

**KEY FACTS**
**THE MALTESE TRADING COMPANY**
**An Overview of the Malta Company Tax System**

- A large number of international clients have established companies undertaking trading operations to benefit from Malta's advantageous tax regime.
- Although the standard rate of corporate tax is 35%, the availability of refunds to shareholders of the tax paid by the company helps reduce the Maltese tax leakage to between 0% and 5%, in most cases.
- Refunds to shareholders are paid by the Malta tax authorities only within 14 days of a valid refunds claim being made.
- Maltese companies are considered to be resident and domiciled in Malta and therefore taxed on their worldwide profits. However, companies which are incorporated outside Malta but managed and controlled in Malta are considered resident but not domiciled in Malta and therefore taxed on a remittance basis.

**TRADING ACTIVITIES & PROFITS**

- Trading profits derived by Maltese resident companies are allocated to the Maltese Taxed Account and these include profits derived from trading activities such as the provision of finance, leasing, Intellectual Property, managing the logistics of a company's exports, gaming operations, investment trading, asset management, back-office operations, consultancy services.
- A refund of 6/7ths of the tax suffered by the company of 35% is claimable by the shareholders of the company and therefore results in a 5% effective tax leakage.

Below is a numerical example which illustrates the mechanics of the 6/7ths tax refund (assuming that all expenses incurred by the company are deductible for tax purposes).

COMPANY	EUR
Profits generated from trading operations	1,000
<b>Chargeable income</b>	<b>1,000</b>
Tax at 35%	350
<b>Malta tax payable</b>	<b>350</b>
SHAREHOLDER	
Refund on distribution (6/7ths of gross tax)	300
Effective tax leakage	50
Effective rate of tax on net income	5.00%

**KEY FACTS**

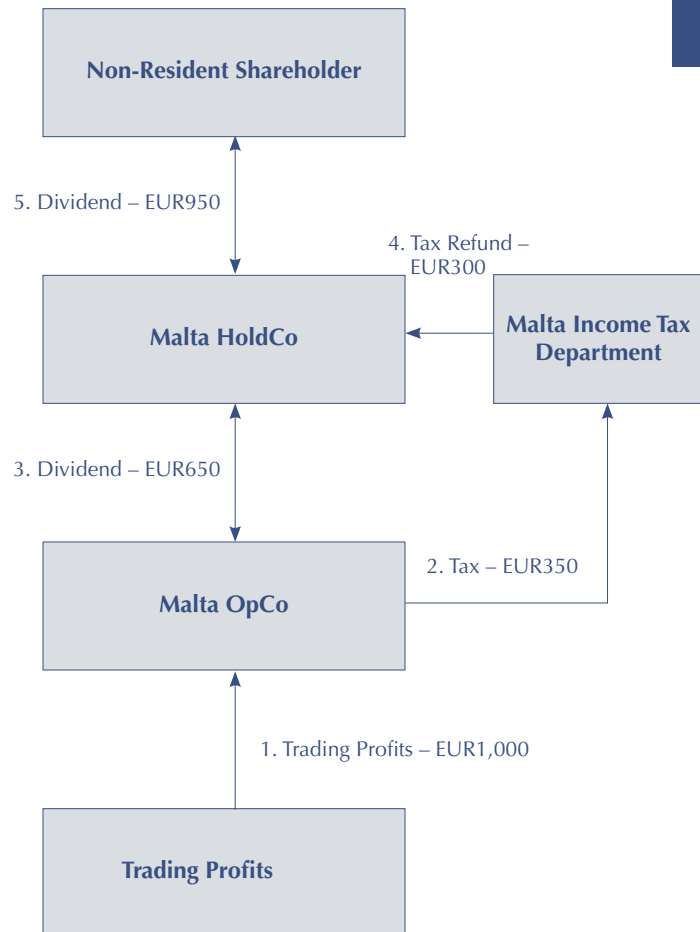
**THE USE OF HOLDING COMPANIES WITH TRADING COMPANIES**

In multiple layers of Malta companies, refunds of tax are given to the second tier company, i.e. the Malta holding company. This may have advantages by converting refunds into dividends and avoids the need to repatriate profits outside Malta just to trigger off a refund claim.

The use of a Maltese Holding Company in the structure can be illustrated by the structure depicted below.

- Foreign company/ non-resident individual shareholder owns 100% of Malta HoldCo which in turn owns 100% of Malta OpCo.

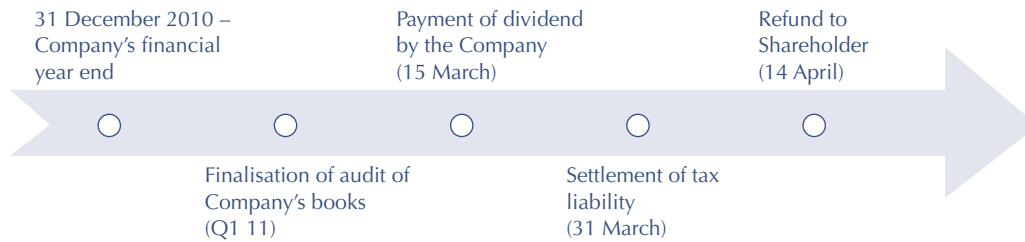
1. Malta OpCo receives trading profits of EUR1,000.
2. Malta OpCo suffers Malta tax at 35% amounting to EUR350.
3. Malta OpCo distributes a dividend of EUR650 to Malta Hold Co. Malta HoldCo pays no further tax on dividend received from Malta OpC
4. Malta HoldCo is entitled to a 6/7ths refund of the Malta tax paid by Malta OpCo on distributed profits and receives EUR300 from the Maltese tax authorities within 14 days from the payment of the tax liability.
5. The non-resident shareholder can receive a dividend of EUR950 from Malta HoldCo which means that the Malta tax burden on the trading profits arising in Malta OpCo is only 5%. No withholding tax applies at any level in the structure upon the upstreaming of dividends.



**TAX REFUNDS**

Some principles regarding the treatment and settlement of tax refunds are set out below:

- Not taxable in Malta in the hands of the recipient.
- Are paid on presentation of an appropriate dividend warrant as long as shareholder has been registered as required by law.
- Are refunded not later than 14 days after the distributing company’s tax liability for the year is paid.
- Are paid in the same currency in which the relative profits were charged to tax.

**KEY FACTS**

**THE BENEFITS OF A MALTESE COMPANY**

- Ease of incorporation (in most cases between 24-48 hours).
- Low minimum capital requirements (minimum of EUR1,165 with 20% being paid-up).
- No corporate tax on holding companies in respect of dividends and gains derived from underlying entities qualifying as participating holdings.
- No withholding taxes on dividends, interest and royalties paid out of the Company to non-residents.
- Capital gains on the transfers of shares in a Maltese company by non-resident shareholders are normally exempt.
- No thin capitalisation rules.
- A very flexible transfer pricing regime.
- No CFC legislation.
- No stamp duty is payable on the issuance of shares upon incorporation. Stamp duty payable upon the issuance of further shares or share transfers in companies held by non-residents can also be exempt subject to certain conditions being met.
- Extensive use of Malta's double tax treaty network spanning across 60 countries.
- As an EU member, the application of provisions in the Parent-Subsidiary Directive and Interest & Royalties Directive result in further tax planning opportunities for a Malta Company.
- Low registration and low annual return fees. These vary with the authorised share capital and range from EUR245-EUR2,250 for registration fees (non-recurring) and EUR100-EUR1,400 for annual return fees.
- Possibility of redomiciling companies to and from Malta and no entry/exit taxes arising from these redomiciliations.
- No exchange controls.
- Tax losses can be carried forward indefinitely.

*This fact sheet has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon information contained in this fact sheet without obtaining the necessary and specific professional advice from your tax advisor.*

Please contact any Trident Trust office worldwide for further information about our services and fees. Office contact details are included on the following page.

Trident Trust Company (Malta) Ltd  
The Cornerstone Complex  
Level 3 Suite 3  
16th September Square  
Mosta MST 1180, Malta  
Tel +356 21 434 525  
Fax +356 21 434 595  
malta@tridenttrust.com

**EUROPE**
**GUERNSEY**

**Trident Trust Company (Guernsey) Ltd**  
 Tel +44-1481-727571  
 Fax +44-1481-723162  
 guernsey@tridenttrust.com

**ISLE OF MAN**

**Trident Trust Company (IOM) Ltd**  
 Tel +44-1624-646700  
 Fax +44-1624-620588  
 iom@tridenttrust.com

**JERSEY**

**Trident Trust Company Ltd**  
 Tel +44-1534-733401  
 Fax +44-1534-727195  
 jersey@tridenttrust.com

**LUXEMBOURG**

**Trident Trust Company (Luxembourg) S.A.**  
 Tel +352-95-05-74-74  
 Fax +352-95-91-11  
 luxembourg@tridenttrust.com

**MALTA**

**Trident Trust Company (Malta) Ltd**  
 Tel +356 21 434 525  
 Fax +356 21 434 595  
 malta@tridenttrust.com

**SWITZERLAND**

*Zurich*  
**Trident Corporate Services AG**  
 Tel +41-44-396 1080  
 Fax +41-44-396 1081  
 switzerland@tridenttrust.com

*Geneva*

**Integritas Trust S.A.**  
 Tel +41-22-715-2760  
 Fax +41-22-732-3674  
 switzerland@integritastrust.com  
 www.integritastrust.com

**UNITED KINGDOM**

**Trident Trust Company (UK) Ltd**  
 Tel +44-20-7935-1503  
 Fax +44-20-7935-7242  
 uk@tridenttrust.com

**Trident Company Services (UK) Ltd**

Tel +44-20-7487-0460  
 Fax +44-20-7487-0461  
 corpserVICES@tridenttrust.com

**THE AMERICAS / CARIBBEAN**
**BAHAMAS**

**Trident Corporate Services (Bahamas) Ltd**  
 Tel +1-242-322-6154  
 Fax +1-242-328-1064  
 bahamas@tridenttrust.com

**Integritas Trust Company Ltd**

Tel +1-242-322-2200  
 Fax +1-242-322-2030  
 bahamas@integritastrust.com  
 www.integritastrust.com

**BARBADOS**

**Trident Corporate Services (Barbados) Ltd**  
 Tel +1-246-431-0760  
 Fax +1-246-431-0591  
 barbados@tridenttrust.com

**BRITISH VIRGIN ISLANDS**

**Trident Trust Company (BVI) Ltd**  
 Tel +1-284-494-2434  
 Fax +1-284-494-3754  
 bvi@tridenttrust.com

**CAYMAN ISLANDS**

**Trident Trust Company (Cayman) Ltd**  
 Tel +1-345-949-0880  
 Fax +1-345-949-0881  
 cayman@tridenttrust.com

**NEVIS**

**Meridian Trust Company Ltd**  
 Tel +1-869-469-1333  
 Fax +1-869-469-0968  
 nevis@tridenttrust.com

**PANAMA**

**Trident Trust (Panama) S.A.**  
 Tel +507-302-7494  
 Fax +507-302-7497  
 panama@tridenttrust.com

**UNITED STATES**

*New York*  
**Trident Corporate Services, Inc**  
 Tel +1-212-840-8280  
 Fax +1-212-944-5923  
 nyc@tridenttrust.com

*Atlanta*

**Trident Corporate Services, Inc**  
 Tel +1-404-233-5275  
 Fax +1-404-233-9629  
 usa@tridenttrust.com

*Sioux Falls*

**Trident Trust Company (South Dakota) Inc**  
 Tel +1-605-679-4355  
 Fax +1-605-679-4357  
 sd@tridenttrust.com

*Miami*

**Integritas, Inc**  
 Tel +1-305-405-9006  
 Fax +1-305-416-3143  
 usa@integritastrust.com  
 www.integritastrust.com

**US VIRGIN ISLANDS**

**Trident Trust Company (VI) Ltd**  
 Tel +1-340-774-7322  
 Fax +1-340-776-0651  
 usvi@tridenttrust.com

**ASIA / PACIFIC**
**HONG KONG**

**Trident Corporate Services (Asia) Ltd**  
 and **Trident Trust Company (HK) Ltd**  
 Tel +852-2805-2000  
 Fax +852-2850-4090  
 hongkong@tridenttrust.com

**NEW ZEALAND**

**Trident Trust Company (NZ) Ltd**  
 Tel +64-9-300-6067  
 Fax +64-9-366-1482  
 nz@tridenttrust.com

**Integritas New Zealand Ltd**

Tel +64-9-300-6067  
 Fax +64-9-366-1482  
 nz@integritastrust.com  
 www.integritastrust.com

**SINGAPORE**

**Trident Trust Company (Singapore) Pte Ltd**  
 Tel +65-6304 3288  
 Fax +65-6491 1231  
 singapore@tridenttrust.com

**MIDDLE EAST / AFRICA**
**CYPRUS**

**Trident Trust Company (Cyprus) Ltd**  
 Tel +357-258-20-650  
 Fax +357-253-61-857  
 cyprus@tridenttrust.com

**Trident Fiduciaries (Middle East) Ltd**

Tel +357-253-53-520  
 Fax +357-258-18-808  
 fiduciariesme@tridenttrust.com

**DUBAI**

**Trident Trust Company (UAE) Ltd**  
 Tel +971-4-423-9988  
 Fax +971-4-450-4411  
 dubai@tridenttrust.com

**MAURITIUS**

**Trident Trust Company (Mauritius) Ltd**  
 Tel +230-210-9770  
 Fax +230-210-1266  
 mauritius@tridenttrust.com

**SEYCHELLES**

**Trident Trust Company (Seychelles) Ltd**  
 Tel +248-4-422-000  
 Fax +248-4-422-010  
 seychelles@tridenttrust.com