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CORPORATE INCOME TAX	
Resident companies	35%
Offshore companies	35%
OTHER TAXES	
Withholding tax on real estate transfer	2%, 5%, 8%, 10%
Withholding taxes: Dividends Interest Royalties	Exempt Exempt Exempt (payments from Malta and from offshore companies are exempt)
Registration tax	From € 245 to € 2,250
Customs duties	Variable
VAT	0% , 5%, 7%, 18%
TAX YEAR	1st January – 31st December
MINIMUM SHARE CAPITAL	€ 1,165
REGISTRATION TIME	5 days (beneficial owners disclosed)
REGISTRATION COSTS	Registration expenses: from € 245 to € 2,250 (electronic registration: from € 100 to € 1,900) + € 2,750 professional costs
ADVANCE RULINGS	Not applied
EXCHANGE CONTROLS	Not applied
BANK SECRECY	Phased out
LEGAL SYSTEM	Civil law
BILATERAL TAX AGREEMENTS	Signed with over 70 countries TIEAs signed with 5 countries

1- GENERAL INFORMATION

Malta gained independence from the United Kingdom in 1964 and became a Republic within the Commonwealth in 1974. On 1 May 2004 Malta became a member of the European Union. Malta's legislative power is exercised by a democratically elected Parliament. Executive power is in effect vested in the Prime Minister and judicial authority is exercised by an independent judiciary. The President of the Republic is appointed by the House of Representatives every 5 years.

I- Legal system

Malta is basically a civil law country; however, 160 years of British rule have left their mark on Malta's legal system. In fact, although Malta has a civil code largely based on the Napoleonic Code, other aspects of Maltese law bear a British stamp. This is particularly true in the areas of public law (constitutional law, administrative law, fiscal law, public international law and criminal procedure) and certain important aspects of commercial law.

II- Economic policy

Since independence, successive Maltese governments have sought to encourage foreign investment mainly through the granting of incentives and through the exploitation of Malta's advantages, which include a relatively cheap workforce and a stable political situation.

As an island nation with no natural resources, Malta's economy depends almost entirely on exports of manufactured goods, tourism and the provision of financial services. Accordingly, Malta's business climate is very much internationally oriented. Malta's main trading partner is the European Union, which absorbs about 30% of exports.

The financial sector is highly developed. Professional advice in banking, financial, corporate, insurance and general international areas is readily available.

III- Currency

From 1 January 2008, Malta's official currency is the euro (€).

IV- Financial institutions and bank secrecy

The right to privacy is guaranteed through the strict provisions of the Professional Secrecy Act. The Act clarifies that the duty of professional secrecy extends not only to government officials and "professions", but also to their employees and agents.

If money laundering is suspected, there is an obligation to report information. The Prevention of Money Laundering Act defines the crime of money laundering along the lines adopted in the European Union and makes it an offence in Malta.

Malta is also party to an intergovernmental agreement with the US to implement the provisions of the US Foreign Account Tax Compliance Act (FATCA). Under the agreement, Maltese financial institutions are required to provide certain information regarding their US customers' accounts to the Maltese tax authority, which then reports that information to the US Internal Revenue Service (IRS).

V- Exchange controls

With effect from 1 May 2004, the restriction on a foreign person's ability to invest in Malta has been practically removed. The situation today is that, unless exchange control is specifically required by the Minister for a particular type of transaction, all external transactions and related payments may be carried out without restriction.

Banking facilities are good, with prime connections to most financial centres. There are both international and local banks offering a wide range of banking facilities and financial products and services.

The application of exchange controls in Malta has been drastically reduced. Administration of exchange control is vested in the Malta Financial Services Authority. Cash control regulations have been issued under the External Transactions Act. Anyone leaving or entering Malta with cash worth €10,000 or more must make a declaration to the Comptroller of Customs.

2- MALTA COMPANIES

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Partnerships</i>	The law governing Maltese companies is the Commercial Partnership Ordinance, which is modeled on the English Companies Act.		The articles of association and the articles of association must be submitted to the Register of Companies which issues a registration certificate.
<i>Companies</i>	IHC – International holding companies ITC – International trading companies	ITCs can no longer be incorporated, with effect from 1 January 2007	

I- Partnerships

The law regulating Maltese companies is the Companies Act, which is in line with various concepts of European Union company law. A commercial partnership established under the Act may be either:

- (1) a partnership *en nom collectif*
- (2) a partnership *en commandite*, or
- (3) a partnership *anonyme* or limited liability company.

A company is constituted when its memorandum and articles of association are entered into and subscribed by at least 2 persons, unless the company is a single member company, filed with the Registrar of Companies and a certificate of registration is issued. Most companies are incorporated within 24 hours from the submission of all necessary documentation, including evidence that the initial paid up share capital has been deposited in a local bank.

The memorandum of association of a company must state:

- (i) whether the company is a public or private company
- (ii) the name, surname and residence of each of the subscribers. The identity of the shareholders may be either disclosed or undisclosed
- (iii) the name of the company
- (iv) the registered office in Malta of the company
- (v) the objects of the company
- (vi) the amount of share capital with which the company is to be registered (authorised capital), the division thereof into shares of a fixed amount, the number of shares taken up by each of the subscribers and the amount paid up in respect of each share
- (vii) the number of the directors and the name and residence of the director or directors, and in the case of any such director being a body corporate, the name and registered office of the body corporate, and the manner in which the representation of the company is to be exercised and the name of the person or persons vested with such representation
- (viii) the name and address of the company secretary
- (ix) the period, if any, fixed for the duration of the company.

The registration fees are payable to the Registrar of Companies on the registration of a company. Currently, they vary from €245 to €2,250, according to the share capital. If registration is done electronically, the fees are between €100 and €1,900.

The annual fee varies from €100 to €1,400. If filing is done electronically, the fees vary between €85 and €1,200.

II- Special companies

Special companies include collective investment schemes, investment services companies and trustee companies. Two previous types of special company, international trading companies and international holding companies, have been phased out.

Until 31 December 2006, a Maltese registered company, or a partnership *en commandite* with capital divided into shares, whose objects were restricted to trading activities of an international nature as defined in the Income Tax Act could be classified as an international trading company. A company could request the Inland Revenue to confirm by means of an Advance Revenue Ruling its tax status as an international trading company. In addition, Malta's full imputation tax system and the repayment provisions applicable to non-resident shareholders made the international trading company a very tax efficient vehicle for non-resident shareholders since the net effective tax payable in Malta on a distribution of profits was 4.167%. From 1 January 2007, it is no longer possible to register a company as an international trading company as the refund mechanism has been extended to resident as well as non-resident shareholders. Companies which enjoyed the international trading company tax status were able to enjoy the benefits of this status up to 31 December 2010. From 1 January 2011, all international trading companies are deemed to have aligned themselves with the new tax regime. For such companies, there is a slight increase in the net effective tax payable in Malta on the distribution of profits derived from trading activities from 4.16% to 5%. However, a company that was an international trading company as at 31 December 2010 was allowed to distribute its profits as an international trading company from 1 January 2011 to 31 December 2014, provided that such profits were earned by the company while it enjoyed the international trading company tax status.

3- TAXATION SYSTEM

I- Taxation of resident entities

Under the Income Tax Act, "resident" means any body of persons, the control and management of whose business is exercised in Malta. A company incorporated in Malta after 1995 where the management and control of the business of the company is exercised outside Malta is also deemed to be resident in Malta.

Companies both resident and domiciled in Malta are subject to income tax on their worldwide income. Their foreign source income is taxable even if it is not remitted to Malta.

Foreign companies are subject to tax on income generated in Malta in respect of both the operations and the profits of the local unit.

The submission date for tax returns, required to be filed annually, depends on the relevant accounting reference period of the particular company. Companies which have a January to June accounting year-end must file their tax return by 31 March of the year of assessment for paper returns, or by 30 June of the year of assessment for electronic returns. Companies which have a different accounting year-end must file their tax returns within 9 months of the financial year-end for paper returns, or within 11 months of the financial year-end for electronic returns.

A company's taxable income includes:

1. profits or gains from a trade or business
2. dividends, interest, and discounts
3. rents, royalties, premiums, and other profits arising from real estate
4. capital gains on certain types of securities, business or intellectual property
5. income from any other source.

Tax rates

Companies are taxed at a flat rate of 35% on their chargeable income.

Taxation is only found at a national level and no income tax is levied on companies at the regional or municipal level.

Capital gains are not taxed separately; they are aggregated with income from other sources and tax rates are applied to the total income, including capital gains.

Taxable capital gains are the following:

1. gains arising from the transfer of a beneficial interest in a trust,
2. gains arising from the transfer of any rights over securities, copyright, patents, trademarks, tradenames and business goodwill,
3. gains arising from the transfer of partnership interests, other than interests in a limited partnership where the capital is divided into shares.

Exempt capital gains include:

1. any income or gains derived by a company registered in Malta from an exempt participation or income derived from the transfer of such a holding, subject to a number of conditions
2. gains derived by a company registered in Malta as a result of transferring a non-resident permanent establishment, and
3. gains made by a company that sells its shares to the public on the Malta Stock Exchange.

Non-resident persons are exempt from any tax on capital gains realised on the disposal of any units in a collective investment scheme and of any shares in a company which is not a company when the assets of the scheme consist wholly or principally of immovable property situated in Malta.

Capital losses may be carried forward and set off against future capital gains.

Withholding taxes

A final withholding tax is imposed on the transfer value of immovable property at a general rate of 8%. Reduced rates apply as follows:

1. 2% for properties originally acquired by individuals for the purposes of establishing or constructing a sole residence for themselves and subsequently transferred within 3 years of the original acquisition date
2. 5% for restored properties bought in Urban Conservation Areas (from 1 January 2016)
3. 5% for transfers made within 5 years of the acquisition date by individuals who are not property traders
4. 5% for properties in Valletta acquired by the seller prior to 31 December 2018 and satisfactorily restored or rehabilitated under a planning permit issued by the Malta Environment and Planning Authority (MEPA) prior to 31 December 2018 and transferred to a new owner within 5 years, and
5. 10% for properties acquired prior to 2004.

No withholding tax is payable in respect of dividends, interest or royalties payable to non-residents.

Properties transferred between 9 June 2020 and 30 June 2023 may benefit from a reduced 5% rate on the first €400,000 in transfer value. The remainder of the transfer value is subject to the 8% or 10% rate as above.

II- Taxation of resident and non-resident individuals

Individuals are considered to be resident in Malta if they stay in Malta for a period or periods exceeding in aggregate 183 days in the tax year, irrespective of their nationality.

The income of individuals is subject to progressive rates of tax ranging from 0% to 35%. A married couple may opt for a joint computation in order to benefit from more advantageous rates of tax than those applicable to single individuals.

III- Other taxes

Other Maltese taxes include:

1. customs and excise duties
2. duty on documents and transfers
3. social security contributions
4. value added tax (0% on exports, foodstuffs, pharmaceutical products, international transportation and certain supplies relating to ships and aircraft; 5% on electricity, printed matter, confectionery and medical accessories; 7% on holiday accommodation; 18% on all the other goods and services)
5. eco-contributions tax
6. motor vehicle registration tax and circulation licence fees
7. gaming taxes.

Companies whose activities are outside Malta are exempt from such taxes.

IV- Taxation of dividends

Dividends received from a Maltese company by a resident of Malta are taxable in the recipient's hands and the recipient is entitled to a credit in respect of tax paid at source by the company. Dividends received by non-residents are (subject to particular double tax treaty arrangements) treated as Maltese source income and consequently taxable in Malta. Because of the full imputation system no further tax is due from shareholders, although they may still be entitled to tax refunds.

Dividends from a company registered or resident in Malta and engaged in the production of petroleum produced in Malta, dividends from the profits of an exempt shipping company registered under the Commercial Partnerships Act and dividends from profits exempted under the Business Promotion Act are exempt from tax in the hands of the recipient company.

Dividends paid by a Maltese company have tax deducted therefrom at the rate applicable to companies (ie 35%), if paid out of taxable profits. The tax at source is credited to the shareholder.

V- Taxation of foreign income

A company incorporated in Malta is subject to tax on its worldwide income, subject to exemptions and tax treaty arrangements.

Foreign companies are subject to Maltese tax on income arising in Malta in respect of both one-off operations and branch or agency profits.

No tax is payable on capital gains arising outside Malta to non-residents. A company resident in Malta, however, is subject to capital gains tax on capital gains arising in Malta and elsewhere (subject to tax treaty provisions).

Foreign tax credits/double tax relief

Double taxation relief is available in Malta under the provisions of the Income Tax Act if foreign tax has been suffered in a country with which Malta has a double tax treaty, or in respect of Commonwealth income tax, or through unilateral relief or through a system of a flat-rate foreign tax credit.

Unilateral relief for underlying tax suffered is also available under these provisions where the taxpayer is a Maltese company that holds more than 10% of the voting power of the overseas company paying the dividend.

The flat-rate foreign tax credit is available to a Maltese company which receives income or capital gains from overseas allocated to its Foreign Income Account, provided that a certificate from the auditor states that the income arose overseas.

The flat rate foreign tax credit is calculated at 25% of the amount of the overseas income or gain received by the company, before allowable expenses.

However, the company rate of tax can be reduced to an effective rate of 18.75%. Upon distribution of profits refund provisions apply and so the net rate of tax payable in Malta is reduced to 5% or even lower.

VI- Incentives and grants

Incentives for investments for energy efficiency

Incentives are available to companies that make investments that improve energy efficiency. A minimum investment of €10,000 is required and the energy saving resulting from the investment must be at least 10%. The incentives take the form of a tax credit and/or cash grants as follows: 50% for small enterprises, 40% for medium-sized enterprises and 30% for large enterprises.

The maximum tax credit/cash grant per project is €15 million.

Any unutilised investment tax credits may be carried forward to subsequent years without limitation.

Projects must begin within 6 months of the date of approval and must be completed within 36 months of the date of approval.

The closing date for applications was 31 October 2023.

Maltese assistance to small and medium-sized enterprises (SMEs)

From 1 January 2020, small unlisted limited liability companies with an operating base in Malta that have been established for less than 5 years are eligible to apply for grants under the Start-Up Finance 2020 scheme. To qualify, the company must fulfil the following conditions:

- it has not taken over the activity of another enterprise
- it has not yet distributed profits, and
- it has not been formed through a merger.

The company must also undertake one or more of the following activities:

- manufacturing
- software development
- industrial services analogues to manufacturing
- health, pharmaceuticals, biotechnology and life sciences
- other innovative economic activities that are enabled through knowledge and technology providing services or products that are currently not readily available in the relevant market or that will be provided through a process that is novel.

In addition, the projects must meet at least 2 of the following criteria:

- propose products and/or services that have the potential to generate income from various geographical markets
- produce products and/or services that are new or substantially improved compared to complementary products on the market
- utilise processes that are new or substantially improved compared to those adopted in current complementary activities.

An eligible company may receive a one-time grant of up to €400,000, which may be increased to up to €800,000 if it is an innovative start-up. Alternatively, a company may receive a repayable advance.

The scheme was open for applications until 31 October 2023.

Maltese enterprise support incentives

The Enterprise Support Incentives scheme provides cash grants and tax credits to enterprises that are deemed to contribute to “the economic well-being of Malta”, except for fisheries and agriculture.

Qualifying activities include collaboration with other businesses, the use of experts, participation in exhibitions, and the improvement of international competitiveness.

Incentive for restoration and development of property

A reduced stamp duty applies for transfers of certain property purchased for restoration and development.

R&D tax credits

From 1 March 2020, tax credits or cash grants are available to companies that require assistance in order to undertake R&D development projects. The tax credit is:

- 45% for small enterprises
- 35% for medium-sized enterprises
- 25% for large enterprises.

An additional tax credit or cash grant of 25% of costs is available for industrial research projects, and an additional tax credit or cash grant of 15% of costs is available for qualifying collaborative projects.

Unutilised tax credits may be carried forward indefinitely.

This incentive is set to expire on 31 December 2023.

Malta freeport

Malta's Freeport Corporation is responsible for Malta's freeport, established as a customs free zone under the Malta Freeports Act (MFA). The freeport zone is a major shipping centre on the main sea routes between the Atlantic Ocean, the Black Sea and the Suez Canal, providing container and breakbulk terminals, a mineral oil terminal and other storage facilities.

The MFA offers a number of incentives including exemption from customs duties, stamp duty and withholding tax.

In order to gain a freeport licence, a company must be incorporated in Malta and must be engaged in one of the following activities: labelling, packaging, sorting, warehousing, storage, stevedoring, wharfage, operation of terminals and container handling, the rendering of services analogous or complementary to the above activities.

4- OFFSHORE COMPANIES

I- Offshore companies

It is no longer possible to register offshore companies in Malta. Maltese legislation used to provide for the incorporation of companies as international trading companies (ITCs) and international holding companies (IHCs). It should be noted that ITCs can no longer be incorporated, with effect from 1 January 2007. ITCs incorporated before this date lost their tax status on 1 January 2011.

Shareholders of companies are not subject to any form of tax on dividends, interest, royalties, distributions on liquidation, or any other income. Distributed dividends are received by shareholders net of tax paid by the company.

II- Offshore trading companies

Incorporation under the ITC tax status is no longer possible. Such incorporation was possible only until 31 December 2006, and companies incorporated as ITCs prior to this date lost their status on 1 January 2011, unless any such companies opted to be regulated by the new tax regime at an earlier date.

ITCs were allowed to conduct any business other than the business of banking or insurance. An ITC could also undertake the purchase for export of goods manufactured, assembled or processed in Malta provided that such purchases were not made from a person who owned directly or indirectly more than 15% of the ordinary share capital of the ITC. All their activities had to be carried on outside Malta.

International trading companies were initially liable to income tax at the rate of 35%. On receipt of dividends from an ITC, non-resident shareholders and Maltese resident companies

wholly owned by non-residents were taxed at a flat rate of 27.5% on the gross amount of the dividend, but ultimately the tax due by an ITC in Malta – less tax credits and refunds - was 4.17%.

Under the new tax regime the initial liability to income tax at the rate of 35% continues to apply. The company shareholders, be they resident or non-resident in Malta, can then claim a 6/7 refund of any tax paid in Malta: thus the resulting tax leakage in Malta is 5%. No restrictions on the activities of companies are applicable, though there may be licensing or authorisation requirements that need to be satisfied.

III- Offshore holding companies

Malta's unique combination of a very favourable tax regime and a wide network of double tax treaties should help it to emerge as a leading jurisdiction for holding and investment companies. Income received by an international holding company (IHC) from overseas investments is taxed at the full company rate of 35%. However, when such income is distributed by way of dividends to its shareholders, be they resident or not, a refund of the tax paid by the IHC becomes due. The refund is a full refund of the tax paid by the IHC where the overseas investment is considered a "qualifying participation", and 6/7 of the tax paid by the IHC where the overseas investment is not a qualifying participation.

The effective rate of taxation of an international holding company therefore varies between a minimum tax incidence of a nil rate to a worst case maximum of 5%.

A qualifying participation means a holding of 10% or more of the equity of an overseas company. If a Maltese corporate shareholder owns less than 10% of the equity, its shareholding is still eligible as a qualifying participation provided it satisfies any one of the following conditions:

- the Maltese equity shareholder is entitled at its option to purchase, or has the first right of refusal, on a disposal of the balance of the equity shares of the overseas body
- the Maltese equity shareholder is entitled to be represented on the board of the overseas body as a director
- the value of the shareholding exceeds €1,164,000 (or equivalent in foreign currency)
- the shares are held in the overseas body in furtherance of its own trade.

An advance ruling may be obtained from the International Tax Unit of the Malta Financial Services Authority as to whether a particular holding constitutes a strategic holding and hence qualifies as a qualifying participation. This status will not affect the taxation of the IHC since income received by a Maltese company from its qualifying participations or non-qualifying participations is still taxed at the corporate rate of tax of 35%. However, this will affect the amount of refund which shareholders are entitled to claim.

The profits of a company can be retained in the company. There are no restrictions on the accumulation of profits, nor is there an accumulated profits tax. Maltese companies are totally exempt from exchange control restrictions in respect of their dealings with non-residents.

Since Malta has a wide treaty network and gives unilateral relief or a flat rate foreign tax credit of 25%, it is often not necessary, when using Maltese holding companies, to use third countries for channelling dividends.

IV- Offshore finance companies

Finance companies other than "financial institutions" (being banks and insurance companies) come within the provisions regulating IHCs. Interest payable is not subject to withholding or other taxes, as companies that do not conduct business activities are not subject to income taxation.

In many cases the withholding tax rates levied by Malta's double tax treaty partners on the payment of interest to Maltese companies are comparatively low. Interest paid to non-residents is paid gross of tax since no withholding tax or other taxes apply.

There are no debt/equity ratio requirements for companies other than credit and financial institutions.

V- Offshore licensing companies

Maltese law does not recognise licensing companies as a separate category, though provision is made for the recognition of the economic rights of authors and any other person entitled to copyright and neighbouring rights.

Maltese law recognises and affords protection to intangible assets such as patents, trade marks, designs, copyright, etc, through the Industrial Property (Protection) Ordinance, Copyright Act, Patents and Designs Act, Trademarks Act and the Intellectual Property Rights (Cross-Border) Measures Act.

VI- Offshore administration companies

Maltese law does not recognise administration or headquarter companies as a separate category of companies; rather such companies are generally regarded as normal trading companies.

Management or consulting fees received by an administration company are taxed in the same way as trading income

VII- Offshore shipping and air transport companies

A company registered in Malta which owns and operates an exempted ship or ships, that is ships registered in Malta under the Merchant Shipping Act, is exempt from income tax on the profits derived from the ownership or operation of an exempt ship, or any dividend paid to the shareholders of such a company.

Income derived from the ownership, leasing, or operation of aircraft or aircraft engines used for the international transport of passengers or goods is presumed to have arisen outside Malta. This rule applies irrespective of the country of registration of the aircraft or aircraft engine, and whether the aircraft calls at, or is operated from, any airport situated in Malta.

Therefore, the profits of a Malta resident aircraft operator will be automatically presumed to be subject to Maltese income tax only to the extent that these are remitted to Malta.

VIII- Offshore trusts

The concept of trusts was introduced in Malta in 1988. From 1 January 2005, the Trusts and Trustees Act provides for the regulation and recognition in Malta of trusts governed by a foreign law in accordance with Malta's obligations as a party to the Hague Convention on the Recognition of Trusts. One of the outstanding features of the Act is that it renders Malta an attractive location for the administration of trusts, both when regulated by Maltese law, and when regulated by foreign law.

A Maltese trust may be created where the settlor is a Maltese resident or a non-resident.

All professional trustees must be authorised to act as such in accordance with the Trusts and Trustees Act and the MFSA Code of Conduct for trustees. A trust may be created unilaterally or otherwise by oral declaration, an instrument in writing (including a will), operation of law, or by a judicial decision in favour of identified or identifiable beneficiaries. Registered trusts enjoy the benefit of being virtually tax-exempt, and foreign trusts are recognised in Malta according to the Hague Convention on the Law Applicable to Trusts and their Recognition. A foreign trust may be registered in Malta if certain conditions are satisfied.

There are different types of trusts that may be set up. All have different aspects and features that distinguish them from each other. Such trusts may be classified as fixed interest trusts, discretionary trusts, accumulation and maintenance trusts, protective trusts or charitable trusts.

The trust instrument need not be signed by, or disclose the name of, the settlor if it is in the form of a unilateral declaration of trust, ie a declaration in writing signed by a trustee stating that it is the trustee of the trust, stating the name of the trust, the terms of the trust as well as information enabling the identification of all the beneficiaries.

Fiduciaries, which can often be easily confused with trusts, are able to hold shares in their own name, on behalf of third parties. Their particular use is to shield the identity of the beneficial owners of the shares held by the fiduciaries. Although these fiduciaries are subject to professional secrecy, this is not absolute.

A trustee's due diligence in setting up a trust would be to ascertain the identity of the settlor and the beneficiary and ascertain that the property to be held on trust is legitimate. There is no standard form of trust deed as each trust deed reflects the needs of the settlor and the estate planning involved. For tax purposes, all trusts created by a Maltese settlor for the benefit of a Maltese resident, or for the purpose of holding Maltese immovable property, must be registered with the Maltese Inland Revenue where the trustees are Maltese. An exception arises in the case of collective investment schemes set up as unit trusts, which may now be registered under either Maltese law or under foreign law. A trust is governed by its proper law and is interpreted and enforced accordingly. The terms of a trust may also provide for the proper law of the trust to be changed to the law of another jurisdiction.

Non-resident trusts are exempt from registration with the Inland Revenue as the income from such trusts is tax exempt. It is the trustee's duty to ensure due diligence is undertaken in relation to such a trust. As Malta is a party to the Hague Convention on the Recognition of Trusts, "foreign" trusts are recognised by Maltese Courts. A Maltese professional trustee can also be authorised to act as a fiduciary shareholder in a foreign company and to issue a bare declaration of trust in favour of the beneficial owner of the shares. Likewise, it is possible that foreign investors in Maltese companies hold their shares via foreign bare trusts, as long as the fiduciaries through which this is done meet certain conditions.

There are two kinds of trusts:

1. a trust whose proper law is Maltese law and for which Maltese rules on trusts apply
2. a foreign trust governed by a foreign law that would be recognised by the Maltese Courts.

There are no capital requirements for an offshore trust.

The trustees of a Maltese trust are required by the Trusts and Trustees Act to exercise their duties "with the prudence, diligence and attention of a bonus paterfamilias and observe the utmost good faith". Trustees are also required to preserve and enhance the value of the trust property. Trustees are also bound by very tight confidentiality provisions.

IX- Financing offshore companies

Since there are no debt/equity requirements for Maltese companies other than credit and financial institutions, financing can take the form of either loan capital or share capital.

Companies whose activities are carried on outside Malta and who have foreign shareholders are totally exempt from exchange control restrictions. There are, therefore, no restrictions on the payment of profits or income to a parent company (or other non-resident interested party), on the repatriation of loan capital, or on the reduction of share capital.

Since a company is liable to tax on its profits, the financing of the company could possibly involve interest-bearing loan capital to provide an interest deduction for tax purposes.

No formal court approval is required for the redemption of shares in a Maltese company. The reduction of the share capital of a company does not become effective before the expiration of three months from the publication of the relative resolution in the government *Gazette*. It should be further noted that the payment of capital surplus (share premium) is subject to the same rules as the reduction of share capital.

There are no restrictions on the issue or redemption of shares other than the minimum capitalisation requirements and the three-month notice rule regarding share capital reductions.

There are no debt/equity ratio rules in Malta for companies other than credit and financial institutions.

Concessional treatment is available to all onshore companies with foreign shareholdings.

There are no restrictions on Maltese companies accumulating profits, nor are there any accumulated profits taxes.

Companies whose activities are carried on outside Malta and who have foreign shareholders are totally exempt from exchange control restrictions in respect of their dealings with non-residents.

X- Migration of income and capital

Return of capital from the foreign branch to Malta

Repayment of loan capital by a (foreign) subsidiary to its Maltese parent company will be free of tax in Malta.

Il ritorno di capitale, la restituzione di un prestito e il rimborso di capitale da parte di una filiale estera sono esenti da imposte a Malta.

Return of capital from Malta to the mother country

Companies may hold their funds either in Maltese banks or in foreign banks.

Alternatively, Maltese companies can maintain or increase their investment in foreign subsidiaries, accumulating profits in the subsidiaries and ultimately realising the investment by repayment of debt or capital, liquidation or sale.

5- BILATERAL TAX AGREEMENTS

Malta has concluded tax treaties with a number of countries.

The following rates of Maltese withholding tax apply to non-resident entities:

	<i>Dividends</i> %	<i>Interest</i> %	<i>Royalties</i> %
<i>Non-treaty countries</i>	0	0	0
<i>Treaty countries</i>			
Albania	0	0	0
Andorra	0	0	0
Australia	0	0	0
Austria	0	0	0
Azerbaijan	0	0	0
Bahrain	0	0	0
Barbados	0	0	0
Belgium	0	0	0
Botswana	0	0	0
Bulgaria	0	0	0
Canada	0	0	0
China	0	0	0
Croatia	0	0	0
Cyprus	0	0	0
Czech Republic	0	0	0
Denmark	0	0	0
Egypt	0	0	0
Estonia	0	0	0
Finland	0	0	0
France	0	0	0
Georgia	0	0	0

Germany	0	0	0
Greece	0	0	0
Guernsey	0	0	0
Hong Kong	0	0	0
Hungary	0	0	0
Iceland	0	0	0
India	0	0	0
Ireland	0	0	0
Isle of Man	0	0	0
Israel	0	0	0
Italy	0	0	0
Jersey	0	0	0
Jordan	0	0	0
Korea	0	0	0
Kosovo	0	0	0
Kuwait	0	0	0
Latvia	0	0	0
Lebanon	0	0	0
Libya	0	0	0
Liechtenstein	0	0	0
Lithuania	0	0	0
Luxembourg	0	0	0
Malaysia	0	0	0
Mauritius	0	0	0
Mexico	0	0	0
Moldova	0	0	0
Monaco	0	0	0
Montenegro	0	0	0
Morocco	0	0	0
Netherlands	0	0	0
Norway	0	0	0
Pakistan	0	0	0
Poland	0	0	0
Portugal	0	0	0
Qatar	0	0	0
Romania	0	0	0
Russia	0	0	0
San Marino	0	0	0
Saudi Arabia	0	0	0
Serbia	0	0	0
Singapore	0	0	0
Slovak Republic	0	0	0
Slovenia	0	0	0
Southafrica	0	0	0
Spain	0	0	0
Sweden	0	0	0
Switzerland	0	0	0
Syria	0	0	0
Tunisia	0	0	0
Turkey	0	0	0
Ukraine	0	0	0
United Kingdom	0	0	0
United Arab Emirates	0	0	0
United States	0	0	0
Uruguay	0	0	0
Vietnam	0	0	0

Malta has signed the following TIEAs based on the OECD model convention: Bahamas, Bermuda, Cayman Islands, Gibraltar and Macau.