

FINANZ | Audit

Doing Business in MALTA





WHY MALTA?

- **Strategic location**
- **English as business language**
- **EU and Euro-zone member**
- **Modern infrastructure**
- **International finance center**
- **Attractive environment for eGaming business**
- **Major transshipment hub in Mediterranean**
- **Low effective corporation tax rate**
- **Attractive tax refund regime**
- **No withholding taxes on dividends, interest, and royalties paid to non-residents**
- **Conducive environment for business**
- **Successive governments' commitment encourage foreign investors**
- **Safe and pleasant lifestyle**

LOCATION

Strategic location in the Mediterranean, very close to mainland Europe, North Africa and the Middle East, ideal for international business contacts.

Mild climate. The average temperature in summer is 27°C and 16°C in Winter. Amongst all capitals in Europe, Valletta, the capital of Malta has the warmest winters.

Standard Central European Time. Maltese standard time is one hour ahead of Greenwich Mean Time (GMT).

Malta has excellent flight connections. There are regular and frequent flights to major European capitals and number of North African destinations.

LANGUAGES

English is a business language and one of the two official languages, together with Maltese. Official publications, including laws, are issued also in English, what allows to avoid different interpretations.

Many Maltese are also fluent in Italian and French.

INTERNATIONAL RELATIONS

Malta has friendly relationships with Mediterranean countries and with countries representing the major investment markets worldwide.

Malta has concluded bilateral investment agreements with several countries thereby encourage foreign investors (68 up to date).

ECONOMY

Malta is European Union member since 1 May 2004. Four years later, Malta adopted Euro currency.

Excellent economic track record with sustained growth and economic stability. Malta was one of the last countries within the European Union to enter the recession and was one of first countries which extricated themselves from the global financial crisis.

Malta has excellent ICT infrastructure, which is one of the most sophisticated in Europe. This sector is constantly experiencing the growth giving the right environment for business.

Malta has highly skilled and educated workforce, but labour costs are low.



INTERNATIONAL FINANCE CENTRE

Malta has strengthened and modernized the legislative framework regulating financial services. Legislation on banking and financial institutions, insurance, companies, trusts, financial services, shipping and taxation have been revised and new laws have been enacted over the past few years.

Malta is an internationally recognized as international financial centre and its economic importance is continuously increasing.

AUDIT

Every company incorporated in Malta is obliged to prepare Financial Statements every year. These Financial statements, together with an annual return, must be filed at the Registrar of Companies (MFSA).

Financial Statements must be compliant with International Financial Reporting Standards as adopted by the European Union.

Annual accounts and financial statements of every company must be audited by a qualified person and needs to be performed in accordance with International Standards on Auditing.

Certain qualifying companies may have their Financial Statements prepared in accordance with General Accounting Principles for Small Entities (GAPSE).

The special standard can be used by entities that meet several criteria, such as fewer than 250 employees, assets below €17.5 million, revenue below €35 million, not publicly traded, and not financial institutions.

Adoption of GAPSE benefits in providing financial information that is more relevant to smaller entities, and can be recognized and understood by the different stakeholders.

TAX

ADVANTAGES

Malta Financial Services Authority (MFSA) is a strong and flexible single regulatory body.

Attractive tax refunds and unique full imputation system.

No withholding tax for dividends, interests, royalties payments to non-residents.

Indefinite utilization of tax losses.

The introduction of the participation exemption for holding companies has enhanced Malta as the best location, out of EU countries, to establish this type of business.

No thin capitalization rules.

Malta has signed double taxation agreements with 72 countries, of which 68 are in force.

TAX REFUND SYSTEM

Companies are taxed in Malta at the flat rate of 35%, but it can be reduced to an effective rate between 0% and 10% through a tax refund system.

A shareholder receiving a dividend from a company registered in Malta can claim 6/7, 5/7, 2/3 or 100% tax refund out of profits which have been taxed in Malta.

EFFECTIVE TAX RATES

0% if the profits are derived from a participating holding

5% if the profit does not consist of passive interest or royalties

6.25% if the distributing company has claimed double taxation

10% if the profits consist of passive interest or royalty income

FUNDS

Malta offers very attractive environment for the establishment and licensing of various types of Collective Investment Schemes (CIS).

The time to set up a fund in Malta is relatively short and cost are low.

The fund can be self-managed, what may save time and costs to set up a fund. Nevertheless the fund can be managed by an external investment management company.

Investment funds can take up different legal forms in terms of Maltese law which include:

- Companies with variable share capital (SICAV)
- Companies with fixed share capital (INVCO)
- Limited Partnership
- Unit Trust
- Mutual Fund

TAXATION OF FUNDS

Non-Prescribed Fund

Funds with more than 15% of their assets outside of Malta are exempt from tax and no taxes are applied to foreign investors. This general rule is without prejudice to income derived from immovable property situated in Malta which is subject to tax at 35%.

Prescribed Fund

Funds with at least 85% of their assets allocated in Malta are called prescribed funds.

Prescribed fund is a subject to tax on its taxable profits at the flat rate of 35%.

If the fund management company is owned by non-residents, the effective rate of Malta tax is 5% due to a dividend distribution of its profits to such non-resident shareholders.

There is no withholding tax on distributions to non-resident investors.

There are three types of income of prescribed funds, which are not charged to tax:

- Investment income, which is derived from sources outside Malta;
- Dividends received from Maltese companies or from other CISs, whether are prescribed or non-prescribed;
- Capital gains derived from the disposal of securities or units in other schemes.

SHIPPING

Malta, located on the main trade routes, is a heart of the Mediterranean. Malta is the third largest transshipment and logistics centre and one of the most efficient and successful in the region.

There are two big transshipment hubs in Malta:

- Valetta (Grand Harbour), is a passenger and merchant port
- Marsaxlokk Harbour - Freeport, located in south-east Malta is the major transshipment hub in Mediterranean.

The Island is connected to over 165 ports on all continents.

Malta has the largest ship registry within the European Union and one of the largest worldwide.



ADVANTAGES OF MALTA FLAG

Low cost of company formation and administration.

No restrictions on the nationality of the ship owner.

No restrictions on the nationality of masters, officers and crew.

Vessels may be owned, operated, managed and administered by citizens of the EU or by a shipping organization, which are corporate bodies in Malta or established under a foreign law, which have established a place of business in Malta.

Possibility to register all types of vessels, ships under construction and other marine structures such as barges, oil rigs etc.

No trading restrictions imposed on registered vessels.

The Maltese Flag is on the White list of the Paris MoU, thereby unnecessary controls are less likely on ships under the Maltese Flag.

Low tonnage tax.

Licensed shipping organizations are exempt from income tax.

No duty on the sale or transfer of shares of a company owning Maltese ships.

Malta has bilateral agreements with foreign countries where Maltese ships receive preferential treatment in respect of port charges and taxes.

Certain fiscal advantages for Maltese vessels of 1000 net tons.

Exemption from all duties and other charges in respect the sale or transfer of a ship, shares or stock of a company owning such a ship. It applies also to a succession duties, capital gains tax, VAT and exchange control formalities.

No restrictions on the sale of ships and mortgaging of Maltese ships.

A professional and efficient maritime administration. 24/7 service offered in respect of urgent matters.

Simple procedure to close the registry.



eGAMING

Malta represents approximately 10% of the global eGaming market.

Typical licensable games and activities regarding Maltese registry include online bookmakers, betting exchanges, online casinos, casino-type games, lotteries, bingo operations, marketing companies and gaming platforms, although the regulations do not specify what type of games are licensable and any game can be presented by the operator. Also all forms of devices can be used.

TOP REASONS TO CHOOSE MALTA

Low registration and maintenance costs.

No local shareholders or directors required.

Low gaming tax payable with maximum capped at €460,000.

Excellent technology and communication infrastructures.

Strong anti-money laundering standards.

Flexible legislative instrument for future developments.

DOING BUSINESS IN MALTA WITH FINANZ-AUDIT

WHAT DO WE OFFER?

A comprehensive range of audit, tax, consulting and financial advisory services.

Services are offered to any kind of business, from the sole entrepreneur to the large multinational corporation.

Each client is treated with strict confidence.

The services offered are tailor made according to clients' needs and it is always ensured that the solutions given are performed with skill and professionalism.

The foundation of our success lies, in the expertise of our skills, knowledge, professionalism and energy of our staff enable us to provide prompt, efficient and high quality services.

PEOPLE

Finanz-Audit is proud of being able to offer you the highest quality of services provided by its most valuable asset – people. Our excellent and professional team is willing to assist you making business in Malta.

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