Why invest in Malta?

Why?

- Economic Factors
- Malta as a Historic Trading Hub
- Use of Malta by Companies - Types
- Main Reasons for Setting up in Malta
- Malta as a Financial Services Centre
- Tax Regime Overview

Main Highlights

Economic Factors

Gross Domestic Product (GDP)

"After having contracted by 3.4% in real terms in 2009, the economy expanded at a faster rate of 3.7% in 2010. After having rebounded strongly in 2010, real GDP growth is projected to ease in 2011, before picking up again in 2012. In both years growth is expected to be driven mainly by final domestic demand, though net exports are also set to contribute positively." **Central Bank of Malta Annual Report 2010**

GDP for 2010 was €6,245.8 million.

Inflation Rates

March 2011 Retail Price Index: 1.99% (National Statistics Office)
March 2011 Harmonised Index of Consumer Prices: 2.5% (National Statistics Office)

Unemployment Rate

In March 2011, there was a total of registered unemployed of 6,662 (National Statistics Office). In November 2009, the unemployment rate was of 5%, and in November 2010, this figure decreased to 4.3%.

Some of Malta’s Credentials

Global Financial Services Index, City of London, 2008:

- Fourth place as the Centre most likely to increase in importance in the next few years
- Fifth place as the Centre where most organisations are likely to begin new operations

World Economic Forum’s Global Competitiveness Report 2009-2010

- Thirteenth soundest banking sector
- Fifteenth most effective stock market regulation
- Twelfth strongest auditing and reporting standards
- Thirteenth position with respect to market sophistication

Historically a Trade Hub

- Malta's **strategic location** made it a trading point from the arrival of the Phoenicians in c.1000 BC, through the Roman and Byzantine Empire, the Arabs and Spanish, the Knights of St. John, French and English up to nowadays. Throughout this time span, several ports and trading settlements were founded.

- Having been a British colony for 160 years, during this era Malta relied on the services offered to British armed and naval forces. For this reason, the Maltese economy became to be called a 'fortress economy.' Almost the entire Maltese population depended on the British for employment, during times of war employment would boom. Times of peace led to a rise in unemployment.

- Following this, Malta established itself as a low-cost manufacturing open economy. Privatisation of Government-owed enterprises defined the dawning of a new era. In 1989, Malta embarked upon a project to establish a financial services sector.

- Malta became a member of the European Economic Area and in subsequent years of the European Union. Malta's modern economy has become sustainable, depending mostly on tourism and financial services. Malta has become an attraction for high-value services, among others, in maritime, aviation and ICT industries.

Malta - Used by Large to Small Companies

- ST Microelectronics
- HSBC, Banif Bank, Mediterranean Bank, Sparkasse Bank
- Lufthansa Tecknik
- Carlo Gavazzi
- Tekom Investments
- Palumbo Malta Shipyard
- Various German small companies (test base economy)
- Betsson, Paddy Power Betfair, LeoVegas, Victor Chandler, Stan James
- Vodafone

Main Reasons for Setting up in Malta

Internationalisation: Malta is a gateway to Europe, North Africa and the Middle East.

International Tax Planning Hub

International Financial Service Centre

Cost Effective Reputable Centre

Can do Attitude

Malta as a Financial Services Centre

Malta as a Financial Services Centre

- Financial Services currently contribute approximately 12% to Malta's Gross Domestic Product. Government's 'Vision 2015' is aimed at increasing this figure to 25%.'

- Malta boasts of highly-qualified professionals, hard-working and ambitious, in the financial services industry. Most have sought international experience in a specialised field of financial services, therefore bringing together an array of multicultural business ideals.

- Malta has now established itself as an onshore financial centre in line with EU legislation and Directives.

- Malta reached an advanced accord with the Organisation for Economic Cooperation and Development (OECD) on fiscal matters. This means that Malta is no longer regarded as a tax haven.

- Malta has a network of over fifty Double Tax Treaties with countries in its attempt to encourage business with these other countries.

The Regulatory Framework

- The **Malta Financial Services Authority (MFSA)** is the sole regulatory body monitoring and supervising the financial services industry in Malta. The MFSA regulates banking, insurance, securities, retirement funds and trusts. It works to prevent money laundering and market abuse. It has also established a Consumer Complaints Unit.

- Within the MFSA is housed the **Registry of Companies**. This Authority was established by means of the Companies Act (1995) and is charged with the duty of ensuring that companies comply with the provisions of this Act. It also maintains a public registry of these entities where all related documents are kept and are available to the general public.

- Prior to establishment of the MFSA, the **Central Bank of Malta (CBM)** was the financial regulator, established in 1967. Today, the CBM's main responsibility is to maintain price stability. It is also a participant in the decision-making process of the Eurosystem's monetary policy.

Banking

- Malta was classified in the thirteenth place for financial market sophistication by the World Economic Forum's Global Competitive Report 2009-2010. Its banking system was also ranked as thirteenth soundest in the world.
- There are currently twenty-three credit institutions with assets of over 40 billion Euro in 2009 (MFSA Annual Report 2009). Twenty are foreign-owned whilst three are majority Maltese-owned. Thirteen credit institutions are from EU countries.
- Malta-based banks are in possession of state-of-the-art technology.
- The MFSA strongly encourages e-money institutions.
- Passporting to other EU countries is also available to banks registered in Malta.

Tax Regime Overview

Malta Companies

- Any Malta Company registered on or after 1 January 2007 may carry out international activities whether ‘trading’ or ‘holding’ in nature.

- Tax treatment would depend on the allocation of income to the different tax accounts depending on its nature and source.

- The fixed tax accounts are the:

  1. Final Tax Account;
  2. Immovable Property Account;
  3. Foreign Income Account;
  4. Maltese Taxed Account; and the
  5. Untaxed Account.

- The current income tax rate applicable to Malta Companies is 35%.

Dividend Income and Capital Gains (1)

- A Malta Company in receipt of dividends deriving from a **participating holding** or capital gains from the disposal of such holding may, at its option, have this income treated in any one of the following manners:
  - Apply the **participation exemption** whereby the dividends or capital gains received by the Malta Company are **exempt** from tax in Malta;

    OR

  - Declare the income or gains as part of its chargeable income and pay tax thereon, at the rate of 35%. Upon a distribution of a dividend by the Malta Company, its shareholder may claim a **full refund (100%)** of the Malta tax suffered on such dividends.

Dividend Income and Capital Gains (2)
Definition of Participating Holding

1. A holding of at least 10% of the equity; or
2. Shareholder entitled to call for and acquire balance of equity; or
3. Shareholder entitled to “first refusal” in case of disposal of shares by others; or
4. A holding which entitles shareholders to a seat on the Board of Directors; or
5. Minimum investment of Euro 1,165,000 – but holding for uninterrupted period of 183 days; or
6. Any shareholding in furtherance of “own business” – not held as trading stock.

Dividend Income and Capital Gains (3)

A participating holding may also exist where the Malta Company has a holding in a body of persons constituted, incorporated or registered outside Malta, which is not resident in Malta, and is of a nature similar to partnership *en commandite*, the capital of which is not divided into shares.

Dividend Income and Capital Gains (4)

Company Level	Participation Exemption Euro	Full Refund Euro
Dividends/Capital Gains from Participating Holding	1,000	1,000
Malta Tax Suffered	0	350
Profits Distributed as Dividends	1,000	650
Shareholder Level		
Gross Dividends Received	1,000	1,000
Malta Tax Suffered at Company Level	0	350
Refund of Malta Tax Suffered at Company Level	**0**	**350**

Trading Income

Where the Malta Company's income arises from trading activities (where trade is widely interpreted to include both actual buying and selling of goods, and also the provision of services), the shareholder(s) of the Malta Company may:

- **Claim a refund of 6/7ths of the Malta tax suffered at company level on this income.**

Elimination of Double Taxation (1)

1. Malta has over 50 Double Taxation Treaties (DTTs) with countries
   - Mainly follow the OECD model;
   - New DTT's are continuously sought.

2. Unilateral Relief - *virtual* DTT with the entire world
   - Any overseas taxes allowed as credit against the income tax chargeable in Malta subject to proof of tax at source.

3. Flat Rate Foreign Tax Credit (FRFTC)
   - 25% "deemed" tax allowed as credit against Malta tax.

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