



FOREIGN INVESTMENT INCENTIVES

An open economy with a long-established history of trade, Malta has always actively sought foreign investment, both in existing companies and in the set-up of new entities. In support of this effort, Malta has been proactive in offering incentives to attract investors, a package which has recently been updated to reflect the island's status as a member of the euro zone.

Malta's recently updated industry incentives are generally aimed to specific sectors, predominantly ICT and Pharmaceutical industries which the island is keen to promote. This set of incentives is aimed at foreign direct investors and local enterprises demonstrating commitment towards growth and increase in value added and employment.

Such incentives include:

- 1) Tax Credits on capital investment and job creation
- 2) Grants to assist in the creation and development of innovative start-ups and small and medium sized enterprises
- 3) Training grants
- 4) Provision of premises finished to the applicant's requirements at competitive rates of rent
- 5) Low-interest loan financing
- 6) Loan guarantees
- 7) Loan interest subsidies
- 8) Research and Development grants

All companies resident in Malta are subject to Income tax on company profits at a rate of 35 per cent. There is no separate corporation tax, and the company's liability to tax arises under the same charge that imposes a tax on individuals. Under Malta's full imputation system the shareholder will, upon a distribution of dividend, be entitled to a refund of in part or in full of any advance tax levied on the distributing company.

A resident shareholder will be taxable in Malta on the dividend income, including the refund, at personal tax rate. The amount of the tax refund is set at 6/7ths of the advance corporation tax paid by the company (5/7ths in the case passive interest and royalties). The refund is reduced to 2/3rds where the distributing company claims a double taxation relief. With respect to participating holdings a full (100 per cent) refund applies.

Malta offers businesses other key benefits under its tax legislation, including the following aspects:

- 1) As an EU member state, entities have access to Parent Subsidiary, Interest & Royalties, and Merger Directives.
- 2) Participation Exemptions
- 3) An exemption from tax on income derived by collective investment schemes
- 4) Advance rulings issued by the Maltese Commissioner of Inland Revenue on international transactions that guarantee the tax position for a minimum of five years and may be renewed for a further five year period.
- 5) An absence of 'thin capitalisation' rules and no anti-controlled foreign corporation legislation
- 6) No capital duty on share issues and exemption from duty on transfers of shares in, by or to companies having the majority of their business interests outside Malta
- 7) The possibility for companies to denominate their share capital and their accounts in any convertible currency with the chosen currency then being used for payment of tax and tax refunds thus minimising risks
- 8) The possibility of migrating companies to and from Malta
- 9) Relative ease of incorporation for non-regulated entities
- 10) Low registration and maintenance costs
- 11) A taxation scheme for groups of companies allowing offset of losses between group companies