



Corporate Tax in Malta

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Malta: A brief introduction.





London

Amsterdam
Netherlands

Berlin
Poland

Poland

Belarus

Воронеж

Волгоград

Cologne
Belgium

Germany

Prague
Czechia

Київ
Kyiv
Ukraine

Харків
Kharkiv
Ukraine

Волгоград

Paris
France

Luxembourg
Belgium

Munich
Germany

Vienna
Austria

Slovakia

Ukraine

Ростов-на-Дону
Rostov-on-Don
Russia

France

Switzerland

Austria

Budapest
Hungary

Chisinau
Moldova

Одеса
Odesa
Ukraine

Краснодар
Krasnodar
Russia

Bay of Biscay

Milan
Italy

Zagreb
Croatia

Belgrade
Београд
Serbia

Romania

Bucharest
Romania

Black Sea

Madrid
Spain

Barcelona
Spain

Monaco

Italy

Rome
Italy

Slovenia

Bosnia and Herzegovina

Serbia

Bulgaria

Istanbul
Bursa
Turkey

Ankara
Turkey

Turkey

Spain

Valencia
Spain

Andorra

Monaco

Tyrrhenian Sea

Podgorica
Подгорица
Montenegro

Kosovo

Macedonia (FYROM)

Tirana
Albania

Greece

Athens
Αθήνα
Greece

Izmir
Turkey

Antalya
Turkey

Adana
Turkey

Syria

Algiers
مدينة الجزائر
Algeria

Tunis
تونس
Tunisia

Malta

Mediterranean Sea

Cyprus

Lebanon

Beirut
بيروت
Lebanon



MALTA



1964: Independence & Commonwealth

1974: Republic

2004: EU Member State

2007: Schengen Member

2008: Eurozone Member



Ease of Doing
Business



Security

Political
Stability



Economic
Resilience

Pro-Business
Government



Fiscal
Regime

Forbes

Malta among
the **best**
countries to
retire

Fitch Rates
Malta at
'A+' Outlook
Stable

February 2018

FitchRatings

WORLD
ECONOMIC
FORUM

Malta ranked
37th most
competitive
countries out of
137.

Pragmatic &
effective
Financial
Services
Regulator


MFSA
MALTA FINANCIAL SERVICES AUTHORITY

Taxation of Corporate Entities in Malta



Taxation of Corporate Entities in Malta

The Basics

- ✓ Highly **efficient** fiscal regime.
 - ✓ **No foreign exchange control** rules.
 - ✓ **Full imputation system** and a **refund of tax payments** to shareholders.
 - ✓ **5%** effective tax rate.
 - ✓ **No withholding taxes.**
 - ✓ **Participation Exemption.**
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Taxation of Corporate Entities in Malta

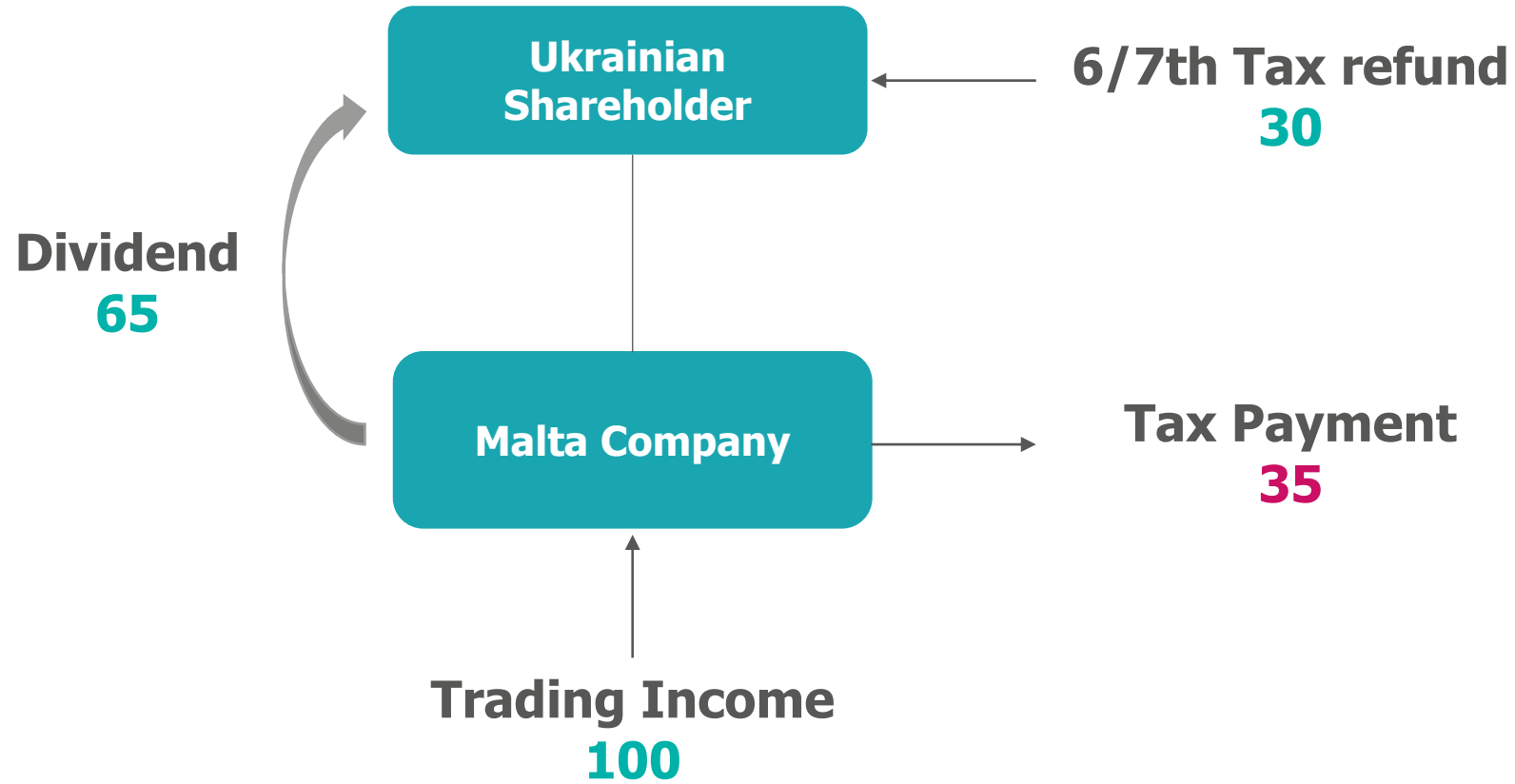
The Imputation System

Tax Refund Mechanism

- ✓ After **distribution of a dividend**, shareholders are entitled to **claim a refund**.
- ✓ The amount of the **refund claim** depends on the type of income:
 - ✓ **6/7** Refund for **Trading Income**
 - ✓ **5/7** Refund for Passive **Interest and Royalties**
 - ✓ **2/3** Refund if distributing company **claims double-taxation relief**

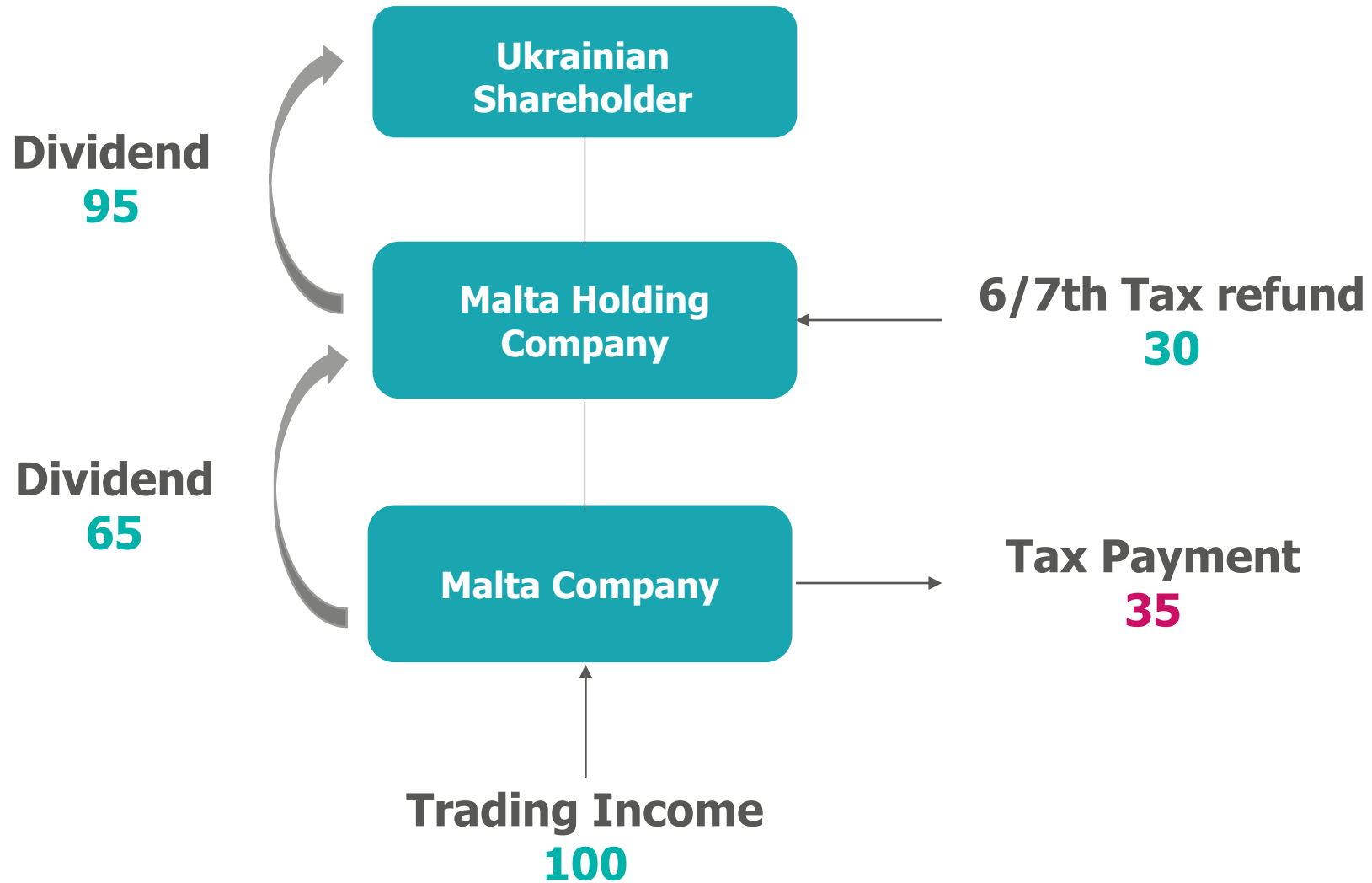
Tax Refund Mechanism

Single-tier Structure



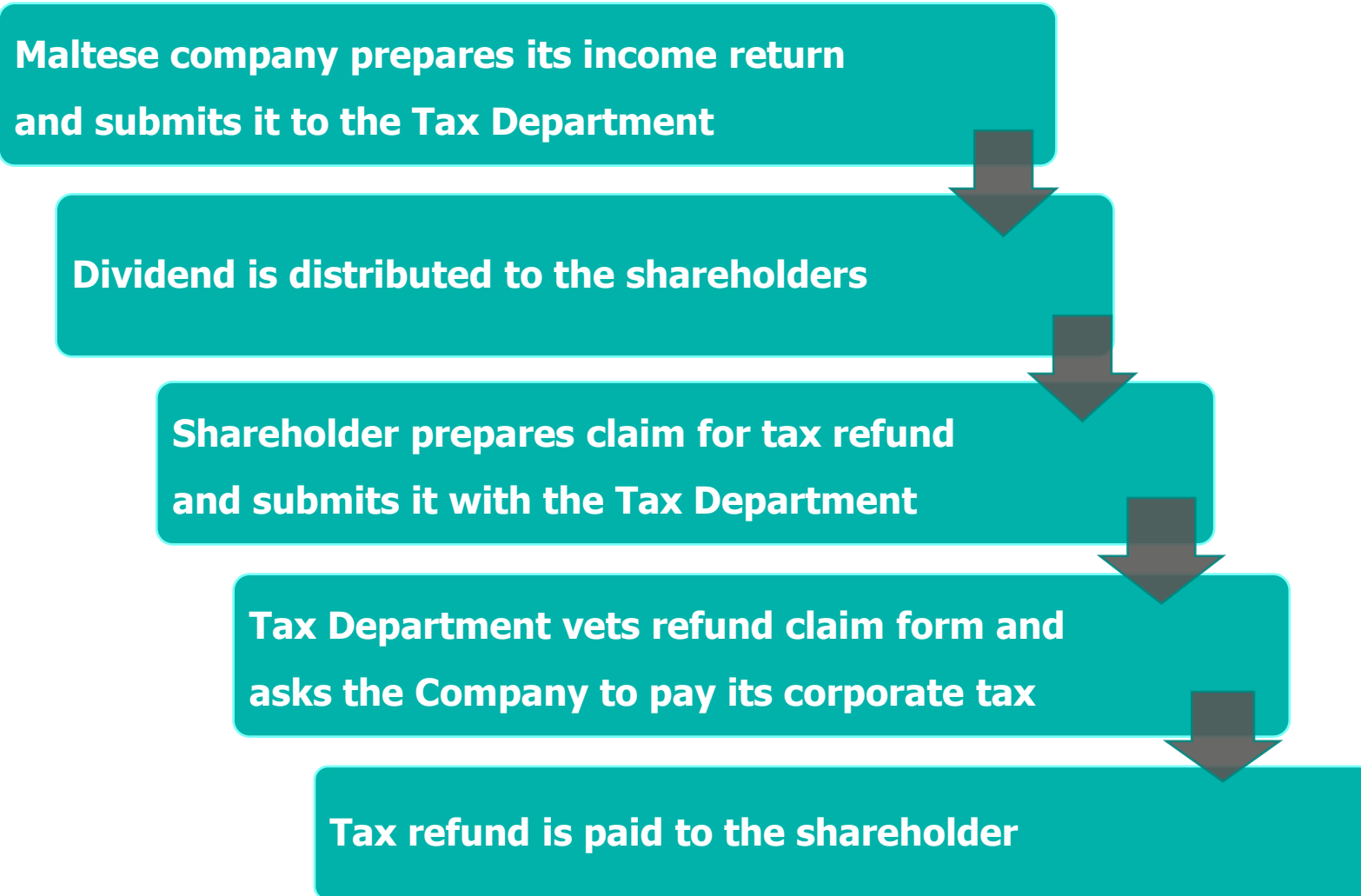
Tax Refund Mechanism

Double-tier Structure



Tax Refund Mechanism

The Process



Taxation of Corporate Entities in Malta

The Participation Exemption

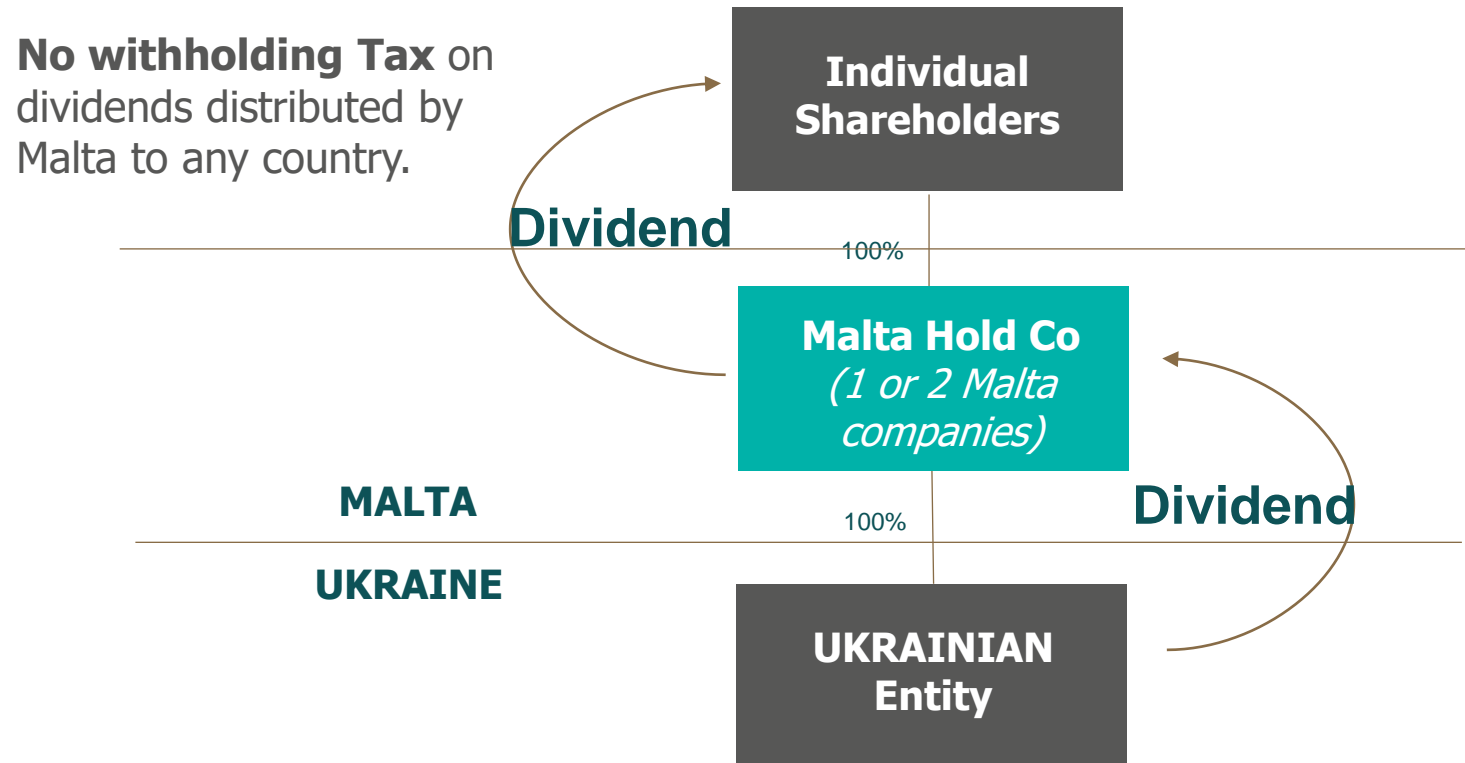
The Participation Exemption

Key Points

- Malta applies a **Participation Exemption**, whereby **dividends and capital** gains derived from a participating holding are **exempt from income tax**.
- The PE also applies to capital gains from the transfer of shares in Maltese resident companies.

The Participation Exemption

Process



Participation exemption on dividends should apply in Malta if the Ukrainian entity is engaged in a trading activity and is not in receipt of passive interest or royalties income

No Malta capital gains tax when Malta Hold Co sells its shares in the Ukrainian entity

Reduced withholding tax by virtue of the tax treaty between Malta and Ukraine

The Participation Exemption

Definition

To qualify as a **participating holding**, a Maltese company must have a minimum of 5% 'equity holding' in a foreign company, conferring **at least two** of the following three rights:

- A right to vote;
- A right to profits available for distribution;
- A right to assets available for distribution on a winding-up.

The Participation Exemption

Definition

For the Participation Exemption to be applied on dividend income, the foreign company must satisfy **one of the below conditions**:

- Resident or incorporated in the European Union; or
- Subject to any foreign tax of at least 15%; or
- Less than 50% of its income is derived from passive interest or royalties.

The Participation Exemption

Definition

If none of the previous conditions are satisfied, then then both the following must be satisfied:

- The holding is **not a portfolio investment** (*less than 50% of income derived from portfolio investments*);

AND

- The non-resident participated company, or the respective passive interest and royalties have been subject to, at least, **5% foreign tax**.

Taxation of Corporate Entities in Malta

EOIR & BEPS

Exchange of Information

Exchange of information on request (EOIR)

Global Forum Member	yes
EOIR rating round 1	largely compliant
EOIR rating round 2	scheduled 2019

Automatic exchange of information (AEOI)

Commitment to AEOI (CRS)	2017/2018
CRS MCAA signed	yes
Mutual Administrative Assistance Convention	in force

Malta's Corporate Tax System

BEPS Status

BEPS

Existence of any harmful tax practices (Action 5)	no harmful regime exists
Exchange of information on tax rulings (Action 5)	review scheduled
Preventing treaty abuse (Action 6)	review scheduled
CbC – Domestic law (Action 13)	legal framework in place
CbC – Information exchange network (Action 13)	activated
Inclusive Framework on BEPS member	yes
Effective dispute resolution (Action 14)	phase 1 reviewed & recommendations made

No specific rules have been issued addressing specific BEPS action plans, however, we might see some changes in the near future for example the introduction of CFC (controlled-foreign-company) legislation.

Taxation of Corporate Entities in Malta

Sustainability



Is Malta's Tax System Sustainable?

- ✓ Compliant with **EU non-discrimination principles**.
- ✓ 2017 OECD Report confirmed that:
 - i. Malta **follows all EU tax directives**;
 - ii. **No "harmful features"** within its tax regime for the purpose of base erosion and profit shifting.
- ✓ 2017 Global Transparency Barometer (EOIR): **Largely Compliant**
- ✓ Taxation is a **sovereign right** of EU Member States.

QUESTIONS?

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