Malta Country Profile

EU Tax Centre

June 2017

Key tax factors for efficient cross-border business and investment involving Malta

EU Member State Yes.

Double Tax Treaties With:

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

Forms of doing business Limited Liability company, partnership en commandite and partnership en nom collectif that elect to be treated as a company.

Legal entity capital requirements A minimum of EUR 1,165 for a private company and EUR 46,587.47 for a public company.

Residence and tax system A company is resident if it has been incorporated in Malta or if its management and control is exercised in Malta. A company is domiciled in Malta if it has been incorporated in Malta (i.e. Maltese company law applies to it).

Companies both resident and domiciled in Malta are taxed on their worldwide income.

Companies resident but not domiciled in Malta are taxed on their Maltese source income and foreign source income received in Malta; however, they are not taxed on capital gains arising outside Malta, even if they are received in Malta.

Non-resident companies are taxed on their Maltese source income only.

Compliance requirements for CIT purposes

The fiscal year generally follows the financial year, ending on 31 December, but may be changed upon request.

Company tax returns must, in principle, be submitted within 9 months from the financial year-end or March 31 of the following year, whichever date is later. Companies carrying on a business must retain proper and sufficient records of their income and expenditure and are required to submit, together with their tax return, a balance sheet and income statement accompanied by a report drawn up by a certified public auditor.

Tax rate

The standard corporate income tax rate is 35 percent. The application of double taxation relief and tax refunds can reduce the standard rate for investment income to 0 – 6.25 percent.

The standard rate is reduced to 5 percent for trading companies by the application of a tax refund of 6/7 of Maltese tax paid, with the exception of income derived from immovable property situated in Malta.

Both resident and non-resident shareholders are entitled to the same tax refunds in respect of underlying tax on distributed company profits. The only exception to this universal tax refund rule applies to income subject to a final tax and to the tax chargeable on profits derived, directly or indirectly, from immovable property situated in Malta.

Withholding tax rates

On dividends paid to non-resident companies

No

On interest paid to non-resident companies

No. 0 percent rate applies provided a non-resident person is not engaged in trade or business in Malta through a PE situated there and where the debt claim in respect of which the interest, discount or premium is paid is effectively connected with such a PE; AND the non-resident is not owned and controlled, directly or indirectly, nor does the non-resident act on behalf of an individual/individuals who is/are ordinarily resident and domiciled in Malta.

On patent royalties and certain copyright royalties paid to non-resident companies

No. 0 percent rate applies provided a non-resident person is not engaged in trade or business in Malta through a PE situated there and where the intellectual property in respect of which the royalties are paid is effectively connected with such a PE; AND the non-resident is not owned and controlled, directly or indirectly, nor does the non-resident act on behalf of an individual(s) who is ordinarily resident and domiciled in Malta.

On fees for technical services

No

On other payments

No

Branch withholding tax

No

Holding rules

Dividend received from resident/non-resident subsidiaries

Dividends received from a resident subsidiary benefit from the imputation system while dividends received from a non-resident subsidiary benefit from a 100 percent participation exemption when derived from a participating holding.

A participating holding exists where the shareholder:

- holds at least 10 percent of the share capital, or
- has made an investment of at least EUR 1,164,000 and the shareholding is held continuously for at least 183 days, or
- is entitled to purchase the balance of the equity shares of the company, or
- has the right of first refusal to purchase such shares, or
- is entitled to sit as, or appoint a Director on the board of that company, or
- holds the shares in the company for the furtherance of its own business and the holding is not held as trading stock for the purpose of a trade.

Certain other conditions apply. In terms of the amended Parent-Subsidiary Directive, participation exemption will not apply where the dividends were deductible for the subsidiary.

Capital gains obtained from resident/non-resident subsidiaries

100 percent participation exemption applies with respect to capital gains derived from a participating holding (see above).

Tax losses

Trading losses may be carried forward indefinitely. No carry-back is allowed.

Tax consolidation rules/Group relief rules

Group relief regime available for trading losses.

Registration duties

No

Transfer duties	On the transfer of shares 2 percent unless the company in which the shares are transferred derives 75 percent or more of its value from immovable property in Malta, in which case, the stamp duty is 5 percent. On the transfer of land and buildings 5 percent Stamp duties As per above. Real estate taxes No
Controlled Foreign Company rules	No
Transfer pricing rules	General transfer pricing rules No (however, anti-avoidance rules to be considered) Documentation requirement? No. Will be affected by EU developments on country-by-country reporting requirements.
Thin capitalization rules	No
General Anti-Avoidance rules (GAAR)	A general anti-avoidance rule is provided under Maltese tax legislation.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	Some SAARs are applicable, usually in relation to companies owning real estate in Malta.
Advance Ruling system	Yes (rulings bind local tax authorities for a maximum period of 5 years, but are renewable).
IP / R&D incentives	R&D tax amortization at 150 percent on meeting specific conditions. SMEs may be eligible to R&D tax credits. Exemption on royalties & similar income derived from a patent and copyrights. Incentives are applicable only where applied for before June 30, 2016. Existing investments may benefit from exemptions until June 30, 2021.
Other incentives	Investment tax credits in line with EU State Aid rules.

VAT	The standard rate is 18 percent, which may be reduced to 5 percent or 7 percent, depending on the nature of goods or services.
Other relevant points of attention	No

Source: Maltese tax law and local tax administration guidelines, updated 2017.

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