

## MALTA HOLDING COMPANIES

### 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 holding 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 0% for holding companies owning shares in other companies.
- There are no withholding taxes on dividends paid to non-resident shareholders.
- 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'.

### HOLDING COMPANIES

Holding Companies are established for the purpose of holding various assets and investments such as shares in other companies, real estate, securities, yachts and aircraft as well as intellectual property such as patents and copyrights.

A holding company is subject to tax at 35% on its net profit (or less subject to any relevant tax treaties) from its dividend income or disposal of subsidiaries. If the subsidiary is considered as a participating holding then the effective rate of tax is reduced to zero, either by way of a shareholders 100% refund, or if allowed, as a participating exemption, meaning the tax need not be paid in the first place.

### 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%(or less subject to any relevant tax treaties). 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.

## **PARTICIPATING HOLDING – 100% REFUND/EXEMPTION**

A Maltese resident company holding shares in a subsidiary company would be considered as qualifying as a participating holding should certain conditions be met.

Under these rules and depending on the criteria, a 100% refund or 100% exemption (i.e. no taxes would be payable in the first place) would be available.

### **STAGE 1 – QUALIFYING AS A PARTICIPATING HOLDING**

To be considered as a participating holding the Maltese company must not own or have rights over (either directly or indirectly) any immovable property in Malta and must satisfy **ONE** of the following conditions:

1. It holds at least 10% of the equity shares of the subsidiary that allows a minimum entitlement to at least 10% of two out of three of the following rights:
  - the right to vote;
  - the right to profits available for distribution;
  - the right to assets available for distribution on winding up;
2. It is an equity shareholder and is entitled to:
  - purchase the balance of the equity shares in the subsidiary;
  - have first refusal to purchase such shares;
  - sit on, or, appoint a person to sit on the board of directors of the subsidiary;
3. It is an equity shareholder that holds a minimum equity value of Euro 1,164 million for at least 183 consecutive days; or
4. It holds the shares for the furtherance of its own business and not for the purpose of trade.

Where these rules are satisfied any dividends and capital gains received by the Maltese holding company from the subsidiary will be taxed in Malta at a rate of 35% or lower subject to double tax relief. Under the tax imputation system the full 100% can be reclaimed by the shareholder upon distribution of a dividend.

### **STAGE 2 – QUALIFYING FOR A PARTICIPATING EXEMPTION**

If the participating holding rules are satisfied, in order to qualify for the participation exemption in respect of dividend income at least one of the following must apply:

- The subsidiary is resident in the EU;
- The subsidiary is subject to overseas tax of at least 15%;
- The subsidiary has 50% or less income from passive interest and royalties; or
- The subsidiary has 50% or less income from portfolio investments AND it is subject to foreign tax of at least 5%.

The conditions for the application of the participation exemption with respect to dividends do not apply in the case of gains derived from the transfer of a participating holding. Such gains are exempt with no further prerequisites.

Dividends and capital gains received by a Maltese holding company emanating from its subsidiary will be exempt from taxation in Malta where the company qualifies for a participating exemption.

## HOW MANN MADE CAN HELP

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

## CONTACT US

For more information concerning the Maltese holding 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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