



CENTAUR TRUST
– Making Business Simple –



Malta

AN ATTRACTIVE JURISDICTION FOR FOREIGN INVESTORS

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Introduction

Despite being the smallest member state of the EU, Malta has established itself as one of the leading financial centres, having established a strong reputation for stability, predictability and security. This has served as a platform for the development of a model economy built on financial services and tourism.

Since joining the EU in 2004, Malta has successfully attracted international investors from a wide range of industries. Its robust EU-compliant regulatory framework, diverse ecosystem and deep talent pool has also helped financial services companies from around the world to find opportunities in Malta, so helping to develop further the competitiveness of Malta's financial services sector.

Malta's economic success is due to a large part on a combination of sound policymaking and a pro-business environment, as well as the decision to focus on knowledge and value-added industries.

All these factors combine to make Malta "Open for Business!"

Geography, Location & Climate

Malta comprises of three islands, Malta Gozo and Comino, with Malta being the largest of the three. The islands lie at the southern tip of Italy, and are located midway between Europe and North Africa. The total area of the islands is 316 square kilometres, with a total population of just over 421,000 people.

It's ideal position on the main East-West shipping lanes has made Malta a major shipping hub in the Mediterranean, granting easy access to ports located in both the Eastern and Western parts of the Mediterranean Sea.

The typical landscape of Malta is rocky and dry, with small terraced fields surrounded by walls constructed mainly of sandstone rocks. The capital of Malta is Valletta, and the other main towns include Sliema, St Julians, Mosta, Birkirkara and Paola.

Malta enjoys a typically Mediterranean climate, with dry windy weather. Average temperatures range from 12 degrees Celsius in winter, to 30 degrees Celsius in summer, and with over 300 days of sunshine per year.



CENTAUR SERVICES (MALTA) LTD

Who We Are

Centaur Services (Malta) Ltd is a Corporate Service Provider Company, licensed by the Malta Financial Services Authority (MFSA) and is a member of the Centaur Trust Group (www.centaurtrustgroup.com).

Founded in early 2006, the Centaur Trust Group provides whole office, outsourcing solutions to global investors and entrepreneurs that are looking for a progressive and dynamic answer to all their corporate requirements.

The Group specialises in the delivery of full circle, partner focused, corporate management and support. Although not providing specific advisory services, we liaise with leading legal advisers, tax consultants, banks, investment managers and other specialists to create and deliver a complete, open architecture solution for each of our partners.

The Group is headquartered in state of the art offices in Nicosia, the capital of Cyprus. In Malta, our offices are located in Saint Julian's, the well-sought after seaside location.

Why Centaur Trust Group?

A CENTAUR is often described as a liminal being. Although made of two distinct parts, it is a complex and inherently ambiguous creature which is hard to place into predefined categories. This is how we interpret the evolving interrelationship between people and technology which forms the core foundation to our business.

When viewed in isolation, both are easily identifiable, but when combined, the situation becomes a little more obscure but yet even more powerful and dynamic. We TRUST and believe in this relationship to propel our partners' businesses forward with the view to making a real difference in the world in which we live.



Our People

We have amassed a diverse pool of human talent to compliment the sophistication of our systems to ensure the highest levels of service delivery and professional integrity. Our team includes qualified and experienced professionals from various disciplines and backgrounds to accommodate the broad ranging needs of our partners' businesses.

Our Technology

As a technologically advanced group, we ensure that we are always ahead of the curve when it comes to productivity and security. We understand and appreciate the pivotal role that technology plays in our industry and strive at all times to set new standards within it.



- Investment in the **latest technology** available, and constant innovation. More than 50 Fully Licensed Products Used in combination for the best productivity experience
- Effective **disaster recovery strategy**, enabling us to be up and running in a new location within a couple of hours.
- Combination of **specialized knowledge** relating to our industry and **state of the art technology**.



Two Parallel Systems
Full redundancy



Disaster Recovery



Fiber Optic Connection

High Speed Internet Connection

Dedicated Fiber Optic Line

Automatic switch to a satellite internet connection in case of failure



Satellite Connection



Diesel Generator

Automatic switch in case of power failure



UPS for all servers and personal computers



What We Do...

We provide our clients with fully operational tailor made companies that are able to withstand the myriad of challenges posed by today's increasingly complex and uncertain business environment. Through our fully integrated enterprise level systems, state of the art infrastructure and diverse professional team, we create ideal foundations for business sustainability and growth.

...And How We Do It

Maintaining our reputation for excellence, integrity and credibility is essential for our continued success. Only by acting with honesty and integrity in all business matters can we earn and preserve our client's trust, the lifeblood of our business. Toward this end, we work hard to foster a corporate culture that promotes and maintains the highest standards of ethical behaviour, transparency and accountability.

Total Integrated Management E-solution (TIME)

Running a company demands a significant commitment, and often one's time is taken up by tasks and obligations that add no real value to the business. By removing this responsibility from our client's shoulders, we enable them to maximise their most precious resource, **time**.

The combination of a passion for technology and over 20 years of professional corporate management experience have culminated in the creation of **TIME** – our whole office outsourcing solution. Unlike traditional models, **TIME** provides our clients with a single access point for all their corporate needs from inception to exit.

The solution is productive, secure and enables our clients to cost effectively scale without limit. As such, we believe it is an ideal fit for start-ups and SME's, as well as existing companies that have significant growth potential and are involved in the holding of investments, the provision of services, the development of technology or other similar innovation.



Forms of Business Enterprise

The principle law relating to registered companies in Malta is the Companies Act, 1995 Cap.386 (The Companies Act), which is broadly based on UK company law and common law principles, and is in line with the relevant EU directives.

The Malta Financial Services Authority (MFSA) is the single regulator for financial services in Malta. It was established by law on 23 July 2002 taking over supervisory functions previously carried out by the Central Bank of Malta, the Malta Stock Exchange and the Malta Financial Services Centre. The Authority is a fully autonomous public institution and reports to Parliament on an annual basis.

In its capacity as the single regulator for financial services in Malta, the MFSA is responsible for overseeing credit institutions, financial and electronic money institutions, securities and investment services companies, regulated markets, insurance companies, pension schemes and trustees. The MFSA premises also house the International Tax Unit of the Inland Revenue Department and the Registry of Companies.

The word "Company" has no strictly legal meaning. It is clear however that in legal theory the term implies an association of a number of people for some common object or objects. In common business language, the word Company is normally reserved for those associated for economic purposes, i.e. to carry on a business for gain. The Companies Act generally allows one or more persons

to form a company for any lawful purpose by subscribing to its memorandum of association.

The fundamental attribute of corporate personality – from which all the other consequences flow – is that the corporation is a legal entity distinct from its members. Hence it is capable of enjoying rights and of being subject to duties which are not the same as those enjoyed or borne by its members. In other words, it has legal personality and is often described as an artificial person in contrast with a human being, a natural person.

In the case of companies limited by shares, the liability of each member is limited to the nominal value of the shares that he has agreed to take up or, if he has agreed to take up such shares at a premium, i.e. at more than their nominal value, to the total amount agreed to be paid for such shares. Once the member has paid for his shares, his liability towards the debts or liabilities of the company is fully discharged, although fraud may render a member liable for the debts of the company.



Types of Company

In Malta, the main types of commercial partnership, as provided for by the Companies Act are:

- Private limited company - must, by its memorandum or articles:
 - Restrict the right to transfer its shares
 - Limit the number of members to fifty
 - Prohibit any invitation to the public to subscribe for any shares or debentures of the company
 - Not allow any of its securities to be admitted to listing or trading
- Public limited company - a company which does not qualify as a private company. A public company may offer shares or debentures to the public but it may not issue any form of application for its shares or debentures unless the company is registered and the issue is accompanied by a prospectus
- A partnership “en nom collectif” or general partnership – “...may be formed by two or more partners and operates under a partnership name and has its obligations guaranteed by the unlimited and joint and several liability of all the partners” (Companies Act)
- A partnership “en commandite” or limited partnership – “...operates under a partnership name and has its obligations guaranteed by the unlimited and joint and several liability of one or more partners, called general partners, and by the liability, limited to the amount, if any, unpaid on the contribution, of one or more partners, called limited partners” (Companies Act)

Investment Companies

The Companies Act provides for two specific forms of limited company, which can be used as Investment Companies: the SICAV, which is an investment company with variable share capital; and the INVCO, which is an investment company with a fixed share capital. The SICAV outweighs the INVCO in popularity due to its less restrictive nature.



Other Types of Structure

In addition, Maltese law provides for the establishment of:

- Trusts
- Foundations

Trusts - In Malta, the setting up of trusts is regulated by the Trusts and Trustees Act. The Act provides for the creation of trusts and the authorisation of trustees to act as such. A trust can come into existence in a number of ways, including by oral declaration and by a will.

Foundations - A foundation is defined in the Maltese Civil Code as “an organisation constituted by founders whose assets are destined for the fulfilment of a specified purpose or for the benefit of a named person or class of persons, entrusted to the administration of designated persons, and which assets and ensuing liabilities, are kept distinct from those of the founders, administrators and beneficiaries.”

Foundations must be registered as legal persons, but very little information is available to the public ensuring the confidentiality that often accompanies the creation of such vehicles.

Foundations are prohibited to trade, but they can be used for limited commercial activities, such as to be endowed with commercial property or a shareholding in a profit-making enterprise and may own a franchise, a trade mark or other asset which gives rise to income, as well as a ship as long as the foundation is only the passive owner of such assets.

Furthermore, a foundation may be established with segregated cells each with their own assets and for a particular purpose, affording a termination date prior to the termination of the mother-foundation. The foundation statute must empower the administrators to establish segregated cells, and if cells are established together with the foundation, then only the foundation is registered. The future establishment of cells must be notified to the Registrar for Legal Persons.

Branch - Foreign companies can set up a branch in Malta, under the provisions of the Maltese Companies Act - Chapter 386 of the Laws of Malta.

Any legal person may establish a branch in Malta, and overseas companies, which set up branches in Malta, are required to register the branch with the Registrar of Companies within one month from establishing a branch or a place of business in Malta.

The advantages of establishing a branch in Malta are:

- Physical presence in Malta is not required. However, the foreign corporation must appoint a local representative for its branch
- Malta has developed a wide-ranging double tax treaty network extending over 70 countries
- No further capital investment is required to register
- The branch could benefit from Malta’s competitive tax system. Branches of overseas companies are only taxable in Malta on income arising in Malta, therefore any foreign sourced income is not subject to tax in Malta. They are subject to a corporate flat rate tax of 35%. However, upon a distribution of dividends by the overseas company, the shareholders of the overseas company may apply for a refund, which may reduce the effective tax of the overseas company’s branch profits to 5%
- The transfer of the main corporate seat to Malta through a branch is also possible



Malta Tax System

Corporate Income Tax

Corporate income tax in Malta is levied at a flat rate of 35% on a company's chargeable income. Income subject to tax is based on the company's annual accounting profit adjusted for certain exempt income and expenses.

Expenses are allowed as a deduction against income as long as these are incurred in the production of the income and they are backed up by a relevant tax invoice. Unrealised gains, such as those arising from difference in exchange rates and fair value movements on investments, are not subject to tax in Malta.

Trading tax losses incurred by the company may be carried forward indefinitely until offset against taxable profits. Capital losses may not offset trading profits; however capital losses may be carried forward and offset against future capital gains. Trading losses may be offset against capital gains.

In the case of a group of companies, the trading losses incurred by one company may be surrendered to another company or companies within the same group. For income tax purposes companies belong to the same group when: each is resident in Malta and not resident in any other country; and one is a subsidiary of the other or both are subsidiaries of the same parent company resident in Malta.

The company surrendering the losses and the company receiving the losses (claimant) must have accounting periods that begin and end on the same dates. Group relief

for a particular year may only be claimed with respect to losses incurred in that same year; however once losses are surrendered, the claimant company can continue to carry them forward indefinitely or until fully absorbed. Capital losses do not qualify for group relief.

Malta levies taxation on companies on the basis of their residence and domicile. A company incorporated in Malta is deemed to be resident and domiciled in Malta by virtue of its incorporation. Resident and domiciled companies are subject to tax on their worldwide income, irrespective of whether the income is remitted or received in Malta.

A company which has not been incorporated in Malta may also be deemed to be resident but not domiciled in Malta if it is effectively managed and controlled in Malta. Resident but not domiciled companies, are subject to tax in Malta on Maltese sourced income and on foreign income remitted to Malta.

As mentioned above, companies which are incorporated outside Malta may still be considered to be resident in Malta by virtue of their effective management and control. In general, a branch of a foreign entity may also be considered to be resident in Malta and hence taxable only on foreign sourced income remitted to Malta and on Malta sourced income.



Participation Exemption

Malta also exempts from corporate tax those dividends and capital gains arising from a participating holding as explained in subsequent sections (see “Popular Structures” section).

At the option of the Maltese holding company, any dividends derived from a participating holding may be omitted from the chargeable income of the company (subject to the anti-abuse provisions mentioned below) in terms of the participation exemption. Alternatively, the company may opt to pay 35% corporate income tax on such income and then claim a 100% tax refund under the provisions of the full imputation system (see below).

In most cases, the participation exemption or 100% tax refund referred to below also applies to gains on a disposal of a participating holding even when such gains are of a trading nature. However, the anti-abuse conditions referred to below do not apply to gains on the disposal of a participating holding.

Full Imputation System

Malta offers a highly efficient fiscal regime which avoids double taxation on taxed company profits distributed as dividends.

A full imputation system applies to the taxation of dividends, whereby the tax paid by the company is imputed as a credit to the shareholder receiving the dividend. Following the distribution of a dividend, shareholders are also entitled to claim a tax refund of six-sevenths of the relevant tax paid in respect of trading income and five-sevenths of the relevant tax paid in the case of passive interest and royalties. The refund is reduced to two-thirds where the distributing company claims double-taxation relief.

Participation Exemption - In cases where the profits distributed are derived from a participating holding, the refund increases to 100%. A participation holding is defined as a shareholding by a Maltese company in a non-resident company or a qualifying body of persons and where it:

- Has at least 10% of the equity shares in the non-resident company; or
- Is an equity shareholder in the non-resident company and is entitled to purchase the balance of the equity shares of the non-resident company,
- Is an equity shareholder in the non-resident company and is entitled to either sit on the Board or appoint a person on the Board of that subsidiary as a director; or
- Is an equity shareholder which invests a minimum in the non-resident company of €1.164 million (or the equivalent in a foreign currency) and such investment is held for a minimum interrupted period of 183 days; or
- Holds the shares in the non-resident company for the furtherance of its own business and the holding is not held as trading stock for the purpose of a trade.



Anti-Abuse Provisions - Furthermore the non-resident company in question must either satisfy any one of the following three conditions:

- It is resident or incorporated in the EU,
- It is subject to foreign tax of a minimum of 15%,
- It does not derive more than 50% of its income from passive interest and royalties;

Or, if none of the above conditions are met, the holding must satisfy both of the following conditions:

- The shares in the non-resident company must not be held as a portfolio investment; and
- The non-resident company or its passive interest or royalties have been subject to tax at a rate which is not less than 5%.

A 'portfolio investment' is an investment in securities held as part of a portfolio of similar investments for the purpose of risk spreading and where such an investment is not a strategic investment and is done with no intention of influencing the management of the underlying company. It is important to note that the holding of shares by a Maltese company in a foreign body of persons which derives more than 50% of its income from portfolio investments is deemed a portfolio investment.

Malta's tax system has been deemed by the European Commission to be compliant with EU non-discrimination principles and has also gained approval from the OECD.



Popular Structures

Overview

Malta's accession to the European Union in 2004, together with the number of tax incentives introduced, which are aimed at attracting foreign direct investment, have made it an ideal jurisdiction for tax planning and corporate structures.

As has already been described in the previous section, Malta applies a full imputation system aimed at relieving the economic double taxation that would otherwise arise on the taxation of dividends received by shareholders from distributions made from the taxed retained earnings of companies.

The full imputation system is augmented by Malta's participation exemption regime and refundable tax credit mechanism, which, depending on the no-Malta residence and/or domicile of the taxpayer, can result in a very low overall effective tax rate, in Malta, on chargeable income or gains.

Furthermore, special tax regimes are available in respect of, among other things, petroleum profits, profits from the insurance business, shipping & aircraft, and profits from certain target industries, as provided for by the Enterprise Act.

Other benefits include:

- No transfer pricing, controlled foreign company (CFC) or thin capitalisation rules
- Malta has implemented the EU directives relating to parent-subsidiary, interest and royalties, mergers, and savings

The combination of the above incentives have resulted in Malta being an attractive jurisdiction for international structuring. Maltese companies are particularly popular for the following categories of activities:

- Trading/commercial/services
- Holding of assets or participations in other companies
- Financing activities
- Holding & licensing of Intellectual Property Rights
- Malta non-resident companies

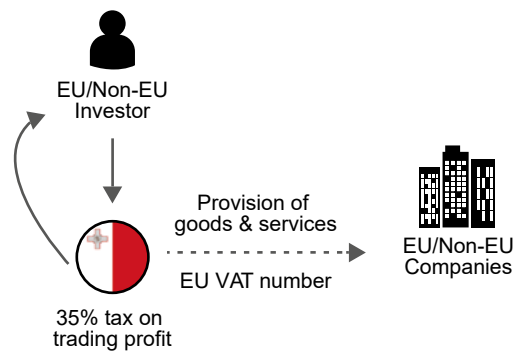


Malta Trading Company

Simple-form:

The company generates income from its trading activities (provision of goods and services). The resulting profits are then subject to Maltese income tax, at a rate of 35% on net profits. Upon distributions of dividends, the foreign shareholder (EU/Non-EU Investor) is entitled to a 6/7ths refund of the 35% tax paid by the Maltese Trading Company. **This results in an effective tax rate of 5%.**

A. The Malta Trading Company



- No Maltese withholding tax on dividend payments
- Refund of 6/7ths of tax paid by Malta company
- › Net overall tax of 5%



Two-Tier Trading Structure:

In certain circumstances, it may be beneficial to establish a two-tier structure, where a Maltese holding company is interposed between the Maltese trading company and a foreign shareholder.

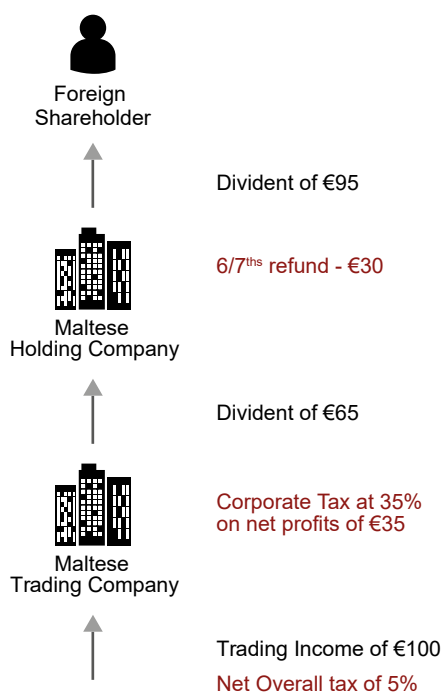
In this example, the Maltese trading company generates income from its trading activities, and income tax at a rate of 35% is applied to the net profits of the Maltese trading company. Upon distributions of dividends to the Maltese holding company*, the latter may claim a refund of 6/7ths of the 35% tax paid by the Maltese trading company. Dividend income and the tax refund received by the Maltese holding company are not taxed any further in Malta. The Maltese holding company can then distribute in full both the tax refund and the dividend income received to its foreign shareholder, with no withholding taxes on dividends paid to the foreign shareholder.

* **Note:** in the two-tier structure, a Cyprus holding company can be used with the same tax advantages. The tax refund remitted to the CYHOLD is not taxable in Cyprus and the tax refund and dividend income can be distributed to the foreign shareholder without any withholding taxes.

B. Two-Tier Trading Structure

Such two tier structure can be beneficial for the following circumstances:

- To mitigate the risk of tax liability which is to be generated at the shareholder level on the amount of refund received; and
- To maintain confidentiality since the foreign shareholder will not be obliged to register with the Tax Authorities in Malta.





Malta Holding Company

Participation Exemption:

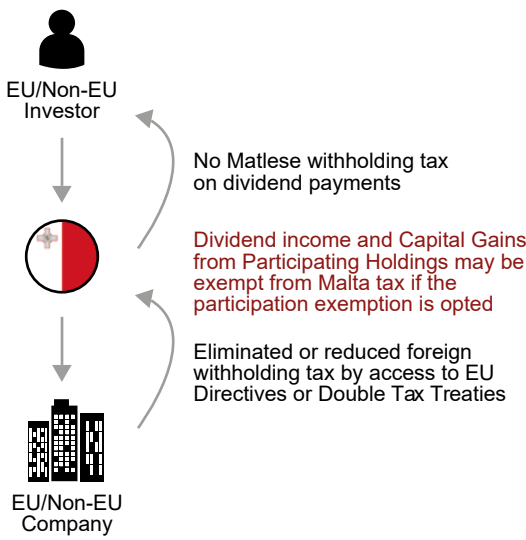
A Maltese holding company may avail itself of either a full refund or a total tax exemption on any dividend income or capital gains, provided it qualifies as a participating holding. It should be noted that a Maltese company will only qualify as a Participating Holding (total tax exemption) in a non-resident entity if:

- It holds directly at least 10% of equity shares of an entity; or
- It is an equity shareholder in a company and is entitled to acquire the entire balance of shares; or
- It holds equity shares in an entity and is entitled to first refusal in the event of the proposed disposal, redemption or cancellation of all the equity shares; or
- It holds equity shares in an entity entitling it to either sit on the Board of Directors or to appoint a person to sit on the Board of that Company as a director; or
- It holds equity shares in an entity having an investment of a minimum value of Euro 1,164,000.00 and held for an uninterrupted period of not less than 183 days; or
- It holds equity shares for the furtherance of its own business and not as trading stock for the purposes of a trade.

The full refund under the exemption will only be made available to the Maltese Participating Holding if the non-resident entity held, paying the dividend, satisfies anyone of the below conditions:

- Is resident or incorporated in the European Union; or
- Is subject to a minimum of 15% foreign tax; or
- Does not derive more than 50% of its income from passive interest and royalties or
- Is not held as portfolio investment and is subject to tax at least 5%.

Gains and dividends from non-qualified participating holdings are taxed in Malta at the rate of 35%, however, the shareholder may claim a refund of tax paid by the holding company, upon the distribution in the normal manner, under the full imputation system.



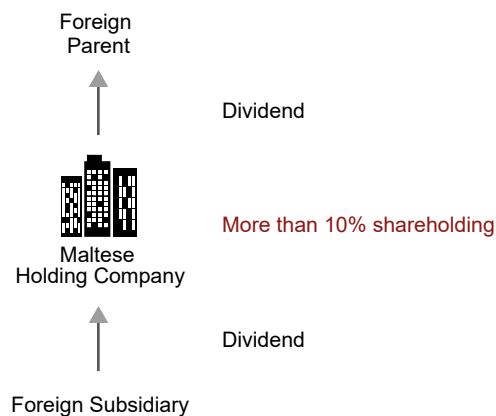


Holding of Overseas Investments:

In this example, a Maltese holding company invests in the foreign subsidiary, which qualifies as a participating holding. There are low or no withholding taxes on dividends received by the Maltese holding company due to relief under the wide double tax treaty network of Malta, or under the provisions of the EU Parent-Subsidiary Directive. The dividend income is exempt from Maltese taxation, or a full refund is available on the tax paid on the dividends received, and there is no withholding tax in Malta on dividends paid to the foreign parent/shareholder.

Further benefits are that the foreign parent/shareholder may be resident anywhere in the World, and, there are no capital gains taxes on the future potential sale of the investment.

The effective tax rate in Malta is therefore 0%.

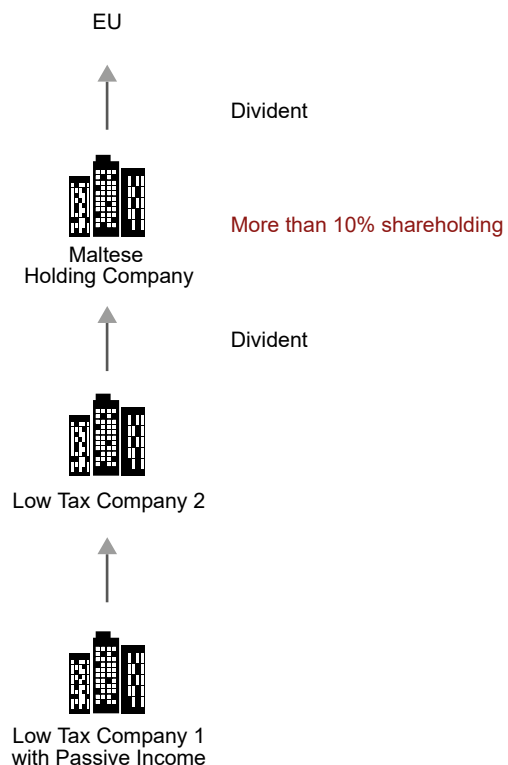


Entry Route Into the EU:

In this example, a Maltese holding company holds an investment in a foreign subsidiary (Low Tax Company 1), which however does not meet the Maltese anti-abuse provisions, as described above in previous sections (ie, not subject to a minimum tax rate of 5% and/or more than 50% of its income is derived from passive interest or royalties).

In such a case, a second foreign subsidiary (Low Tax Company 2) can be inserted between the Maltese holding company and Low Tax Company 1, as the holding of shares does not qualify as passive interest or royalties. The investment in Low Tax Company 2 will therefore qualify as a participating holding, which means that a 100% tax exemption applies to the dividend income from Low Tax Company 2.

Furthermore, as there will be no withholding tax in Malta on dividends paid to the EU shareholder, **the effective tax rate in Malta is 0%.**

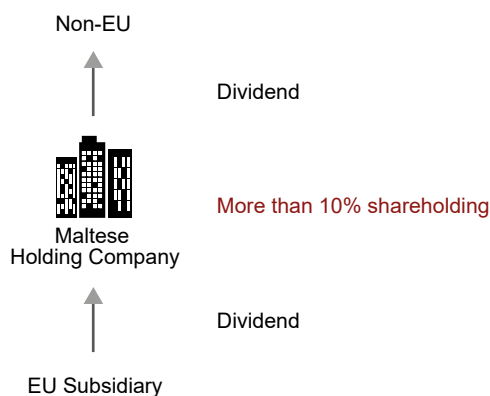




Exit Route From the EU:

In this example, a Maltese holding company holds an investment in an EU subsidiary, which qualifies as a participating holding. However, the shareholder is not an EU citizen therefore dividends paid directly from the EU company to the non-EU shareholder may be subject to withholding taxes. In such circumstances, a Maltese holding company can be interposed between the two.

Given that the EU Parent-Subsidiary Directive conditions are satisfied, there will be no withholding tax on dividends paid by the EU subsidiary to the Maltese holding company. Dividend income received by the Maltese holding company from the EU subsidiary is exempt from taxation in Malta, and there will be no withholding tax in Malta on dividends paid to the non-EU shareholder. **Therefore, the effective tax rate in Malta will be 0%.**



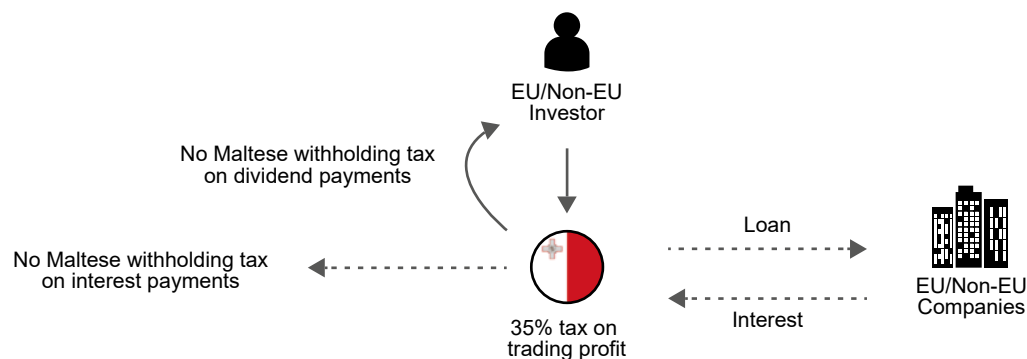
Malta Group Financing Company

In this example, the shareholders of the Maltese company, either from the EU or outside the EU, invest funds in the Maltese company, in the form of a shareholder's contribution to increase the capital of the company. These funds can then be used to finance the activities of other companies in the group.

The interest income received by the Maltese company would then be subject to income tax at an annual rate of 35% on net profits. However, depending on the nature of the interest earned, the shareholders of the Maltese company will be entitled to a refund of the tax paid by the financing company of 6/7ths (for active interest), 5/7ths (for passive interest) and 2/3rds in case where relief has been claimed on foreign taxes.

It should be noted that:

- In cases where it is intended to provide back-to-back loans, transfer pricing rules may apply, as well as restrictions imposed by the banks where the company has accounts. Furthermore, there may be restrictions on the size of margin to be kept by the Maltese company. In such cases, it is recommended that a formal tax opinion is prepared, as well as discussing the intended transaction with all stakeholders, including the banks.
- In cases where the Maltese company intends to lend to a third party, outside the Group, a license may be required by the Malta Financial Services Authority (MFSA) as this type of financing is normally a regulated activity.



- Finance profit subject to 35% corporate income tax
- In case of back-to-back loans thin spreads are accepted

Reduced or eliminated foreign withholding taxes on payments of interest to Malta through access to EU Interest and Royalty Directive or Double Tax Treaties

Refunds to shareholder

Depending on the nature of the interest earned, the shareholder would be entitled to a refund of the tax paid by the Financing company on either 6/7^{ths} (on active interest), 5/6^{ths} (on passive interest) or 2/3^{rds} if relief has been claimed on foreign taxes.

Licensing requirements: Financing to third parties is a regulated activity and a license is required from the Malta Financing Services Authority (MFSA)

The following benefits, among others, make Malta an attractive option for group financing:

- Malta has signed Double Tax Treaties with over 70 countries, and has transposed into its law all the EU Directives, including the Interest and Royalty Directive, meaning that in most cases there will be no withholding tax on interest
- Low overall tax burden on the Maltese Financing Company
- Possibility of deducting interest expenses from taxable profits
- No withholding tax on distribution of dividends by Maltese financing company to its EU or non-EU shareholders
- No thin capitalisation rules
- No withholding tax in connection with interest paid on loan financing, irrespective of jurisdiction or the absence of a Double Tax Treaty (even for interest payments to offshore jurisdictions)
- Low set-up and administration costs, and professional fees
- The Malta Income Tax Act permits tax consolidation and sets forth circumstances in which members of a group of companies may surrender trade (but not capital gains) losses to one another



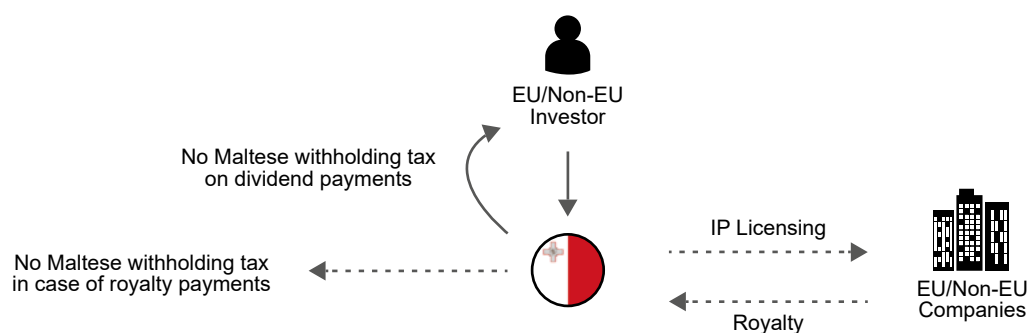
Malta Intellectual Property Company (IP)

In this example, we are considering a Maltese company which owns, or has been assigned, the rights to IP. In cases where such companies are owned by EU (non-residents of Malta) or non-EU citizens, establishing a royalty company in Malta can be a very attractive proposition, due to the low withholding tax rates for royalties provided in most of Malta's Double Tax Treaties and the use of the EU Directives, as well as Malta's Full Imputation refund system.

Refunds Under The Provisions of The Full Imputation System:

Maltese limited liability companies receiving royalty income may benefit from a considerably low tax burden as a result of the Maltese full imputation system. Upon the distribution of the income as dividend, shareholders of Maltese companies may claim one of the following tax refunds:

- **5/7ths tax refund** – This refund applies when the income consists of passive royalties resulting in an effective tax burden of 10%. Passive royalty income refers to royalties that are not obtained from a trade or business and which has not suffered or has suffered less than 5% foreign tax.
- **2/3rds tax refund** – Where a double taxation relief is applicable on foreign royalty income, the payor company will receive 2/3rds of the tax paid.
- **6/7ths tax refund** – When this is applicable, the amount of tax payable will only be 5%. This is generally applicable when the aforementioned two tax refunds do not apply, and is the result of active royalty income.





Malta Non-Resident Company

Companies incorporated in Malta are considered to be tax resident in Malta by virtue of their incorporation. Companies registered outside Malta are considered to be tax resident in Malta if their management and control is exercised in Malta.

Under these principles, Malta tax resident companies are taxed as follows:

- Companies incorporated in Malta are taxed on their worldwide income
- Companies incorporated outside Malta but which are controlled and managed in Malta:
 - Taxed in Malta on income arising in Malta; and
 - Income arising outside Malta to the extent that such income is remitted to Malta; and
 - Gains realized in Malta (gains realized outside Malta would not be taxable in Malta even if remitted to Malta).

Non-Malta tax resident companies are taxed only on income generated in Malta.

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