

KEY FACTS

**BENEFITS & ATTRACTIONS OF MALTA AS A FUNDS DOMICILE**

In recent years Malta has witnessed significant growth as a domicile of choice in the funds space as well as a preferred jurisdiction for the establishment of fund managers.

The advantages Malta provides as a Funds Domicile can be summarised as follows:

- An EU jurisdiction providing lower establishment (legal and regulatory fees) and fund administration costs compared to other fund jurisdictions, combined with highly skilled English speaking professionals servicing the funds industry.
- As a full EU member Malta's funds regime provides passporting rights for UCITS funds and their managers in terms of the UCITS regime. Furthermore, alternative investment funds and fund managers established in Malta will under the terms of the Alternative Investment Fund Managers ("AIFM") directive be able to benefit from EU passporting rights with effect from 2013. In both a UCITS fund or an alternative investment fund context, these passporting rights provide considerable benefits to a fund promoter in terms of greater investor access and the reduction of regulatory and operating costs resulting from being regulated in a single jurisdiction.
- Quick response time for review of fund application documents by the Malta Financial Services Authority ("MFSA"): 3-7 days for alternative investment funds and three weeks for UCITS funds.
- A tax regime that provides beneficial tax treatment at the fund<sup>1</sup> and investor levels. Furthermore distributions to non-resident investors are not subject to withholding taxes and no capital gains apply on the redemption of fund holdings by non-resident investors. No stamp duty applies on the transfer of fund holdings by investors and on investments acquired/sold by a Malta regulated fund. Unlike other fund jurisdictions, there is no subscription or net asset value tax.
- Fund Managers established in Malta can achieve an effective tax rate of only 5%<sup>2</sup> which is the lowest effective tax rate within the EU and a competitive rate on a worldwide basis.

<sup>1</sup> A Malta domiciled fund that invests more than 15% of its assets outside Malta enjoys a blanket tax exemption on ALL income and gains at the Fund level (except on any income derived from immovable property situated in Malta).

<sup>2</sup> The standard rate of tax applicable to a fund manager set up as a limited liability company is 35% on all income and chargeable capital gains. Upon distribution of profits taxed at 35%, the non-resident shareholders of the Manager can claim a refund of 6/7ths of the tax suffered. The effective Malta tax burden in the hands of the shareholder is therefore 5%. Refunds are payable within 14 days from the date they fall due. No withholding taxes apply upon distribution of dividends by the Manager to its shareholder/s.

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- A robust but flexible funds regime in terms of:

**The Targeted Investor Base**

- Promoters targeting retail investors can choose between a fund that is registered as a UCITS fund or a fund that is regulated outside the UCITS regime.
- Promoters for alternative investments funds are regulated by the Professional Investor Funds (“PIF”) regime which distinguishes between funds depending upon the minimum investment levels required from each investor: EUR10k, EUR75k, or EUR750k.
- It is also possible to launch a Private Scheme which must have no more than 15 investors all of whom are closely associated (friends or relatives) with the promoter.

**The Fund Vehicle/Structure**

- A UCITS fund can be set up as an investment company/unit trust/by contract (as a mutual/common fund). A PIF can be set up as an Investment Company, Incorporated Cell Company, Partnership or Trust.
- In terms of fund structure a UCITS fund can be set up as a Master/feeder, Umbrella or fund of funds. In addition to all these structures, a PIF can also be set up as a closed ended vehicle.

**Third party service providers**

- There is flexibility on the requirement to appoint third party custodians, investment advisors and managers, and the extent to which service providers need to be established in Malta.
- Attractive provisions facilitating the redomiciliation of funds to Malta.
- The possibility of listing the fund on the Malta Stock Exchange.

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