

Malta: The Ultimate Aviation Hub



KSi Malta is a tax, legal advisory and corporate services firm providing a wide range of services to both local and international clients.

For 45 years the firm has provided cost effective solutions and custom-made advice to hundreds of established clients worldwide. KSi Malta specialises in tax advice, and has several tax consultants assisting clients in this regard both in Malta and also on an international scale.

Currency

Euro €

Capital City

Valletta - UNESCO World Heritage Site & European Capital of Culture for 2018

Climate

Guaranteed 300 days of sunshine

Accessibility

Direct flights to and from all major cities in Europe and beyond. Mediterranean cruise liners regularly include Valletta as one of the ports on their itinerary

Languages

Maltese and English



Malta's Highlights in the Aviation Sector

- Malta offers the possibility for an aircraft to be registered by its owner or by the operator (including the lessee) or by its buyer under a conditional sale
- Malta offers the possibility for aircrafts which are still under construction to be registered in Malta allowing fractional ownership of an aircraft
- Income derived by a non-Maltese resident operator from an ownership, leasing or operation of aircrafts or aircraft engines used in the international aviation business, such as the transportation of passengers or goods, will not be taxed in Malta unless such income is actually received in a Maltese bank account. This applies even in the case of an aircraft being registered and/or operated in/from Malta
- Should any Maltese tax be incurred, through our tax refund system this may be lowered to an effective tax rate of 5%, eventually
- With respect to operators who decide to setup a company in Malta, these may themselves of the highly attractive finance leasing rules which minimise the tax burden considerably. A favourable tax treatment for operating lease is also available
- Malta offers a considerable cash flow advantage by manifesting accelerated tax depreciation rates for the aviation sector (6 years for the aircraft and engines and 4 years for interiors)
- Qualifying companies may also benefit from various tax credit schemes and other incentives offered by the Malta Enterprise
- A 0% VAT rate applies in respect of the supply, acquisition, importation, chartering, maintenance, servicing and provisioning of aircrafts engaged in commercial operations.

Malta offers low cost opportunities which are in line with the current market realities for aviation business. Being an EU member since 2004, Malta fully complies with the standards and regulations of the European Aviation Safety Agency.

Aviation Professionals

Persons holding high ranking positions with Maltese undertakings holding an air operators' certificate issued by Transport Malta, could simply incur a flat tax rate of 15% on the employment income derived from such post. In addition, any income derived from such post exceeding €5,000,000 would not be subject to any tax in Malta.

VAT Treatment

Whereas the supply of aircrafts to be used by international airline operators are generally exempt from VAT, owners of private jets or business jets do not qualify for such exemption.

Nonetheless, a new VAT scheme has been introduced specifically for private and business jets which are acquired and then leased either to the owner themselves or to third parties. The scheme allows the buyer of such an aircraft to claim back all the 18% VAT incurred on the initial acquisition if this is leased on a monthly basis. Although each lease charge would be VAT taxable, only the portion which relates to the use of the aircraft within EU airspace (calculated on the basis of a specialised formula) is subject to an 18% VAT rate.

Quick Facts:

- If a company derives income related to aviation is only resident but not incorporated in Malta, no Maltese tax is levied even if the aircraft is operated from Malta
- If any income is subject to Maltese tax, the effective tax rate is generally lowered to 5%, being the lowest rate in Europe
- Accelerated rates of tax depreciation for added cash flow benefits
- Fringe benefit exemptions
- A highly attractive VAT Scheme enabling reclaim of input VAT incurred

Malta offers the lowest effective corporate tax rate in Europe, generally ranging between 0% and 6.25%

Malta levies no withholding taxes on the outbound payments of dividends, interest and royalties

Malta has no CFC, Transfer Pricing and Thin Capitalisation legislation

The Accelerated rates of Depreciation

Aircraft Engine	6 years (16.67%)
Aircraft Interiors	4 years (25%)

The Fringe Benefit Exemption

Malta has further fiscal advantages in the aviation sector, namely that when an employee or the officer of an employer or corporate entity, whose business activities include the ownership, leasing, or operation of one or more aircrafts or aircraft engines used for or employed in the international transport of passengers or goods, shall be deemed arising from a fringe benefit when making use thereof and therefore non-taxable.

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Risk and Compliance



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