Key Facts
Trading Companies

An Overview of the Malta Company Tax System

- A large number of international clients have established companies undertaking trading operations to benefit from Malta's advantageous tax regime.
- Although the standard rate of corporate tax is 35%, the availability of refunds to shareholders of the tax paid by the company helps reduce the Maltese tax leakage to between 0% and 5%, in most cases.
- Refunds to shareholders are paid by the Malta tax authorities only within 14 days of a valid refunds claim being made.
- Maltese companies are considered to be resident and domiciled in Malta and therefore taxed on their worldwide profits. However, companies which are incorporated outside Malta but managed and controlled in Malta are considered resident but not domiciled in Malta and therefore taxed on a remittance basis.

Trading activities & profits

- Trading profits derived by Maltese resident companies are allocated to the Maltese Taxed Account and these include profits derived from trading activities such as the provision of finance, leasing, Intellectual Property, managing the logistics of a company's exports, gaming operations, investment trading, asset management, back-office operations, consultancy services.
- A refund of 6/7ths of the tax suffered by the company of 35% is claimable by the shareholders of the company and therefore results in a 5% effective tax leakage.

Below is a numerical example which illustrates the mechanics of the 6/7ths tax refund (assuming that all expenses incurred by the company are deductible for tax purposes).

Company	EUR
Profits generated from trading operations	1,000
Chargeable income	1,000
Tax at 35%	350
Malta tax payable	350
Shareholder	
Refund on distribution (6/7ths of gross tax)	300
Effective tax leakage	50
Effective rate of tax on net income	5%

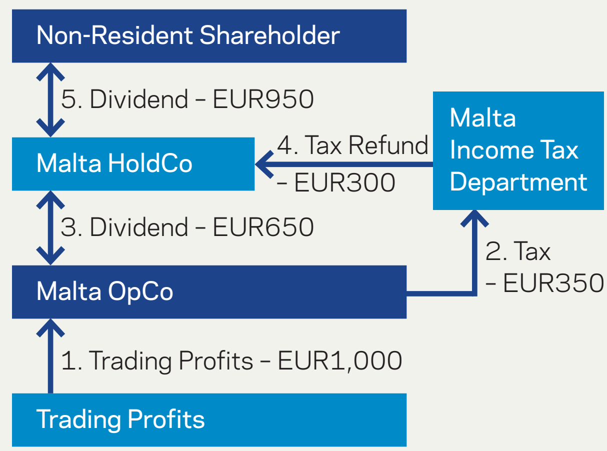
Key Facts
Trading Companies

The Use Of Holding Companies with Trading Companies

In multiple layers of Malta companies, refunds of tax are given to the second tier company, i.e. the Malta holding company. This may have advantages by converting refunds into dividends and avoids the need to repatriate profits outside Malta just to trigger off a refund claim.

The use of a Maltese Holding Company in the structure can be illustrated by the structure depicted to the right.

- Foreign company/ non-resident individual shareholder owns 100% of Malta HoldCo which in turn owns 100% of Malta OpCo.
  1. Malta OpCo receives trading profits of EUR1,000.
  2. Malta OpCo suffers Malta tax at 35% amounting to EUR350.
  3. Malta OpCo distributes a dividend of EUR650 to Malta Hold Co. Malta HoldCo pays no further tax on dividend received from Malta OpC
  4. Malta HoldCo is entitled to a 6/7ths refund of the Malta tax paid by Malta OpCo on distributed profits and receives EUR300 from the Maltese tax authorities within 14 days from the payment of the tax liability.
  5. The non-resident shareholder can receive a dividend of EUR950 from Malta HoldCo which means that the Malta tax burden on the trading profits arising in Malta OpCo is only 5%.
     No withholding tax applies at any level in the structure upon the upstreaming of dividends.



Tax Refunds

Some principles regarding the treatment and settlement of tax refunds are set out below:

- Not taxable in Malta in the hands of the recipient
- Are paid on presentation of an appropriate dividend warrant as long as shareholder has been registered as required by law
- Are refunded not later than 14 days after the distributing company's tax liability for the year is paid
- Are paid in the same currency in which the relative profits were charged to tax

31 December – Company's financial year end

Finalisation of audit of Company's books (Q1)

Payment of dividend by the Company (15 March)

Settlement of tax liability (31 March)

Refund to Shareholder (14 April)

Key Facts
Trading Companies

The Benefits of a Maltese Company

- Ease of incorporation (in most cases between 24-48 hours)
- Low minimum capital requirements (minimum of EUR1,165 with 20% being paid-up)
- No corporate tax on holding companies in respect of dividends and gains derived from underlying entities qualifying as participating holdings
- No withholding taxes on dividends, interest and royalties paid out of the Company to non-residents
- Capital gains on the transfers of shares in a Maltese company by non-resident shareholders are normally exempt
- No thin capitalisation rules
- A very flexible transfer pricing regime
- No CFC legislation
- No stamp duty is payable on the issuance of shares upon incorporation. Stamp duty payable upon the issuance of further shares or share transfers in companies held by non-residents can also be exempt subject to certain conditions being met.
- Extensive use of Malta's double tax treaty network spanning across 60 countries
- As an EU member, the application of provisions in the Parent-Subsidiary Directive and Interest & Royalties Directive result in further tax planning opportunities for a Malta Company
- Low registration and low annual return fees. These vary with the authorised share capital and range from EUR245-EUR2,250 for registration fees (non-recurring) and EUR100-EUR1,400 for annual return fees.
- Possibility of redomiciling companies to and from Malta and no entry/exit taxes arising from these redomiciliations
- No exchange controls
- Tax losses can be carried forward indefinitely

TRIDENT TRUST

Global Presence

Offices

The Americas/Caribbean

Bahamas
Trident Corporate Services (Bahamas) Ltd
T: +1 242 322 6154
bahamas@tridenttrust.com

Barbados
Trident Corporate Services (Barbados) Ltd
T: +1 246 621 0760
barbados@tridenttrust.com

British Virgin Islands
Trident Trust Company (BVI) Ltd
T: +1 284 494 2434
bvi@tridenttrust.com

Cayman Islands
Trident Trust Company (Cayman) Ltd
T: +1 345 949 0880
cayman@tridenttrust.com

Nevis
Morning Star Holdings Ltd
T: +1 869 469 1817
nevis@tridenttrust.com

Meridian Trust Company Ltd
T: +1 869 469 1333
nevis@tridenttrust.com

Panama
Trident Trust (Panama) S.A.
T: +507 302 7494
panama@tridenttrust.com

United States

Atlanta
Trident Corporate Services, Inc
T: +1 404 233 5275
usa@tridenttrust.com

Miami
Trident Fund Services
T: +1 305 405 9006
miami@tridenttrust.com

New York
Trident Corporate Services, Inc
T: +1 212 840 8280
nyc@tridenttrust.com

Sioux Falls
Trident Trust Company (South Dakota) Inc
T: +1 605 679 4355
sd@tridenttrust.com

US Virgin Islands
Trident Trust Company (VI) Ltd
T: +1 340 774 7322
usvi@tridenttrust.com

Asia

Hong Kong
Trident Corporate Services (Asia) Ltd & Trident Trust Company (HK) Ltd
T: +852 2805 2000
hongkong@tridenttrust.com

New Zealand
Trident Trust Company (NZ) Ltd
T: +64 9 300 6067
nz@tridenttrust.com

Singapore
Trident Corporate Services (Singapore) Pte Ltd & Trident Trust Company (Singapore) Pte Ltd
T: +65 6653 1800
singapore@tridenttrust.com

EMEA

Cyprus
Trident Trust Company (Cyprus) Ltd
T: +357 258 20 650
cyprus@tridenttrust.com

Trident Fiduciaries (Middle East) Ltd
T: +357 253 53 520
fiduciariesme@tridenttrust.com

Dubai
Trident Trust Company (UAE) Ltd DMCC Branch
T: +971 4 423 9988
dubai@tridenttrust.com

Guernsey
Trident Trust Company (Guernsey) Ltd
T: +44 1481 727571
guernsey@tridenttrust.com

Isle of Man
Trident Trust Company (IOM) Ltd
T: +44 1624 646700
iom@tridenttrust.com

Jersey
Trident Trust Company Ltd
T: +44 1534 733401
jersey@tridenttrust.com

Luxembourg
Trident Trust Company (Luxembourg) S.A.
T: +352 26 30 28 48
luxembourg@tridenttrust.com

Malta
Trident Corporate Services (Malta) Limited & Trident Trust Company (Malta) Ltd
T: +356 21 434 525
malta@tridenttrust.com

Mauritius
Trident Trust Company (Mauritius) Ltd
T: +230 210 9770
mauritius@tridenttrust.com

Seychelles
Trident Trust Company (Seychelles) Ltd
T: +248 4 422 000
seychelles@tridenttrust.com

Switzerland
Trident Corporate Services AG
T: +41 44 396 1080
switzerland@tridenttrust.com

United Kingdom
Trident Trust Company (UK) Ltd
T: +44 20 7935 1503
uk@tridenttrust.com

Trident Company Services (UK) Ltd
T: +44 20 7487 0460
corpservices@tridenttrust.com