

# Malta Country Profile

EU Tax Centre

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

**EU Member State** Yes.

**Double Tax Treaties** With:

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

**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 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 made out 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%, has made an investment of at least EUR 1,164,000, 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.

[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**

2 percent, but there are exemptions for transfers of shares in Maltese companies in international situations.

**Transfer duties**

[On the transfer of shares](#)

5 percent

[On the transfer of land and buildings](#)

2 or 5 percent as per above

[Stamp duties](#)

No



	Real estate taxes
	No
<b>Controlled Foreign Company rules</b>	No
<b>Transfer pricing rules</b>	General transfer pricing rules No (however, anti-avoidance rules to be considered) Documentation requirement? No
<b>Thin capitalization rules</b>	No
<b>General Anti-Avoidance rules (GAAR)</b>	A general anti-avoidance rule is provided under Maltese tax legislation. An advance revenue ruling can be requested on the application of the rule to any transaction.
<b>Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions</b>	The abuse of the flat-rate tax credit can be counteracted.
<b>Advance Ruling system</b>	Yes (rulings bind local tax authorities for a maximum period of 5 years, but are renewable)
<b>IP / R&amp;D incentives</b>	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. Will be affected by EU developments on R&D incentives.
<b>Other incentives</b>	Freeport activities, manufacturing industry, Research and Development companies may claim tax credits.
<b>VAT</b>	The standard rate is 18 percent, and the reduced rate is 5 percent.
<b>Other relevant points of attention</b>	No

Source: Maltese tax law and local tax administration guidelines, updated 2015.



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