



Digital Gaming in Malta

Malta is fast becoming a sought-after Digital Gaming hub attracting companies seeking to relocate their business or set up their operations in Malta. Apart from being a well-regulated jurisdiction strategically located in the EU, Malta offers attractive corporate and personal tax incentives and a good ICT infrastructure. Malta also offers the lowest effective tax rate in the EU through the operation of its general tax system which is applicable to any company operating in Malta including Digital Gaming companies. Malta operates a full imputation tax system which completely eliminates the economic double taxation of company profits. While the corporate tax rate stands at 35%, upon a distribution of dividends the shareholders are entitled to a refund of the Malta tax charged (generally 6/7ths), which reduces the effective tax to as low as 5%.

Incentives for Digital Gaming

The Digital Gaming industry in Malta enjoys a widespread range of incentives that address the needs of Digital Gaming companies throughout all stages of the game development process.

Investment Aid

Enterprises engaged in qualifying activities (including amongst others the development of digital games) can benefit from tax credits on qualifying expenditure with the possibility of reducing the effective tax suffered in Malta to 0%. The value of qualifying expenditure is calculated, at the company's option, either as the value of:

- Qualifying tangible and intangible assets acquired in relation to an initial investment project; or
- 2-years wage costs for jobs directly created by the initial investment project

The applicable aid intensities are currently set at 15%, 25% or 35% on eligible expenditure for large, medium and small enterprises respectively. These will decrease to 10%, 20% or 30% for large, medium and small enterprises respectively with effect from 1 January 2018 up to 31 December 2020.

Investment tax credits are deducted from the tax charge and any unutilised tax credits are carried forward to be deducted from the tax payable in the future.

R&D Innovation Programs

Research and development (R&D) tax credits and/or grants (calculated at a percentage which may vary from 25% to 70% depending on the size of the company and nature of the research and development project) aim to provide assistance to companies that carry out industrial research and experimental development, including R&D of digital gaming projects, required for acquisition of knowledge leading to the development of innovative products and solutions. Such eligible expenditure includes, *inter alia*, personnel costs, costs of instruments, equipment and building.

The combination of tax credits together with the tax refund system will generally result in effective tax of between 0% to a maximum of 5%.

Business Development Grant Scheme

The scheme is intended to facilitate high-value adding projects that are likely to offer a significant contribution to the regional development of Malta. Qualifying companies may be eligible for a cash grant of up to EUR200,000 in a three year period generally granted to facilitate start up or relocation. Eligible expenditure includes, *inter alia*, professional and consultancy fees, relocation costs of personnel and setting up costs.

Micro Guarantee Scheme

Malta Enterprise may grant financial assistance in terms of a one-time loan guarantee of up to 80% on loans of up to €100,000 which may be used to finance projects leading to business enhancement, growth and development. The aim of this scheme is to accelerate growth by facilitating access to debt finance for smaller business undertakings. This scheme may be utilised for accessing funds required for the acquisition of tangible assets and working capital linked to such acquisitions.

Qualifying employment in innovation and creativity

This incentive is targeted solely to expatriates – EEA/Swiss nationals or Third Country nationals - who fulfil a role as employed individuals in an eligible office which refers to an employment in a role directly engaged in industrial research and experimental development; product development and product or process innovation; or in a senior management role. Successful applicants will be afforded the opportunity to have their employment income in respect of work exercised in Malta chargeable at a flat rate of 15% tax, on a minimum annual amount of €45,000, in lieu of progressive rates. The measure will be available until 31st December 2017 and in principle is applicable for a consecutive period of not more than three years.

Eligible undertakings must apply with Malta Enterprise to benefit from the above incentives and entitlement thereof is awarded at the sole discretion of Malta Enterprise.

Capital Taxes

Malta has no net worth tax or similar taxes on capital

Controlled Foreign Company (CFC)

There is no CFC legislation in Malta

Thin Capitalisation

There is no thin capitalisation legislation in Malta

Transfer Pricing

There is no transfer pricing legislation in Malta

Withholding Taxes

Malta does not impose any withholding taxes on interest, royalties, dividends and proceeds from liquidation

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