) are required by tax law to be allocated to five different accounts, or reserves, namely:

- The **Immovable Property Account** consisting of a company's distributable profits that have suffered tax and that are derived, directly or indirectly, from immovable property situated in Malta;
- The **Final Tax Account** to which certain exempt profits (such as profits derived from a participating holding) or profits which were subject to tax at source under a final withholding tax regime (such as investment income, certain property transfers and profits that have been relieved from tax under Malta's incentive legislation) would be allocated;
- The **Foreign Income Account** consisting of a company's distributable profits typically arising from overseas passive income, such as dividends, capital gains on disposal of shares and property, interest, royalties and similar income and rents. This account also, however, comprises profits of banks and financial institutions from investments, assets and liabilities situated outside Malta, profits of insurance companies on risks situated outside Malta, profits attributable to a permanent establishment situated outside Malta and dividends paid out of the Foreign Income Account of another company registered in Malta;
- The **Maltese Taxed Account** which comprises a company's distributable profits from Maltese sources and includes profits on international trading activities;
- The **Untaxed Account** into which are allocated the amounts not allocated to the other four accounts. This is the only account which may have a negative amount allocated to it.

Double Taxation Relief

Malta generally operates an ordinary credit system for relieving double taxation. There are four different types of double taxation relief, namely:

- **Treaty relief** in respect of tax charged in a country with which Malta has a double tax treaty. Generally, the tax paid by a person in a treaty country on income that is also subject to tax in Malta is allowed as an ordinary credit against that person's Maltese tax liability (subject to per source limitations).
- **Commonwealth income tax relief** is a tax credit afforded to relieve tax paid in a Commonwealth country other than the United Kingdom. In practice, this type of relief is rarely, if ever, used.
- **Unilateral relief** is a system of relieving double taxation that operates in exactly the same way as treaty relief. Accordingly, tax payable by a person in a country with which Malta does not have a double tax treaty is allowed as an ordinary credit against the Malta tax payable on that income. Underlying tax suffered by an overseas company on distributed profits may also be claimed as a credit.
- **Flat rate foreign tax credit** is available to a Maltese company in respect of income allocated to its Foreign Income Account. Such income, net of foreign tax, if any, is grossed up by 25% and after the deduction of any expenses, tax is chargeable at 35% of the resultant net profit. The amount by which the income is initially grossed up is allowed as a credit against the tax due.

The following example illustrates this method:

	€
Income net of foreign tax	800
Grossing up for Flat rate foreign tax credit	200

	1,000
Tax @ 35%	350
Flat rate foreign tax credit	(200)

Tax payable	150

Refunds to Shareholders of tax paid by Maltese Companies

Upon the declaration of a dividend by a Maltese registered company to a shareholder, the recipient shareholder may be entitled to a full or partial refund of the Malta tax suffered or paid by the Maltese company on the profits out of which the dividend was distributed. Such a refund entitlement arises in certain circumstances as explained below:

- A shareholder would be entitled to a refund of 6/7^{ths} of the tax suffered by the Maltese registered company on profits allocated to the company's Foreign Income Account or Maltese Taxed Account and out of which dividends were distributed (thus reducing the combined overall Malta effective tax rate in respect of such profits to a maximum of 5%);
- A shareholder would be entitled to a refund of 5/7^{ths} of the tax suffered by the Maltese registered company on profits representing passive interest or royalties and which were allocated to the company's Foreign Income Account or Maltese Taxed Account and out of which dividends were distributed (thus reducing the combined overall Malta effective tax rate in respect of such profits to a maximum of 10%);
- A shareholder would be entitled to a refund of 2/3^{rds} of the Malta tax paid on profits allocated to the company's Foreign Income Account and out of which dividends were distributed if double taxation relief had been claimed in respect of such profits;
- An entitlement to a full (100%) refund of the tax paid by the Maltese registered company arises when a dividend is paid out of profits derived from a 'participating holding' (see immediately below) or the disposal of any such holding;
- No entitlement to tax refunds arises pursuant to dividends distributed from profits allocated to a company's Final Tax Account, Immovable Property Account and, of course, its Untaxed Account.

Participating Holding and Participation Exemption

A company registered in Malta would have a 'participating holding' in a subsidiary company where the following conditions are satisfied:

- A. The shares held by the Malta company in the subsidiary company carry at least two of the following rights: (i) a right to votes; and/or (ii) a right to profits available for distribution; and/or (iii) a right to assets available for distribution in the event of a winding up; and
- B. The subsidiary company does not own immovable property situated in Malta (or rights over such property) and does not hold, directly or indirectly, shares or interests in a body of persons which owns immovable property situated in Malta (or rights over such property); and
- C. At least one of the following 6 additional qualifying criteria is satisfied:
 - the Maltese company holds more than 10% of the shares in the subsidiary; or
 - the Maltese company holds shares in the subsidiary having an acquisition value of at least €1,164,000 and it retains the shares for an uninterrupted period of at least 183 days; or
 - the Maltese company holds shares in the subsidiary and is entitled, at its option, call for and acquire the balance of shares in the subsidiary; or
 - the Maltese company holds shares in the subsidiary and is entitled to first refusal in the event of the proposed disposal, redemption or cancellation of the shares in the subsidiary; or
 - the Maltese company holds shares in the subsidiary and is entitled to sit on the board or to appoint a person to sit on the board of the subsidiary as a director; or
 - the Maltese company holds shares in the subsidiary for the furtherance of its own business and not as trading stock.

Participation Exemption

The participation exemption would always be available in respect of capital gains derived from a participating holding – even upon a disposal of a participating holding (in whole or in part) in a Malta resident company.

On the other hand, the participating exemption would only be available in respect of dividends derived from a participating holding in a non-resident subsidiary and if any one of the following additional conditions is satisfied:

- The subsidiary is resident or incorporated in a country or territory which forms part of the European Union; or
- The subsidiary is subject to foreign tax at a rate of 15% or more; or
- The subsidiary does not have more than 50% of its income derived from passive interest or royalties; or
- The Maltese company's investment in the subsidiary is not a portfolio investment and the said subsidiary is subject to any foreign tax at a rate which is not less than 5%.

Payment of Tax and Refunds

Tax is typically payable by a Maltese company on its tax return date, that is: on the last day of the ninth month from the end of an accounting period or 31 March of the following year, whichever date is the later. However, pursuant to a determination obtained from the local tax authorities, tax may be payable on the last day of the eighteenth month from the end of an accounting period or earlier should a dividend have been distributed before that date.

A tax refund due from the Maltese revenue authorities is payable to the shareholders within 14 days from the date on which the refund becomes due.

Withholding Taxes

No tax is withheld on the payment of dividends by a Maltese registered company to its shareholders, whether such shareholders are resident or non-resident in Malta.

Non-resident persons are exempt from tax on interest or royalties accruing or derived from Malta except where such interest or royalties are derived from a permanent establishment that the non-resident has in Malta and provided further that the non-resident is not owned and controlled by, directly or indirectly, nor acts on behalf of and individual or individuals who are ordinarily resident and domiciled in Malta. As a result no withholding tax would be levied on the payment of interest or royalties to non-residents.

VAT

Maltese companies trading from Malta may be required or entitled to be registered in Malta for VAT purposes and the VAT prefix will be 'MT'.

Double Taxation Agreements

Malta's has a large and expanding network of double tax agreements comprising 62 treaties in force to date. Malta's double tax treaty network as well as other domestic methods for relieving double taxation on cross border transactions, and Malta's full imputation system and its refundable tax credit system provide an excellent base for establishing tax efficient structures.

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