

MALTA TRADING STRUCTURES (GOODS AND SERVICES)

GENERAL INFORMATION

Malta is a well regulated and leading international financial services centre located in southern Europe and is a member of the European Union, the Council of Europe, The United Nations and the Commonwealth. With good transport links into many cities in Europe, a good telecommunications infrastructure, and with English being one of the main languages, Malta is well positioned to attract international business.

The Malta Financial Services Authority ('MFSA') is the single efficient regulator for financial services in Malta and provides a flexible and commercial foundation to facilitate business.

Malta has a stable economy and has an extensive network of double tax treaties throughout the world, as well as having many tax advantages for trading companies.

KEY FEATURES AND BENEFITS

- The corporate tax rate is 35% however due to the full imputation system this can be reduced considerably, typically to 5% for trading companies.
- There are no withholding taxes on dividends paid to non-resident shareholders.
- The VAT rate is one of the lowest in Europe at 18%.
- Only 20% of the issued share capital need be paid up.
- There is a stable and sophisticated banking system without the need for the beneficial owner to visit Malta to open the account.
- Malta has a robust legal, fiscal and regulatory framework in place.
- The main languages are English and Maltese.
- On the OECD 'white list'.

TRADING COMPANIES (GOODS & SERVICES)

There are no restrictions in respect to trading companies as any business activity can be conducted provided it is with the law and licencing is not needed for a trade. The activity can include trading in goods, services, consulting, and advisory services. The activity can be carried out both in Malta and internationally.

A trading company is subject to tax at 35% on its net profit which must be paid to the Maltese tax authorities. This tax is imputed to the shareholder who can claim a refund of 6/7th's once a dividend is paid, bringing the effective tax rate in Malta to 5%. This refund of 6/7th's would reduce to 2/3rd's should any double tax treaties have been utilised.

FULL IMPUTATION SYSTEM

Unlike many other countries, Malta operates a full tax imputation system in respect of corporate profits. Under this system corporate profits are taxed at a flat rate of 35%. When the dividends are distributed to shareholders the dividend carries an imputable tax credit, which can be considered as a payment in advance of the shareholder's own tax liability.

A shareholder's refund can be claimed once the dividend has actually been paid by the Maltese company.

The tax refund from the Maltese revenue authorities is a legally guaranteed payment and is paid within 14 days of the month end in which the reclaim was made.

EXAMPLE

Active Income Where No Double Tax Relief Has Been Claimed

Taxation at the Maltese Company level	
Taxable income (active)	100,000
Malta tax @ 35%	(35,000)
Profits available for distribution	65,000

Taxation at shareholder level	
Net Dividend Income	65,000
Grossed up with tax paid by Maltese Company	35,000
Gross dividend income	100,000
Malta tax @ 35%	35,000
Imputation Tax credit	(35,000)
Total Malta tax payable by non-resident shareholder	0
Refund of 6/7 th s of the Maltese tax suffered by Malta Co on payment of a dividend (made up of active income). i.e. 6/7 th s of 35,000	30,000
Total income for shareholder	95,000
Effective Malta tax rate	5%

In the case where double tax relief is claimed the refund of Maltese tax will reduce from 6/7ths to 2/3rds. The final rate of tax paid is dependent on the rate of overseas tax claimed.

TWO TIERED STRUCTURE

A Maltese trading company can be set up in conjunction with a Maltese holding company. The holding company will receive dividends from the trading company and will also collect the refund due to it under the imputation system.

The main advantage of this is that it allows the holding company to manage the receipt of dividend income and the respective tax reclaim, so that the dividends and the tax reclaim can be paid up to the shareholder in one amount as a dividend. No further Maltese taxation would be due from the holding company as it would be considered as a participating holding and exempt from taxation.

The trading company shareholder must be formally registered with the Maltese tax authorities in order to be eligible to claim for a refund. Having a Maltese holding/owning company as the shareholder allows a degree of confidentiality.

HOW MANN MADE CAN HELP

Mann Made Malta Ltd is a company service provider registered to act as such by the 'MFSA'. We will establish the Maltese trading structure and provide ongoing services to include the provision of corporate services (the provision of officers, registered office etc.), plus on-going administration, tax and VAT registration, bank account opening, tax and VAT compliance, bookkeeping and accounting services and other services if required.

CONTACT US

For more information concerning the Maltese trading structure, the services we can provide and our costs, please contact Sue Brown, director of Mann Made Malta Ltd as follows:

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THE MANN MADE GROUP

Mann Made Malta Ltd is part of the Mann Made Group of companies and has offices in the Isle of Man, United Kingdom, Hong Kong and Malta and is an international group providing corporate and trust structuring and services worldwide. Should you be interested in the services we can provide please visit our website or contact us as follows:

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