

Key Facts

Taxation of Shipping Activities

Malta's Tonnage Tax Regime (TTR) is endorsed by the European Commission and enables qualifying businesses or persons to make use of its advantages within a transparent and stable framework.

Qualifying owners, charterers and managers of Maltese and foreign ships must actively opt to be taxed under the TTR. Once their application is accepted, they are subject to an annual tax, referred to as tonnage tax, which is calculated on the basis of the net tonnage of the qualifying ships they own, charter or manage. They are then exempt from certain other taxes.

Any organisation benefitting from the TTR has the option of withdrawing from it by notice in writing to the Registrar General of Shipping and Seamen. However, any such withdrawal is irrevocable.

Eligible Vessels, Income and Requirements

To qualify as a tonnage tax ship, vessels must carry out specified shipping activities (i.e., the international carriage of goods or passengers by sea), and such other activities that are integral and/or directly linked to the business of operating tonnage tax ships. Certain other ancillary activities, including ship management activities and vessels under charter-out agreements, may also qualify for the TTR, as long as they satisfy applicable revenue, substance and flag-link requirements. Non-European Union ships whose strategic and commercial management is actually carried out from within the EU may also, subject to certain requirements, qualify as tonnage tax ships. There is no minimum net tonnage requirement.

Rates

The annual tonnage tax payable is calculated against the following table:

| Net Tonnage (NT) of Vessel | | |
|----------------------------|---------------|---|
| Exceeding | Not Exceeding | Annual Tonnage Tax (€) |
| 0 | 6,250 | 2,500 |
| 6,250 | 8,000 | 2,500 plus 40 cents for every NT in excess of 6,250 NT |
| 8,000 | 10,000 | 3,200 plus 19 cents for every NT in excess of 8,000 NT |
| 10,000 | 15,000 | 3,580 plus 14 cents for every NT in excess of 10,000 NT |
| 15,000 | 20,000 | 4,280 plus 12 cents for every NT in excess of 15,000 NT |
| 20,000 | 30,000 | 4,880 plus 9 cents for every NT in excess of 20,000 NT |
| 30,000 | 50,000 | 5,780 plus 7 cents for every NT in excess of 30,000 NT |
| Exceeding 50,000 | | 7,180 plus 5 cents for every NT in excess of 50,000 NT |

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In the case of a non-EU ship qualifying as a tonnage tax ship, relief is granted for any tonnage tax imposed under the laws of a state other than Malta, subject to a minimum amount payable, which is equivalent to 25% of the annual tonnage tax that would have been payable under the Maltese TTR.

Benefits

The main advantages of the Maltese TTR include:

- Income derived from shipping activities is exempt from additional corporate tax under the Income Tax Act
- Income, profits or gains derived from the sale or other transfer of a tonnage tax ship that had been acquired or sold whilst under the regime, or income from the disposal of any rights to acquire a ship that when delivered or completed would qualify as a tonnage tax ship, is exempt from corporate tax under the Income Tax Act
- Exemption from tax on the distribution of profits derived from shipping activities to the shareholders in the form of dividends (irrelevant of whether there are other companies in between the distributing shipping organisation and the ultimate shareholder receiving the dividend)

The exemptions from income tax mentioned above are only applicable in so far as the shipping organisation concerned maintains separate accounts, clearly distinguishing payments and receipts relating to shipping activities from payments and receipts deriving from any other business.

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

Canada

TT Services (Canada) Ltd
T: +1 604 687 0811
vancouver@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

Trident Fund Services, Inc

T: +1 404 364 2019
americasfunds@tridenttrust.com

Miami

Integritas, Inc
T: +1 305 405 9006
contact@integritastrust.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 Fund Services (HK) 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 Fund
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

Trident Fund Services (DIFC) Ltd

T: +971 4 277 1191
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