KPMG

Professional Investor Funds in Malta

June 2019

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Why Malta?

Some Key data

- Malta became the smallest member state in the EU in May 2004, and joined the Euro Zone in 2008.
- GDP per capita is at 95% of the EU average, at €24,450 (June 2017).
- Malta was relatively unscathed during the years following the financial crisis of 2008, and stabilised by 2012.
- Malta has one of the highest figures of sunshine hours in Europe with an average of 3,000 per year.
- English widely spoken and written in Malta, and is the principal language for education and business.

Factors contributing to Malta's competitive advantage

- Flexible legal and regulatory environment with a legislative framework in line with EU Directives. Malta is fundamentally a civil law jurisdiction, however business legislation is principally based upon English law principles
- Malta boasts a high level of education with graduates representing a cross-section of the various disciplines related to financial services. Specific training in financial services is offered at various post-secondary and tertiary education levels. The accounting profession is well-established on the island. Accountants are either university graduates or in possession of a certified accountant qualification (ACA/ACCA)
- A flexible and proactive regulator that is very approachable and business-minded and robust
- An ever-growing supply of high-quality office space for rent at cheaper prices than Western Europe
- Malta's development as an international financial centre is reflected in the range of financial services available. Complementing the traditional retail functions, banks are increasingly offering private and investment banking, project finance, syndicated loans, treasury, custody and depositary services. Malta also hosts a number of institutions specialising in trade-related products such as structured trade finance, factoring and forfeiting
- Major international accountancy firms, including the Big 4 firms, are present on the island. Legal firms tend to be local, though most form part of international legal networks. Many professionals in both areas pursue studies and training overseas
- Maltese standard time is one hour ahead of Greenwich Mean Time (GMT) and six hours ahead of US Eastern Standard Time (EST) so business runs smoothly with the international community
- International Financial Reporting Standards, as adopted by the EU, are entrenched in company legislation and applicable since 1997, so there are no local GAAP requirements to deal with
- A very competitive tax system, also for expatriates, and an extensive and growing double taxation treaty network
- No restrictions on the granting of work permits for EU and EEA nationals

Joint 1st for the timely implementation of EU's Internal Market Rules into national law

17th for Soundest Banking Systems in the World

3rd for Inter-national bandwidth per user

22nd for Technological readiness

(World Economic Forum's Global Competitiveness Report 2017-2018, 137 countries reviewed)

World Economic Forum

The Global Competitiveness Report, compiled by the World Economic Forum's centre for Global Competitiveness and Performance, provides an analysis of the strengths and weaknesses of countries, related to national competitiveness using the Global Competitiveness Index as the main methodology. Competitiveness is defined as "the set of institutions, policies, and factors that determine the level of productivity of a country" and is gauged on 12 pillars.

Global Competitiveness Index 2017-2018 rankings How Malta scored

Overall, Malta has placed number 37 out of 137 countries in the 2017-2018 report. Malta remained in the top-tier category, that groups 'innovation driven economies'. Malta has again scored highly in education, innovation, macroeconomic environment, business sophistication and technological readiness. It ranked 16th with regard to tax incentives encouraging investment.

Global Competitiveness Index

	Rank (out of 140)	Score (1 -7)
GCI 2016 - 2017	**40**	**4.5**
GCI 2015 - 2016	48	4.4
GCI 2014 - 2015 (out of 144)	47	4.4
GCI 2013 - 2014 (out of 148)	41	4.5
GCI 2012 - 2013 (out of 144)	47	4.4
Basic requirements (20.0%)	**29**	**5.4**
1st pillar: Institutions	38	4.5
2nd pillar: Infrastructure	42	4.8
3rd pillar: Macroeconomic environment	21	5.8
4th pillar: Health and primary education	11	6.6
Efficiency enhancers (50.0%)	**37**	**4.6**
5th pillar: Higher education and training	30	5.2
6th pillar: Goods market efficiency	29	4.9
7th pillar: Labor market efficiency	45	4.7
8th pillar: Financial market development	43	4.4
9th pillar: Technology readiness	22	5.9
10th pillar: Market size	119	2.7
Innovation and sophistication factors (30.0%)	**34**	**4.2**
11th pillar: Business sophistication	31	4.6
12th pillar: Innovation	38	3.6

Funds in Malta

What Others Say about Malta as a Fund Jurisdiction

The conservative policies which Maltese financial institutions have induced in the running of their business, with regards to structured financial products, lending policies and borrowing in a traditional retail funding model, have in fact safeguarded Malta's financial stability from systemic events, adversely encountered in other economies.

Praude Asset Management Ltd

Many of these larger hedge funds, while serviced from Malta, remain legally domiciled elsewhere, so those assets aren't counted in Malta's official tally.

Bloomberg Markets Report

'Many speak of Malta as a fund domicile of the future'

Stuart Martin, Partner at law firm Dechert

Malta is a jurisdiction that is very attractive to fund promoters. Malta's economy has come through the credit crunch and market crisis remarkably unscathed. Malta has stable financial institutions and offers a firm but flexible regulatory regime for investment services. As an EU Member State, the Maltese regulatory framework is based on the EU model, however in adopting a principle-based approach rather than a strictly rules-based approach, the MFSA (Malta's single regulator for financial services activities) ensures that fund promoters' requirements are addressed satisfactorily.

The Capstone Group

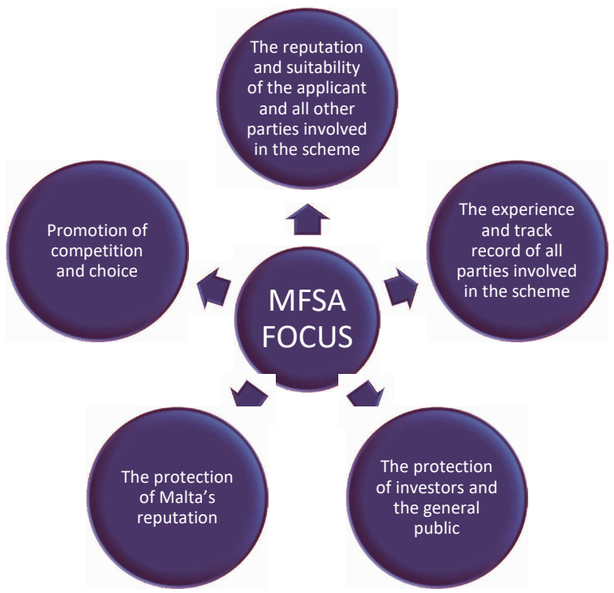
'We have recommended Malta as a jurisdiction to three of our funds in the regulatory incubator now, and all are having a good experience'

Seonaid Mackenzie, Founder at Stugeon Ventures LLP, United Kingdom

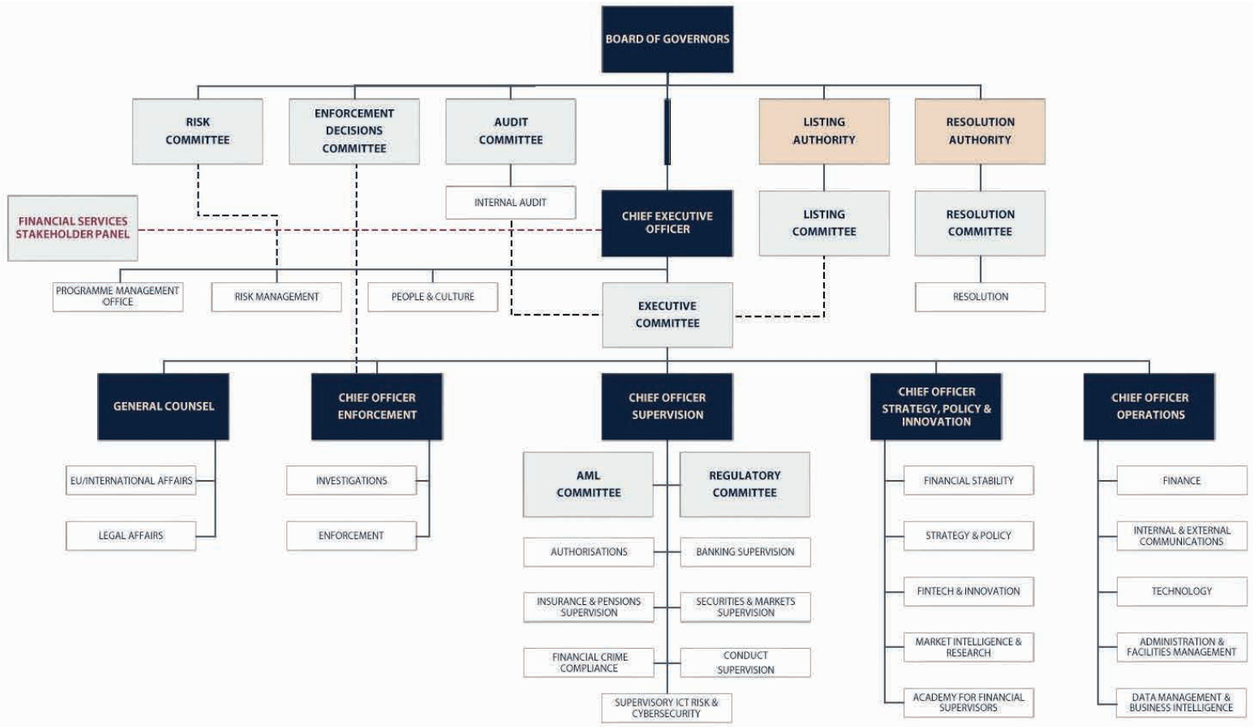
The Malta Financial Services Authority (MFSA)

The Malta Financial Services Authority (MFSA) is the single regulator for financial services in Malta and regulates banking, insurance, pensions and investment services (securities) business. The MFSA adopts a firm but flexible approach to regulation.

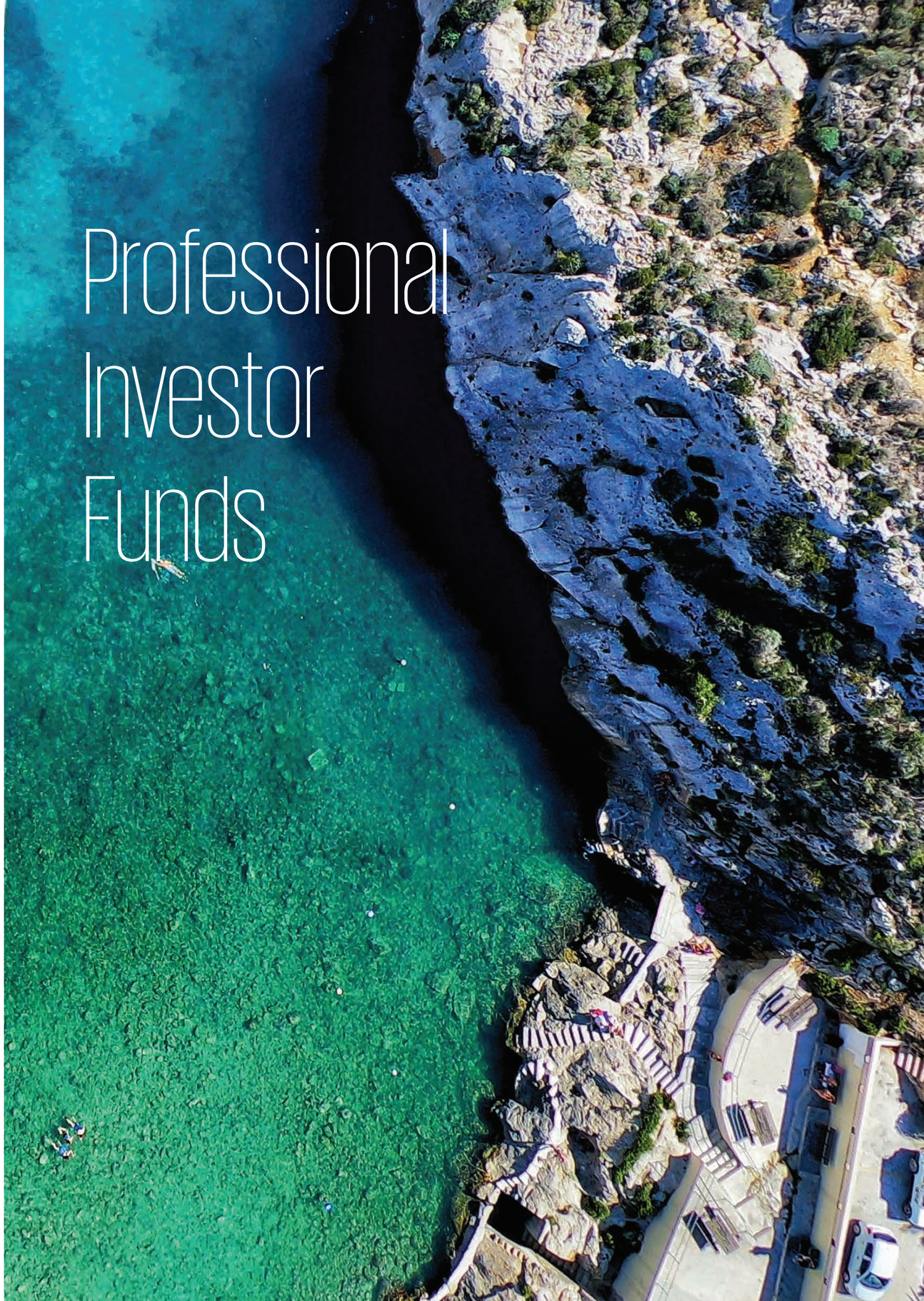
- The licensing process is personalised
- Regulation is business-friendly and mindful of business needs
- Business oriented and efficient at transposing all potentially beneficial discretionary clauses in EU Directives
- Supervision is risk based and minimally intrusive
- Several institutions in Malta choose to target "niche" segments of the market
- The MFSA is open to new business models
- MFSA is dynamic, approachable, and business minded



The Malta Financial Services Authority (MFSA)

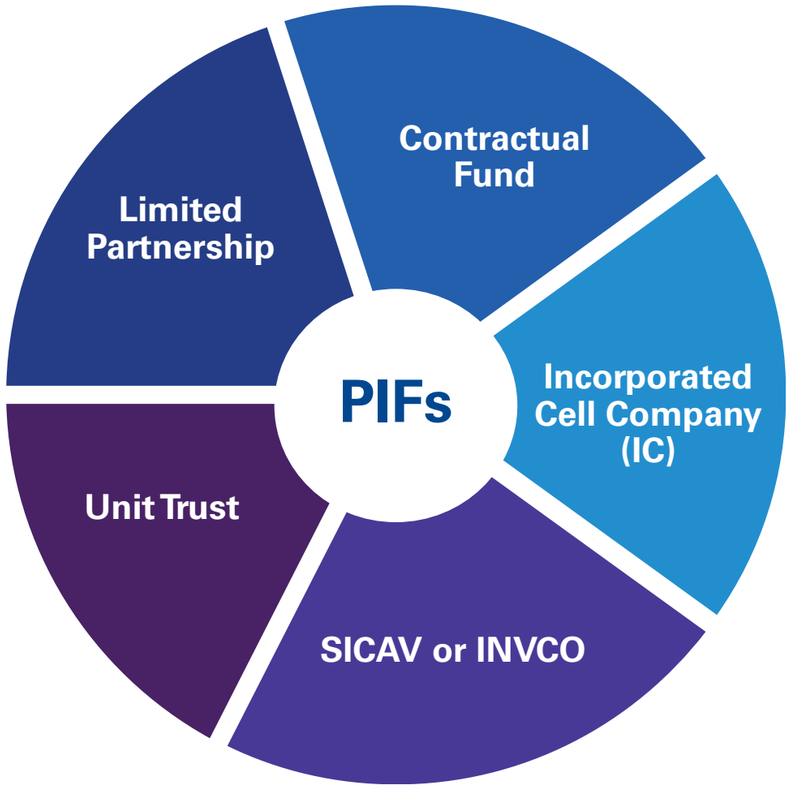


- **Regulatory Development Unit - co-ordinates the development of cross-sector policy initiatives and enables the MFSA to address market and regulatory developments as they arise**
- **Authorisation Unit - receives and processes all applications for authorisations to conduct regulated financial services in Malta**
- **Supervision Units - responsible for the post-licensing ongoing supervision of the regulated entities in their respective area**
- **Conduct Supervisory – responsible for conduct supervision of investment services license holders, insurance undertakings and intermediaries. As of 2018, the Conduct supervision function assumed the same responsibilities for credit and financial institutions.**
- **The Banking Supervision Unit - has continued to build upon the relationship of mutual trust with all key players in the financial sector following the transfer of the banking supervisory function from the Central Bank**
- **Insurance and Pensions Supervision Unit - conducts its regulatory and supervisory role to safeguard the safety and the soundness of the Maltese insurance sector. Through the supervisory process, action is taken to protect the interests of the industry as a whole, the interests of policyholders, and to minimize as far as possible consumer risk**



Professional Investor Funds (PIFs)

PIFs may be structured in any of the following forms:

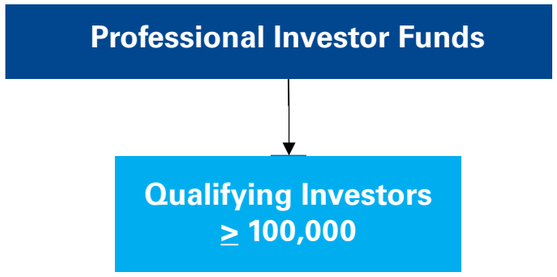


Any of the above legal forms may be set-up as a multi-fund /multi-class CIS, with segregated or non-segregated Sub-Funds. Each type may also be set-up as open-ended or closed-ended.

Background on Professional Investor Funds (PIFs)

A PIF is a non-retail type of collective investment scheme licensable in terms of the Investment Services Act, 1994;

- **Investment in a PIF is restricted to persons who meet the criteria applicable to Qualifying Investors;**
- **The minimum amount of investment required in a PIF is EUR 100,000**
- **No investment, borrowing or leverage restrictions, unless the fund invests in immovable property.**



Classification of Investors for PIFs
Qualifying Investors

Qualifying Investors are defined as meeting at least one of the below criteria

A "Qualifying Investor", is an investor which fulfils the following criteria:
1. invests a minimum of EUR 100,000 or its currency equivalent in the PIF/AIF/NAIFs which investment may not be reduced below this minimum amount at any time by way of a partial redemption; and

2. declares in writing to the fund manager and the PIF/AIF/NAIF that it is aware of and accepts the risks associated with the proposed investment; and

3. satisfies at least one of the following:

3.1 a body corporate which has net assets in excess of EUR 750,000 or which is part of a group which has net assets in excess of EUR 750,000 or, in each case, the currency equivalent thereof;

3.2 an unincorporated body of persons or association which has net assets in excess of EUR 750,000 or the currency equivalent;

3.3 a trust where the net value of the trust's assets is in excess of EUR 750,000 or the currency equivalent;

3.4 an individual whose net worth or joint net worth with that of the person's spouse, exceeds EUR 750,000 or the currency equivalent; or

3.5 a senior employee or director of a service provider to the PIF/AIF/NAIF.

The application and licensing process

Phase One
Preparatory

- Initial meeting with the MFSA Authorisation Unit
- Communication of the applicant's intended activities to the regulator
- Preliminary indication by the regulator to move to the second stage

Phase Two
Licence Application

- Submission of documents in draft form to the MFSA Authorisation Unit
- Fit and proper tests carried out by MFSA on the applicant
- MFSA feedback on documents
- Provision of replies to MFSA queries by applicant
- Completion of review of the application and all documents to the satisfaction of the MFSA
- MFSA will issue its 'in principle' approval subject to licence conditions
- Applicant to finalize all outstanding matters and submit full applicant in final format
- Registration of company establishing the institution requesting a licence
- Issue of official licence

Phase Three
Post Licensing & Pre Commencement of Business

- Applicant to satisfy all post licensing matters prior to formal commencement of business
- Ongoing supervision by the Securities & Markets Supervision Unit

The application process

Application Documents:

- completed application form;
- a near final draft of the Offering Document / Marketing Document;
- a draft Memorandum and Articles of Association / Deed of Partnership / Trust Deed;
- a copy of the necessary draft resolutions;
- Promoters, Directors, Founder Shareholders and the persons to be appointed as

  Compliance Officer and Money Laundering Reporting Officer shall be subject to the "fit and proper" criteria test;
- Promoters of the scheme are to submit an application for Preliminary Indication of Acceptability of the PIF where any one or more of the principal service providers are provided from a country that is not a "recognised jurisdiction";
- the appropriate fee;
- Supplementary documentation may be requested by the MFSA when:
  - the service providers do not operate from a recognised jurisdiction;
  - the PIF is to be self-managed.

The Application Documents - The Marketing Document

The Marketing Document

The Marketing Document is intended to provide investors with information to make an informed decision. This information should include, but is not limited to:

- a definition of the targeted Investor;
- a list of service providers including the Directors, General Partner(s) or Trustee – and their respective contact details;
- investment objectives, policies and restrictions of the PIF, or where applicable, its sub-funds;
- a risk warnings section describing in brief the principle risks associated with investing in the scheme;
- details of the fee structure;
- details of the classes/units on offer;
- an overview of the safe keeping arrangements (where a custodian/prime broker is not appointed);
- details of the beneficial owners of the Founder Shares (where these shares hold voting rights) / General Partner(s) / Trustee;
- the most recent version of the Constitutional Document of the scheme or a summary thereof (to be annexed to the Marketing Document).

The Application Documents - The Offering Document

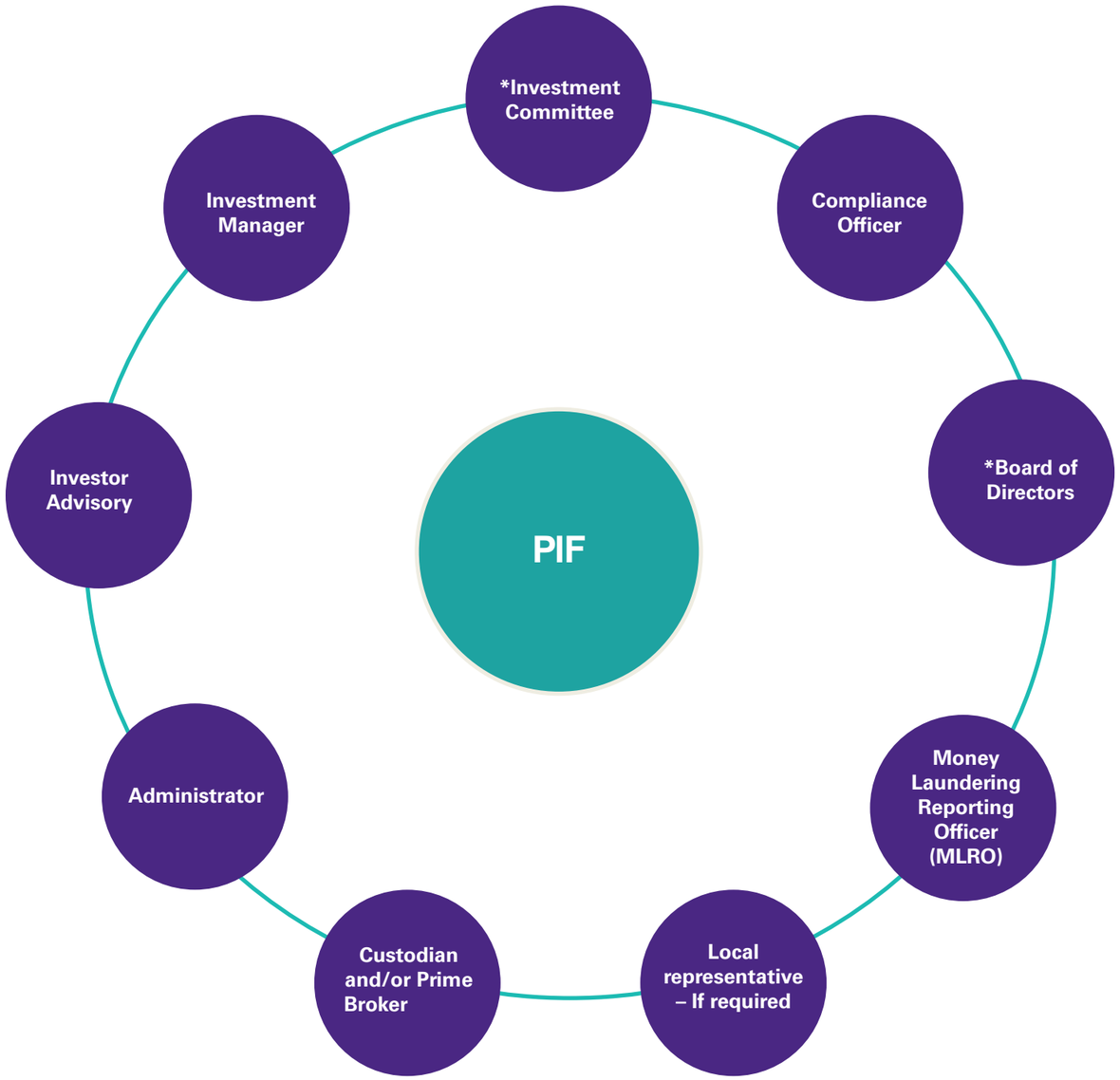
The Offering Document

PIFs incorporated in Malta do not need to issue a Prospectus in terms of the Companies Act 1995, but an Offering Document is required for PIFs. The Offering Document is intended to provide sufficient information to enable a potential investor to make an informed investment decision. As an indication, this information should include, but is not limited to:

- appropriate risk warnings;
- confirmation of approval of the Offering Document by the PIF's Board of Directors, General Partner, or Manager;
- name of scheme;
- date of establishment of the scheme and a statement as to its duration, if limited;
- name or style, form in law and registered office;
- in the case of an umbrella scheme, an indication of the Sub-Funds;
- the investment objectives, policies and restrictions of the scheme, together with the extent of use of leverage;
- the identity of all principal service providers, or a description of how the principal functions will be carried out;
- investment or borrowing restrictions, if any;
- specific disclosure requirements about the agreement with the guarantor , if the scheme is being marketed as a guaranteed collective investment scheme;
- specific disclosure requirements regarding the use of "side pockets" if any;
- a brief description of the promoters.

The Offering Document must be approved by the PIF's Board of Directors or Manager in writing prior to being submitted to the MFSA for approval. Once the Fund is established, changes to the Offering Document must similarly be approved before filing with the MFSA prior to implementation.

Functionaries and Other Officers/Service providers



External Valuer

***This is specific to Virtual Currency funds, please put this in the diagram above in a different colour to show this is only for VC funds**

***Competency requirements for Virtual Currency funds must be**
**** Areas highlighted in red are specific to Virtual Currency funds**
**** satisfied**

Functionaries and Other Officers

	Investment Manager	Fund Administrator	Custodian or Prime Broker	Investment Advisor	Investment Committee	Compliance Officer and MRLO
Qualifying Investor Fund	Required - unless it is a self-managed Fund	May be appointed	May be appointed	May be appointed	Required if self managed	Required

Directors and board meetings

-PIFs must have at least one director resident in Malta.

-PIFs must have at least one board meeting every quarter, and meetings must be held in Malta or initiated from Malta by conference call.

PIFs Investing in Virtual Currencies

A PIF investing in Virtual Currencies will need to adhere to a number of supplementary license conditions, including:

— Competence – the parties to the scheme and service providers require sufficient knowledge and experience in the field of information technology, virtual currencies and their underlying technologies.

— Board of Directors – One member of the Governing Body of the scheme needs to satisfy the competence requirements above

— Quality assessment of virtual currencies- the manager needs to ensure that appropriate searches are carries out to assess the quality of the cryptocurrencies being invested into

— Verification and Valuation – External valuer who fulfils the competence requirement must be appointed to conduct the required verification and valuation of the scheme's investments in cryptocurrencies

— Risk and Liquidity Management – ensure cryptocurrency is within risk profile, liquidity management system in place

— Investment Committee- Must meet competency requirements outlined above

Redomicilitation to Malta

The MFSA has issued Guidelines for Re-domiciliation of Offshore Funds to Malta on 22nd December 2009.

The Fund must have been in existence for a minimum of 1 year.

The re-domiciliation process is Regulated by the Companies Act (Continuation of Companies) Regulations, Legal Notice 344 of 2002 as amended by Legal Notice 352 of 2003 and Legal Notices 181 and 186 of 2006

Re-domiciliation of Funds is possible from any jurisdiction, provided:

a) it is permitted under the applicable laws of the foreign jurisdiction, and approved under such laws;

b) it is allowed by the statute or equivalent instrument of the fund.

Specific requirements in relation to Limited Partnerships (LPs)

Schemes set up as a LP may be incorporated as either

- ✓ Multi Class or Umbrella LPs with variable share capital and sub-classes, or
- ✓ LP/Partnership en commandite with variable share capital and without sub-classes

Schemes set up as LPs require at least one General Partner who shall be jointly and severally liable for all debts of the LP without limitation.

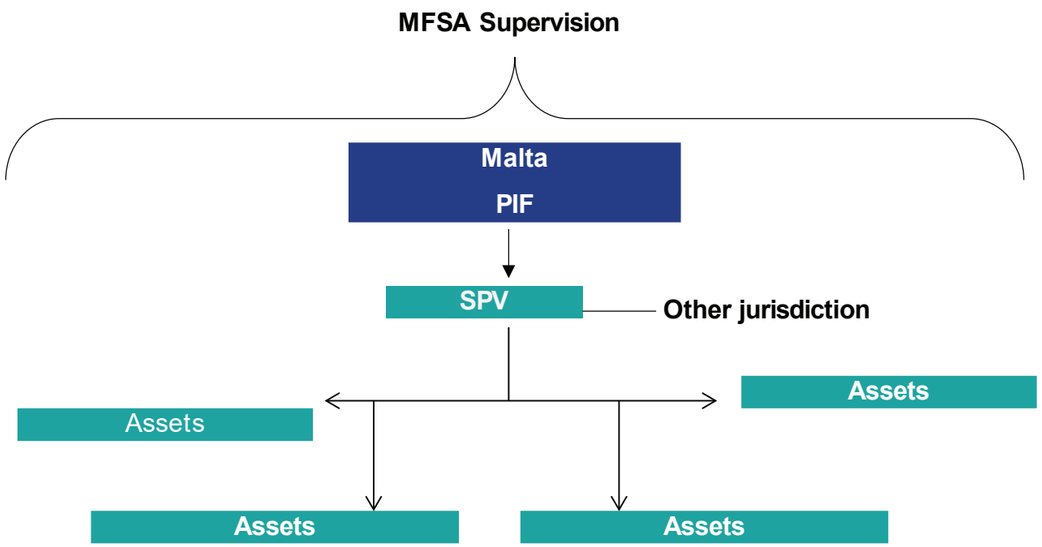
General Partners shall be any of the following:

- ✓ a company licensed under the Investment Services Act for the provision of fund management
- ✓ a company falling within the exemptions applicable to overseas fund managers
- ✓ any other entity of sufficient standing and repute as approved by the MFSA
- ✓ any other individual who satisfies the fit and proper test

- ✓ The MFSA shall be entitled to be satisfied on a continuing basis, of the fitness and propriety of the General Partner(s) and of any party appointed by the scheme
- ✓ The scheme shall organise and control its affairs in a responsible manner and shall have adequate operational, administrative, and financial procedures and controls to ensure compliance with all regulatory requirements.
- ✓ Usually a PIF is set up as a limited partnership for tax reasons relating to the domicile of the fund investors

- **The scheme shall organise and control its affairs in a responsible manner and shall have adequate operational, administrative, and financial procedures and controls to ensure compliance with all regulatory requirements.**

Special Purpose Vehicles (SPVs)



Uses of SPVs:

- An SPV is a special purpose vehicle:
  -set up by the PIF as part of its investment strategy for the purpose of achieving its investment objectives; and
  -owned or controlled via majority shareholding of the voting shares either directly or indirectly by the PIF.
- SPVs must not be established in a jurisdiction black-listed by the FATF.
- The PIF shall – through its Directors – at all times maintain the majority directorship of any SPV.
- The SPV should appoint one or more independent directors.
- The PIF must ensure that the investments effected through any SPV are in accordance with the investment objectives and policies of the PIF.
- The Offering Document should disclose the PIF's intended use of SPVs in the Investment Policy section.
- The SPV shall be supervised jointly with the PIF by the MFSA.
- SPVs can be used for PIFs investing in Virtual Currencies

Property Funds

- ✓ The MFSA has issued a Property Funds Policy, providing a set of rules which all property funds are required to observe.
- ✓ A Fund investing more than 20% of its NAV in immovable property is classified as a Property Fund.
- ✓ The Property Funds Policy applies to funds whose main objective is investing in immovable property promoted to Qualifying Investors.

Property Funds Investment Restrictions

Professional Investor Property Fund targeting Maltese resident investors

	Investment in immovable Property in Malta	Investment in immovable Property outside Malta	Borrowing for liquidity purposes	Leverage to acquire immovable property	Leverage restrictions
				Open ended PIF	Closed ended PIF
Qualifying Investor	Permitted	Permitted	Unrestricted	<50% NAV	No restrictions

Use of SPVs in Property Funds - Leverage Restrictions

	Qualifying Investor	
	Option 1	Option 2
Leverage at Fund Level	50% of NAV	100% of NAV
Leverage at SPV level	100% of NAV	150% of NAV

Annual Costs Incurred by PIFs

The following is an indication of some annual costs incurred by a PIF established in Malta and using Maltese service providers

Expense Category	Cost per annum €	Comments
Rent, if required	200 - 350 / sq metre	Space in a medium to high range commercial block
Audit fees	Starting from 4,500	Will vary depending on frequency of NAV, asset class and jurisdiction of assets.
Administration Fee	0.1% - 0.2% of NAV (Min 20,000)	
Custody Fees	0.2% - 0.3% of NAV (Min 25,000)	
Local Director	Starting from 8,000	

This information is for indication purposes only and may vary according to the nature and particulars of the fund, and of the service provider.

Reporting Requirements

- The scheme (or the Manager or Administrator on its behalf) shall submit copies of the scheme's annual audited financial statements and half-yearly report (if any) to the MFSA and such other information, as the MFSA may from time to time request.
- The scheme shall also submit to the MFSA any statistical returns which may be required by the Central Bank of Malta to fulfil European and other relevant reporting obligations.

Listing of Funds

Listing

✓ **A PIF that is not a private company may seek listing on the Malta Stock Exchange.**

✓ **The benefits of such a listing comprise:**

- ❖ **enhancing the security's international profile;**
- ❖ **capital gains on the disposal or transfer of a holdings by Maltese residents will be exempt from taxation in Malta;**
- ❖ **the security becomes more marketable as some institutional investors (such as pension funds) may only acquire units in funds that are listed.**

Taxation for Funds and Fund Managers

Taxation

Taxation of Funds

A fund will be treated as a prescribed fund if:

- it is formed in accordance with the laws of Malta;
- it declares that the value of its assets situated in Malta amount to at least 85% of the value of the total assets;
- it has been so classified by the Maltese Commissioner for Revenue by means of a notice in writing.

A fund which does not satisfy these requirements is classified as non-prescribed.

Taxation of Funds

	Investment income (other than bank interest income)	Bank interest income	Income from Immovable Property situated in Malta	Other income of fund
Prescribed Fund	10% final withholding tax	15% final withholding tax	15% flat final withholding tax on gross rental income or 35% on net rental income; The transfer of Maltese real estate is generally taxable at 8% on the value of the property transferred	Exempt from tax in Malta
Non-Prescribed fund	Exempt from tax in Malta	Exempt from tax in Malta	15% flat final withholding tax on gross rental income or 35% on net rental income; The transfer of Maltese real estate is generally taxable at 8% on the value of the property transferred	Exempt from tax in Malta

A fund which invests in cryptocurrencies and distributed ledger technologies is treated the same as any other fund for tax purposes.

Taxation of Fund Managers and advisors

- Fund managers and advisors incorporated and tax resident in Malta are subject to Malta's general system of taxation, subject to tax in Malta on world-wide income, including chargeable capital gains at the standard corporate tax rate of 35%, subject to relief by ordinary credit method for foreign tax suffered.
- A fundamental pillar of Malta's general tax system is the full imputation system which includes a tax refund system. This system completely eliminates the economic double taxation of company profits whereby shareholders, wherever resident, in receipt of dividends, are entitled to a tax credit equal to the tax borne by the distributing company on the profits out of which the dividends are paid. Since the tax rate of 35% applicable to companies is the highest tax rate in Malta, shareholders do not suffer any additional tax on the receipt of dividends.
- In addition, upon a dividend distribution of taxed profits, the shareholders of a company registered in Malta (i.e. a company resident in Malta or a non-resident company with a branch in Malta) are eligible to claim a partial tax refund of the Malta tax charge of the distributing company, with the exclusion of tax suffered by the distributing company on income derived directly or indirectly from Maltese immovable property. The applicable tax refund for shareholders of fund managers and advisors is generally 6/7ths of the 35% tax, resulting in an effective rate of tax on distributed taxable profits of a maximum of 5%.
- The tax refund system, which has been formally approved by the EU Commission and Code of Conduct group, extends to both resident and non-resident shareholders, and applies to all taxed profits derived from local and foreign sources, with the exclusion of profits derived directly or indirectly from immovable property situated in Malta.
- Tax consolidation rules which were recently introduced in Malta grant the option for group of companies to be treated as a tax group upon complying with certain requirements. This tax grouping enables a cash flow benefit when compared to the current operation of the partial shareholder tax refund mentioned above in that the 35% tax need not be paid and then partially reclaimed; instead the tax group is taxed at the effective tax rate.
- Furthermore, such companies have the option to avail of a Notional Interest Deduction (NID), a deemed interest deduction against their chargeable income, calculated at approximately 7% of risk capital in the company, where risk capital includes share capital, share premium, reserves, interest free loans and other items shown as equity in the financial statements. Depending on the amount of risk capital of the company and the chargeable income for the year, the effective tax rate of the company may be reduced to as low as 3.5%.

Taxation on Funds

Taxation of non-resident Investors:

Non-residents are not subject to tax in Malta, whether by way of withholding or otherwise, on the distribution of the fund's income, whether in the form of dividends, interest and liquidation, or on capital gains derived from the disposal of units in both prescribed and non-prescribed funds, whether by way of transfer, redemption or cancellation of such units.

Transfer taxes, stamp duty

Issue of units or shares do not attract any stamp duty.
Transfer of shares/units in licensed funds are exempt from duty.

Capital duty, net wealth tax

Malta has no net worth tax or similar taxed on capital.
No tax is imposed on the fund's NAV.

Other Tax matters

- Participation Exemption: Dividends and gains derived from qualifying participations are fully exempt from tax.
- Capital Gains: The transfer of shares in a resident company by a non-resident is exempt from tax, provided there are no interests in immovable property.
- Stamp duty: No transfer taxes like stamp duty on share transfers by non-residents involving international business companies.
- Capital taxes: Malta has no net worth net or similar taxes on capital.
- Withholding Taxes: Malta does not impose any withholding taxes on interest, royalties, dividends and proceeds from liquidation.
- Double taxation agreements (DTAs): Successive Maltese governments have sought to conclude DTAs with important trading partners, as well as with emerging countries. The 78-strong treaty network is expected to grow further in the coming years.
- Malta is compliant with international tax standards:
    - Malta is a member of the OECD Base Erosion and Profit Shifting (BEPS) Inclusive Framework and is fully co-operative in the international initiative against tax evasion. Malta fully applies EU law and all OECD initiatives on combatting tax evasion, including the directives on mutual assistance between tax authorities, automatic exchange of information, beneficial ownership register, as well as the exchange of tax rulings and advance pricing arrangements in the transfer pricing field.
    - Malta was also an early adopter of the Common Reporting Standard and Country-by-Country reporting obligations.
    - Malta is effectively implementing the requirements of the OECD BEPS standards into its tax system through the transposition of the EU tax directives (various anti-tax avoidance measures have been transposed into Maltese tax law through the Anti-Tax Avoidance Directive and mandatory disclosure rules for tax intermediaries and tax payers, in addition to the above measures), as well as through the adoption of international instruments, including the Multilateral Instrument to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

Value Added Tax

- Malta has a value added tax (VAT) system modelled on the EU VAT Directive.
- The standard rate in Malta is 18%.
- Supplies by funds are exempt without credit. This means that any VAT charged to the fund by other service providers (such as auditors and lawyers) will be a sunk cost to the fund.
- Funds may be required to be registered for VAT in Malta if they procure services from outside Malta which are subject to VAT.
- The supply of services consisting of the management of collective investment is exempt without credit, provided that these services are limited to those acts that are specific to and essential to the core activity of the scheme. This is interpreted as including administration of the fund and services related to investment selection whether provided by a fund manager, administrator or a third party service provider.
- No VAT is charged on the supplies made by a fund manager or fund administrator if the services are specific to and essential to the core activity of the fund.

Expatriates

- Malta operates an attractive expatriate taxation regime. Individuals who are resident but not domiciled in Malta are subject to tax on Maltese source income (employment income for work carried out in Malta) and capital gains, and foreign source income, only to the extent that the latter income is received or remitted to Malta.
- In order to attract top professionals, Malta introduced a Highly Qualified Persons scheme which allows eligible persons, namely resident non-domiciled individuals occupying eligible offices in the financial services sector, including employment with funds and fund management companies, to apply a reduced 15% income tax rate to their salary for an eligibility period, provided that such income, excluding the value of any fringe benefits, amounts to at least €84,991 for 2019, as adjusted annually for inflation.
- Furthermore, no tax would be charged on qualifying income exceeding €5,000,000 earned during the eligibility period.
- Eligible offices in the financial services sector include positions such as Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, Chief Risk Officer, Chief Investment Officer, Portfolio Manager, Senior Trader, Head of Marketing, Head of Investor Relations.
- A number of conditions must be satisfied in order to be eligible for the flat tax rate, which include amongst others that the income must arise from a qualifying contract of employment; the person must not be domiciled in Malta; the person must have health insurance in respect of all risks for himself/herself and the members of his/her family; and the person may not have received any other benefit or arrangement in terms of business incentive laws.
- Alternatively, expatriates employed within the fund sector may benefit from 10-year exemption on the taxation of certain fringe benefits, including relocation expenses, accommodation expenses and a monthly subvention of €600 per month.

Taxation
Malta's Double Tax Treaty Network

Albania	Finland	Lebanon	Saudi Arabia
Andorra	France	Libya	Serbia
Australia	Georgia	Lithuania	Singapore
Austria	Germany	Luxembourg	Slovakia
Azerbaijan	Greece	Malaysia	Slovenia
Bahrain	Guernsey	Mauritius	South Africa
Barbados	Hong Kong	Mexico	Spain
Belgium	Hungary	Moldova	Sweden
Botswana	Iceland	Montenegro	Switzerland
Bulgaria	India	Morocco	Syria
Canada	Ireland	Netherlands	Turkey
China	Isle of Man	Norway	Tunisia
Croatia	Israel	Pakistan	UAE
Cyprus	Italy	Poland	UK
Czech Rep.	Jersey	Portugal	Ukraine
Denmark	Jordan	Qatar	Uruguay
Egypt	Korea	Russia	US
Estonia	Kuwait	Romania	Vietnam
Ethiopia	Latvia	San Marino	

Appendices

Appendix 1:

Comparison between Fund Jurisdictions

Comparison of Malta with other Fund Jurisdictions

	Malta	Ireland	Luxembourg
Number of international administrators	26	40 +	166
Number of custodians	13	20 +	93
Number of law firms	35	81	91
Number of audit firms	70	71	59

Comparing Malta with other jurisdictions
Taxation

Applicable Taxes at Fund level

	Double taxation treaties
Malta: • Exempt from Income and capital gains for non- prescribed funds • No withholding tax on Distributions made to foreign investors **Stamp Duty Applicability:** No stamp duty payable on the transfer of securities by/to a fund licensed under the Malta Financial Services Act	78
Ireland: • Income and capital gains – Exempt • Distributions made to non- resident or exempt Irish resident investors – No withholding tax • No net asset tax **Stamp Duty Applicability:** duty payable on issue / transfer / redemption / repurchase of fund units or on transfer of non-Irish stocks / marketable securities	73
Luxembourg: • Income and capital gains – Exempt • Distributions made to investors – No withholding tax • Annual subscription tax between 0.01 % and 0.05% of Net Asset Value and a fixed fee on capital duty of €1,250 **Stamp Duty Applicability:** No stamp duty or capital duty	83

Comparing Malta with other jurisdictions

Regulation

Malta:

Different Fund types available: SICAV, INVCO, Unit Trust, Contractual Fund, Limited Partnership, Incorporated Cell Company, Private Funds

Types of regulated Funds:

- UCITS Funds
- Professional Investor Funds (PIFs)
- Alternative Investment Funds (AIFs)
- Notified AIFs
- Retail AIFs

Re- domiciliation Possibility: Possible

Funds exempt from regulation:

Private CISs - whose number of participants is 15 or less and the scheme is private and does not qualify as a PIF

Exempt CISs - As scheme where the participants carry on a business not related to investment services but enter in the scheme for business purposes

A scheme established for a company's (former) employees and their dependants in instruments issued by the same company / approved by the authority

A commercial scheme in respect of which profits, income and the contribution of the participants are pooled or a scheme which operates according to the principle of risk spreading

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Ireland:

Different Fund types available: Unit Trust, Investment Limited Partnership, Investment Company, Common Contractual Fund, ICAV

Types of regulated Funds:

Authorized investment funds in Ireland are established as either UCITS or AIFs

UCITS Funds

- Exchange Traded Funds (ETFs)
- Money Market Funds (MMFs)

Alternative Investment Funds

- Qualifying Investor AIF (QIAIF)
- Retail Investor AIF (RIAIF)
- Retail AIFs

Re- domiciliation Possibility: Possible

Funds exempt from regulation: Yes. This may happen in the case of funds relating to certain investors which are exempt.

Luxembourg:

Different Fund types available: Investment Company (SICAV), Common Fund (FCP)

Types of regulated Funds:

UCITS Funds

- Specialized Investment Funds
- Part II UCIs
- SICARs

Re- domiciliation Possibility: Possible

Funds exempt from regulation: No

Comparing Malta with other jurisdictions

Set up Fees

Malta:

Notary fees: N/A

Regulatory fees:

Collective Investment schemes:

Application Fee: Scheme - €2,000 + an additional fee (€1,000 per sub-fund)

Supervisory Fee: Scheme - €2,000 p.a. + an additional fee (€600) per sub- fund p.a.

Professional Investor Funds (PIFs): In principal approval - €600

Scheme: €1,500

Additional Sub-funds: €1,000

Supervisory Fee: €1,500 per scheme €500 per sub-Fund

Stock Exchange fees:

Admission fee for the listing of the CIS: €1,200

Annual admission fees: Annual fee: €1,200

First 5 sub- funds: Application fee: €1,200 (per sub-fund)

6th – 10th sub- fund: Annual fee: €1,000 (per sub-fund)

11th – 15th sub- fund: Annual fee: €730 (per sub fund)

Thereafter Annual fee: €500 (per sub fund)

Ireland:

Notary fees: N/A

Regulatory fees: €5,000 -

Stock Exchange fees:

Administration fee €300

Formal Notice fee €550

Closed ended funds: Initial fee: EU €1,000

Non-EU €1,000

Subsequent fee: EU €500, Non-EU €500

Annual Fees: Up to 5 sub- funds: EU: €1,900, Non-EU: €1980 (per sub- fund)

6 - 10 sub-funds: EU €1,150, Non-EU €1,200 (per sub-fund)

Over 11 sub-funds EU: 760, Non-EU : 800 (per sub-fund)

Ireland:

Notary fees: For a fund organized under a corporate form, the notary fee is €2,500 – €5,000

Regulatory fees:

Initial Fee: €2,650 - €5,000

Annual Fee: €2,650 - €5,000

Stock Exchange fees:

Fees for EU CIS

Approval fee €1250

Listing fee €1250

Maintenance fees

1st line: €1,875

2nd line: €1,250

3rd line: €875

Subsequent lines:€500

Fees for Non EU CIS

Approval fee €2500

Listing fee €2500

Maintenance fees

1st line: €2,500

2nd line: €1,875

3rd line: €1250

Subsequent lines:€625

Appendix 2:

Living in Malta

The Maltese Climate

The Maltese islands enjoy a pleasant, temperate climate, characterised by long, dry summers, with cooling sea breezes, followed by short, wet winters. Temperatures rarely dip below 5 degrees centigrade in winter, while summer peak temperatures hover around the low thirties. Snow is unheard of and outdoor activities are possible throughout the year.

- The Maltese islands benefit from 3,000 hours of sunshine during the year.
- Annual rainfall is quite low, with an average of 700mm of rain annually

Cultural and social life

Albeit a tiny country, Malta's location at the centre of the Mediterranean has endowed it with a rich cultural heritage one would normally expect to find in much larger, more historically dominant states. The various empires and cultures which colonised the island all left their mark, resulting in a vibrant, eclectic mix just waiting to be discovered by visitors. Enhanced by the country's compact size and the mild climate, opportunities for leisure activities are varied and numerous. From scuba diving, rock climbing and various other outdoor sports for the more adventurous, to a wide range of cultural activities such as concerts, theatre productions and outdoor festivals spread throughout the calendar, there is little time for one to get bored in this small, but vibrant island state.

Education

Malta has a well-established educational system, based on the UK model, a reflection of the many years spent as part of the British Empire. Nowadays, one finds a mixture of state and private schools, providing qualifications up to post-graduate level, all fully recognised on an international level. International students fit in seamlessly into a system geared to meeting their needs.

Health Care

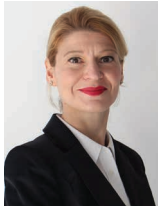
Based on the British National Health Service model, the system in Malta is further boosted by a strong element of private health care for those who choose to go down this route. The overall quality of care is of the highest order and foreign residents draw comfort from the fact that all health care workers are very fluent in English, ensuring that communication between provider and patient is very straightforward.

Transport

Domestically the country is served by an extensive road network, covering all parts of the island, with a regular ferry service to the neighbouring island of Gozo. Most Maltese are private car owners although a reliable public transport service consisting of buses and taxis means that car ownership is not strictly necessary. Indeed, most foreign residents staying in Malta for relatively short periods make use of the public transport option. Internationally, regular, daily flights to important European and Middle-Eastern hubs as well as fast ferry services to mainland Europe mean that one is never more than a few hours away from one's destination. Cargo services, both inbound and outbound, are catered for by an extensive network of both air and sea routes which connect the island to the rest of the world via its airport and the Malta Freeport, which is the third largest in the Mediterranean, handling in excess of 3 million units per annum.

Safety

Malta is one of the safest countries worldwide, having been recently ranked as the seventh safest small country globally. It is a country where one's children can still go off with their friends for a day at the beach without any undue concerns on the part of their guardians. Violent, random crime is a rarity, leading to noticeably diminished levels of tension.



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