

Malta Tonnage Tax Rules: The Benefits

Malta has developed a strong legal and regulatory platform that enabled the Maltese Flag to become an established reputable International Ship Register which is now one of the largest in the world. The Eight Cross Flag is one of the most recognisable ranking 1st in Europe and 6th worldwide in terms of registered tonnage. Among the various aspects which made the Malta Flag the choice of many ship-owners, the most attractive one is represented by the Malta Tonnage Tax Rules.

What is a tonnage tax system?

- A shipping company is liable to pay tonnage tax rather than income tax on the actual profits of the company
- The tonnage tax due is determined on the basis of ship net tonnage, that is on the volume of ships operated by the shipping company
- A number of EU member states, including Malta, the Netherlands, Greece, Portugal, Belgium, Cyprus, Spain and Germany operate some form of tonnage tax system

What type of ships are eligible?

Any vessel used in navigation, whether self-propelled or not, and include barges, pontoons, floating establishments, installations or structures, oil rigs and other similar vessels.

Provided that, when a ship is involved in the international carriage of goods or passengers by sea, in accordance with the EU Maritime State Aid Guidelines and satisfying the criteria specified in these regulations, the definition of a ship would also include the following vessels:

- cable laying ships
- pipe laying ships
- crane vessels
- research vessels
- multi-purpose, break-bulk and other types of support vessels.

The following ships are however excluded for the purposes of these regulations:

- fishing and fish factory ships
- private yachts and ships used primarily for sport or recreation
- fixed offshore installations and floating storage units
- non-ocean going tug boats and dredgers
- ships whose main purpose is to provide goods or services normally provided on land
- stationary ships employed for hotel and or catering operations (floating hotels or restaurants)
- ships employed mainly as gambling and/or casinos (floating or cruising casinos)
- non-propelled barges
- any other description of ship which may be determined, from time to time, by the Registrar-General, as not being engaged in the international carriage of goods or passengers by sea.



What are the benefits?

- An exemption from paying tax on income derived from shipping activities of a shipping organisation or ship manager and on the distribution of profits
- The income, profits or gains of a shipping organisation derived from the sale or other transfer of a tonnage tax ship acquired and sold under the tonnage tax system, or from the disposal of any rights to acquire a ship which when delivered or completed, would qualify as a tonnage tax ship, are exempt from paying tax on the distribution of profits
- An exemption from paying tax on gains arising on the transfer of shares, securities or any other interest held in a shipping organisation to non-Maltese residents (engaged in genuine shipping activities) owning, operating, administrating or managing a tonnage tax ship while it was a tonnage tax ship

- An exemption from paying duty on documents and transfers when transferring shares in shipping organisations for non-Maltese residents
- An exemption for interests derived from working capital of shipping companies
- A possibility to submit a declaration in lieu of a tax return where the licensed organisation has no income other than shipping activities

In all cases separate accounting must be kept by the shipping organization and ship manager, clearly distinguishing between shipping activities and other businesses.

Recent Commitments

- Tonnage tax measures will be available to persons assuming risks and responsibilities for the operation of a tonnage tax ship, such as the carrying out of shipping activities technical management or crewing
- The availability is limited to bareboat chartering and similar transactions between third parties
- For new entrants, ships must have at least 25% of their tonnage tax fleet EEA-flagged, notwithstanding the requirement to maintain or increase this percentage over a prescribed period of time
- In line with the Maritime Guidelines dredgers flying an EEA flag will be able to benefit from the tonnage tax exemption, in the case where the majority of activities within a calendar year consist of the transport of extracted materials at deep sea
- Similar to dredgers, towage ships will be able to benefit from the tonnage tax exemption where the majority of their activities within a calendar year constitute maritime transport
- Shipping companies (other than ship management companies) will be able to benefit from the tonnage tax rules where 60% or more of their tonnage fleet is flying an EU/EEA flag. As mentioned earlier, during the first year of operation such percentage can be as low as 25%
- Non-EEA ships will be able to benefit from the Malta tonnage tax when their commercial and strategic management takes place from an EU/EEA country