



The Registration and Taxation of Companies in Malta





Contents

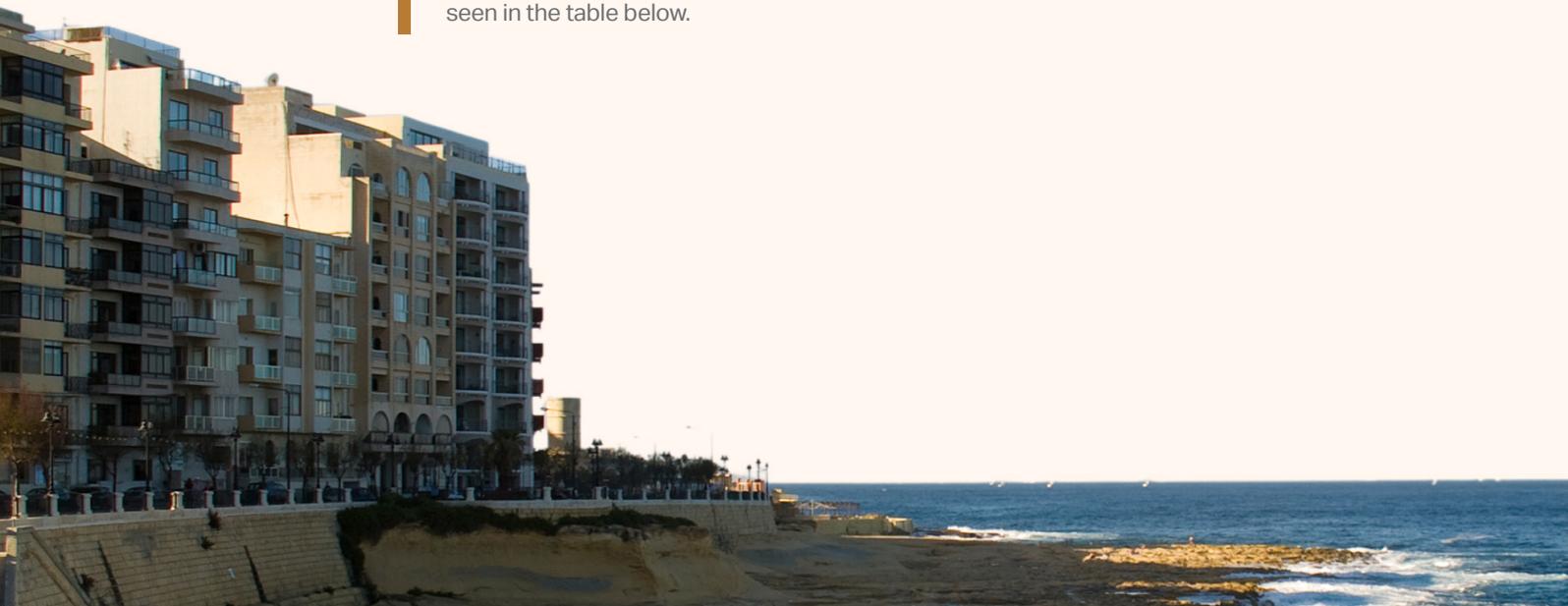
- 4** Taxation of a Malta company
- 5** Participation exemption
- 8** Other benefits of incorporating a company in Malta
- 9** Registration of a Malta Company
- 10** Malta Company Trading Tax Advantages
- 11** Malta Company Holding Tax Advantages
- 12** Malta Company Other Tax Advantages



Malta, a member of the European Union, is a reputable financial services centre offering advantageous tax regimes and making it an attractive jurisdiction to foreign investors and business on an international level. Companies set up in Malta are compliant with EU regulations and are therefore fully subject to the ordinary rates of corporate taxation in Malta.

Taxation of a Malta company

The standard rate of taxation in Malta currently stands at 35% of the chargeable income of the company; nevertheless, due to the fact that Malta has a full-imputation system of corporate taxation, any income tax paid by a Maltese company is fully imputed or credited to the shareholder receiving the dividends of the company in order to benefit from the full relief of economic double taxation of corporate profits. The shareholder of the company would be entitled to a refund of any tax, which is paid by the company, of 5/7ths, 6/7ths or 7/7ths depending on the source of income of the company. This typically results in an effective net tax rate applicable to the shareholders of approximately 10%, 5% or 0% respectively. Such refund may be reduced if double taxation relief is claimed on the income. The tax regime governing taxation of profits of a Malta Company depends on the source of the company's income. There are basically five sources of income from which a Malta company can derive profits and each source of income has its own level of taxation as can be seen in the table below.



Participation exemption

Any income which originates from a participating holding (amongst others, where the parent company (a) holds at least 10% of the equity in the subsidiary or (b) invests a minimum of €1.5 million in the subsidiary and holds that investment for more than 183 days) or from the disposal of such holding will meet the criteria for a participation exemption, whereby the latter is used to exempt dividends and gains derived from such holdings from paying tax. Hence, any income which derives from a participating holding and which qualifies for a participation exemption need not be declared in the company's income tax return. Alternatively, with respect to such income which is derived from a participating holding and which qualifies for a participation exemption, one may still opt to pay the tax due and then claim a 100% tax refund.



| Source of Income | Corporate Tax Paid | Refund of tax to shareholders | Effective Tax |
|---|--------------------|-------------------------------|---------------|
| Dividend Income from holding activities with participating holding in subsidiary | Nil | Nil | Zero |
| Capital Gains made from the disposal of a participating holding | Nil | Nil | Zero |
| Dividend Income from holding activities without participating holding in subsidiary or other company income not falling within any other category | 35% | 6/7ths of corporate tax paid | 5% |
| Trading Income | 35% | 6/7ths of corporate tax paid | 5% |
| Passive Income (interest, royalties etc.) | 35% | 5/7ths of corporate tax paid | 10% |





Other benefits of incorporating a company in Malta

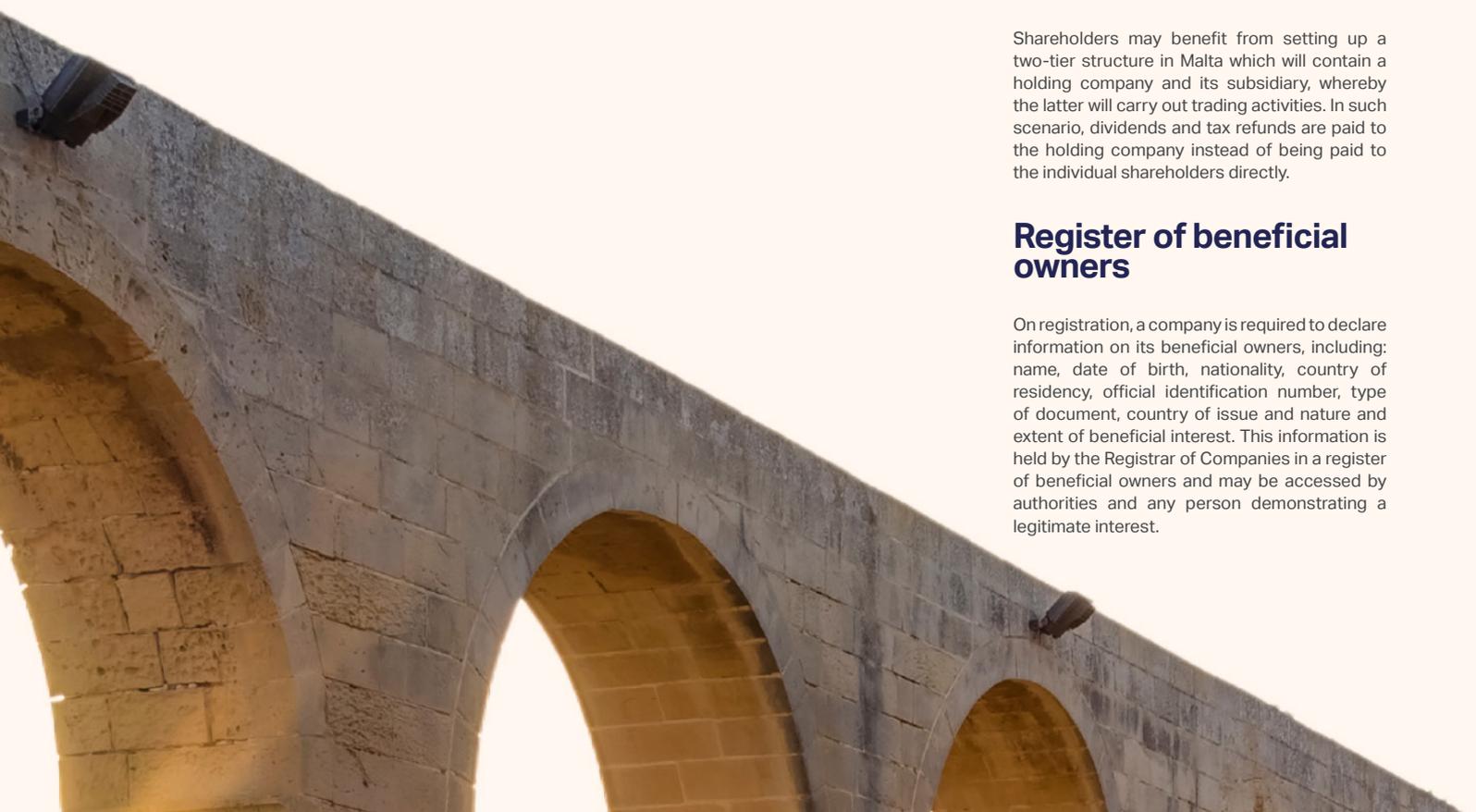
- Low incorporation and maintenance costs;
- No withholding tax on the payment of dividends, interest or royalties;
- No controlled foreign company legislation or transfer of pricing rules;
- No thin capitalisation rules;
- No exit taxes, wealth taxes, payroll based tax or trade tax;
- Malta companies carrying out international activities are exempt from duty on documents, which effectively means that transfer of shares and increases of share capital of the company are exempt from duty;
- Capital gains tax which is derived by non-residents on such transfers of shares and increases of share capital are not subject to tax in Malta if the assets of the company do not include immovable property situated in Malta;
- More than 70 double taxation treaties signed.

Two-tier structure

Shareholders may benefit from setting up a two-tier structure in Malta which will contain a holding company and its subsidiary, whereby the latter will carry out trading activities. In such scenario, dividends and tax refunds are paid to the holding company instead of being paid to the individual shareholders directly.

Register of beneficial owners

On registration, a company is required to declare information on its beneficial owners, including: name, date of birth, nationality, country of residency, official identification number, type of document, country of issue and nature and extent of beneficial interest. This information is held by the Registrar of Companies in a register of beneficial owners and may be accessed by authorities and any person demonstrating a legitimate interest.



Registration of a Malta Company

A Malta company may be registered with the Malta Financial Services Authority, within 48 hours of receiving all the necessary documents, on the submittal of the Memorandum and Articles of Association of the company, together with the deposit of the share capital and payment of Registry fees. The minimum share capital of a Malta company is €1,165 which can be 20% paid up and the Registry fee based on the minimum share capital is €245, making Malta competitive due to its low registration costs.

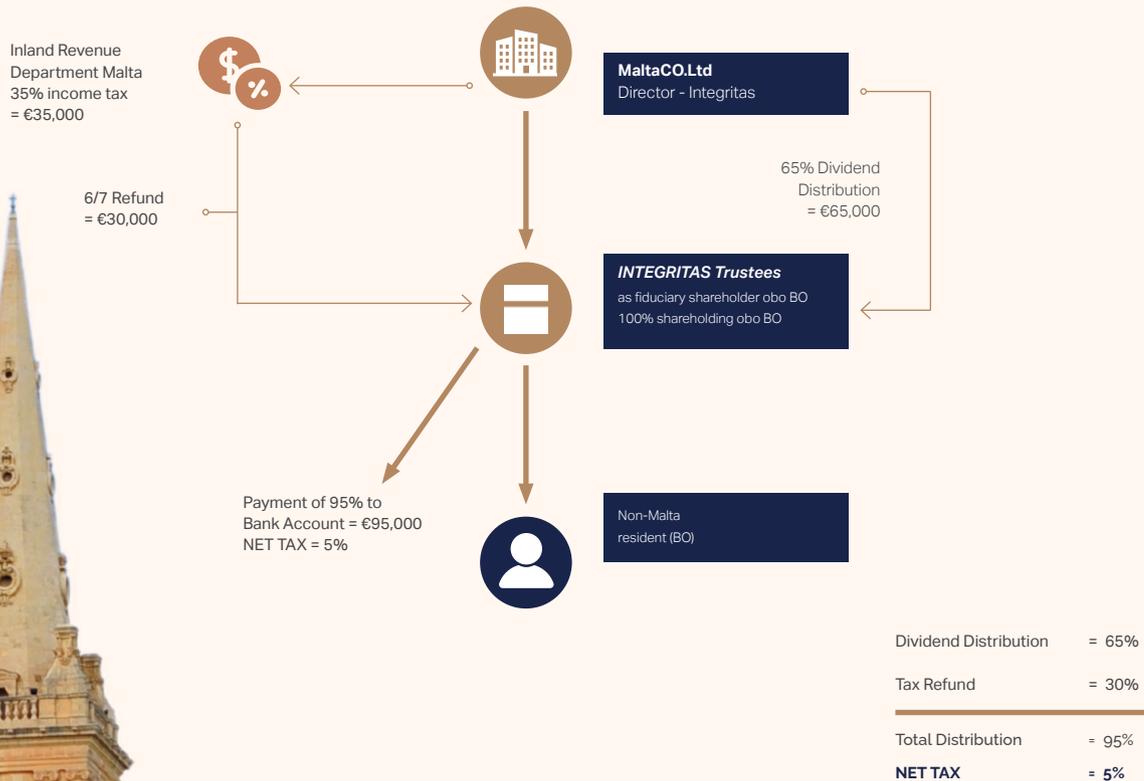
A Malta private company requires at least one director and one company secretary, where such officers may be foreign or local; however, we strongly recommend that at least one local officer is appointed as this facilitates communication between the Malta company and MFSA and further simplifies the process of obtaining signatures on documents submitted to MFSA. At INTEGRITAS, we will assist our clients with the full incorporation process and provide both directorship and secretarial services.

A Malta company is also usually incorporated with two shareholders so as to enable the company to provide a wide variety of activities; however, a company providing one sole activity may be incorporated with a sole shareholder. Alternatively, INTEGRITAS may hold one share on behalf of the client in order for the company to be incorporated with two shareholders in Malta. INTEGRITAS, being licensed by the MFSA to act as a fiduciary and trustee, provides fiduciary shareholding services to its clients, in the event that they do not wish to appear as the shareholder of a Malta company, although as an ultimate beneficial owner, their information may be accessible to authorities and persons demonstrating a legitimate interest by accessing the Register of Beneficial Owners. Finally, a Malta company should have a physical registered office in Malta which may be provided by INTEGRITAS at its own legal address.

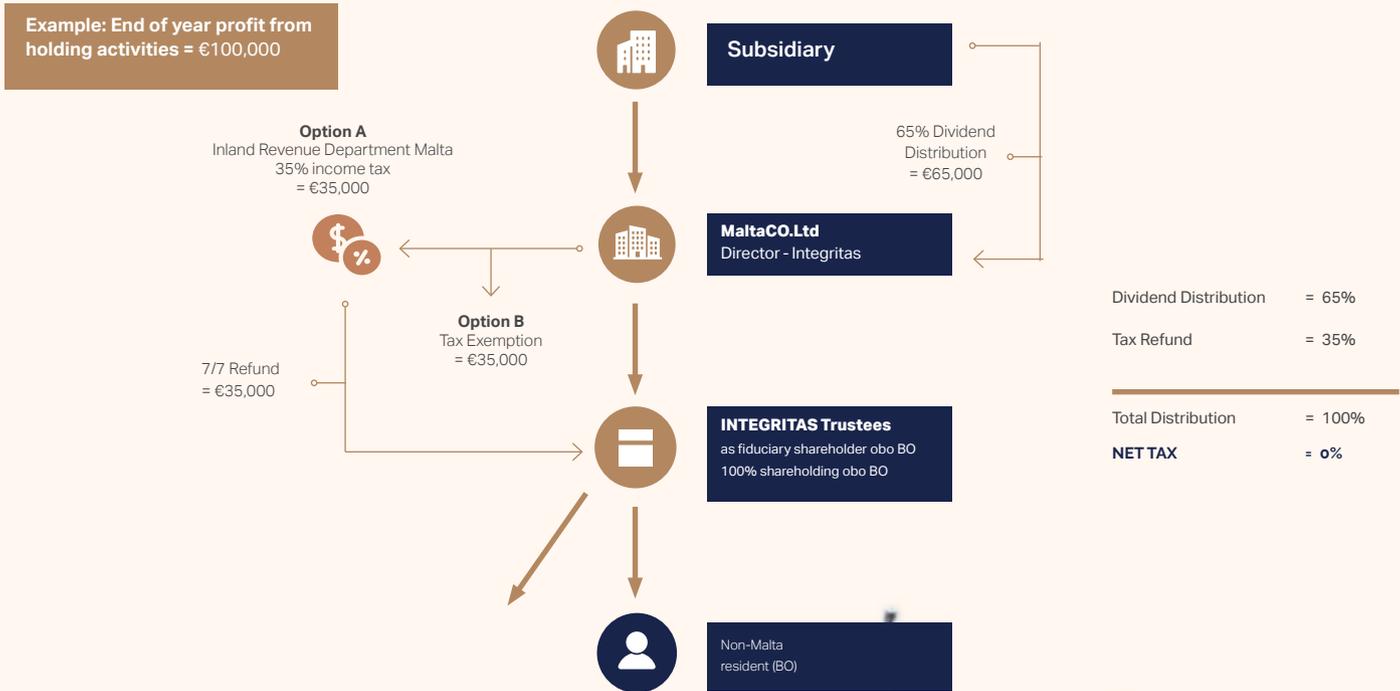
The registration of every company is renewed annually by means of the provision of an annual return and an annual registration fee. The annual return includes a list of shareholders, directors and secretary of the company, together with the share capital of the company on the date of renewal. The annual registration fee is calculated on the authorized share capital of the company and therefore, a fee of €100 is due on the minimum share capital of the company. INTEGRITAS will take care of preparing and submitting the annual return of the company.

A company registered in Malta must keep proper financial statements which should also be audited and presented to the Registry of Companies on an annual basis. INTEGRITAS is a multi-disciplinary firm and will therefore take care of the preparation of the financial statements of the company and the submittal of the same to the Registry of Companies. INTEGRITAS will further claim the tax refunds due to the company by the Inland Revenue Department on behalf of the shareholders.

Malta Company Trading Tax Advantages



Malta Company Holding Tax Advantages

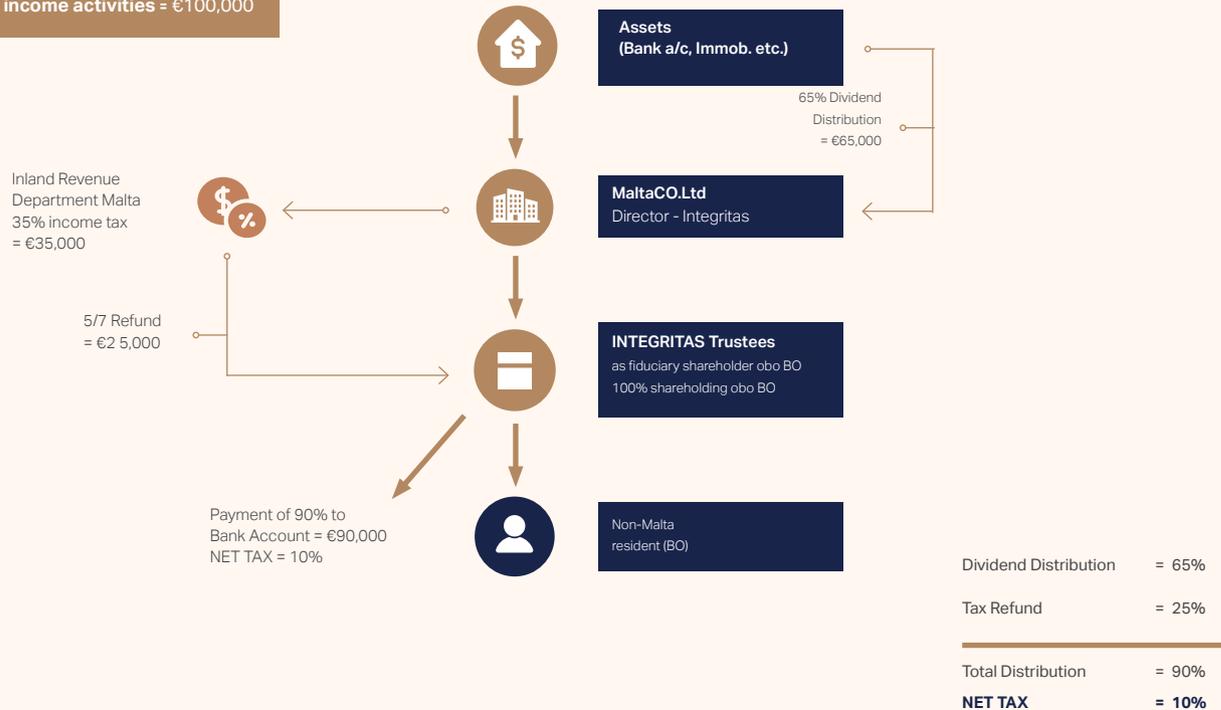


HOLDING:
 - More than 10% shares in subsidiary
 - Profit from dividends and capital gain



Malta Company Other Tax Advantages

Example: End of year profit from
passive income activities = €100,000





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