



Malta a Holding Company Jurisdiction

Malta is fast becoming the jurisdiction of choice for an increasing number of multinational groups seeking an efficient holding structure. Malta's 100% participation exemption relieves income tax both on the dividends derived from a participating holding and on gains derived from the transfer thereof. Recent amendments have significantly extended the participation exemption provisions which now exempt branch profits and income derived from collective investment schemes.

Participation Exemption

In terms of the Income Tax Act, a 100% participation exemption applies to dividends and capital gains derived from a participating holding or from the transfer of part or all of such participating holding.

Participating Holding

Malta's 100% participation exemption relieves income tax both on the dividends derived from a participating holding and on gains derived from the transfer thereof.

A participating holding exists where a company holds directly at least 10% of the equity shares of a company whose capital is wholly or partly divided into shares and where such holding confers at least 10% of any of following: (i) a right

to votes; (ii) a right to profits available for distribution and (iii) a right to assets available for distribution on the winding up of the company. The taxation authorities in Malta may also establish that an equity holding exists even where there is no holding of shares but where it is proven that at least two of the condition rights exist.

A participating holding also exists when the following criteria are met:

- The investment in the non-resident company amounts to EUR 1,164,700 or more, subject to a time duration test of 183 days.
- The Maltese company has the option to acquire the remaining balance of the equity shares in the non-resident company.

- The Maltese company is entitled to first refusal in the event of the proposed disposal, redemption or cancellation of the remaining balance of the equity shares in the non- company.
- The Maltese company is entitled to sit on the Board of the non-resident company.
- The holding of shares in the non-resident company is for the furtherance of the business of the Maltese company provided further that the shares are not held for trading purposes.

While it is most common for a participating holding to be held in a company, Malta's participation exemption is also extended to holdings in other entities, such as a Maltese limited partnership (the capital of which is not divided into shares), a non-resident body of persons (with similar characteristics to the Maltese limited partnership) or a collective investment vehicle that provides for limited liability of investors, provided the above conditions for the application of the participation exemption are satisfied.

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Other Conditions for Application of the Exemption

With respect to dividends, the participation exemption is applicable if the entity in which the participating holding is held:

- is resident or incorporated in a country or territory which forms part of the European Union; or
- is subject to tax at a rate of at least 15%; or
- has 50% or less of its income derived from passive interest or royalties; or
- is not a portfolio investment and it has been subject to tax at a rate of at least 5%.

The conditions for the application of the participation exemption with respect to dividends do not apply in the case of gains derived from the transfer of a participating holding. Such gains are therefore exempt with no further prerequisites.



Domestic Participation Exemption

The participation exemption also applies with respect to gains derived from the transfer of a participating holding in a company resident in Malta. Dividends from companies resident in Malta (whether participating holdings or otherwise) are not subject to any further taxation in Malta in view of the full imputation system.

Branch Profits Participation Exemption

Although Malta is mainly a credit country, the principles of the participation exemption have been used to extend the exemption method to:

- Income attributable to a permanent establishment (“PE”) (including a branch) of a Maltese company where the PE is situated outside Malta, and
- Gains derived from the transfer of such permanent establishment.

The exemption applies irrespective of whether such PE belongs exclusively or partly to the Maltese company and also applies where the PE is operated through an entity or relationship, other than a company, in which the Maltese company has an interest. The profits or gains to which the exemption applies are calculated on an arm’s length basis, i.e. as if the permanent establishment is an independent enterprise operating in similar conditions.

Sale of shares in a Malta Company by Non-Residents

Any gains or profits derived by non-residents on a disposal of shares or securities in a company resident in Malta are exempt from tax in Malta, provided:

- The company does not have, directly or indirectly, any rights over immovable property situated in Malta, and
- The beneficial owner of the gain or profit is not resident in Malta and not owned and controlled by, directly or indirectly, nor acts on behalf of an individual/s ordinarily resident and domiciled in Malta.

No Withholding taxes

Malta does not levy any withholding taxes on outbound dividends, interest, royalties and liquidation proceeds.



Alternatively: Tax Refunds

Where the participating holding relates to a non-resident company, an alternative to the participation exemption is the full (100%) refund. The relative dividends and capital gains will be taxed in Malta (subject to double tax relief), however, upon a dividend distribution, the shareholders are entitled to a full refund (100%) of the tax paid by the distributing company.

Therefore, even where the participation exemption is not availed of, the Malta tax may be eliminated through the application of the 100% refund.

No withholding taxes on payments to non-residents no matter where they are resident and no exit taxes.

Other tax advantages

Maltese holding companies benefit from the application of all EU directives as well as Malta's growing network of double taxation agreements, over sixty to date, largely based on the OECD Model Tax Convention.

Besides the common advantages of a Malta 'holding company', additional attractive features of a Maltese company include the following:

- No Malta tax is chargeable on capital gains realised on a disposal of shares in a Malta company.
- No Malta tax is charged or withheld on dividends distributed by a Malta company.
- Non-exempt income or gains derived by a Malta company may be taxed in Malta at a combined overall effective rate ranging between 0% and 6.25% by application of Malta's full imputation and refundable tax credit system; No Malta tax is chargeable or withheld on outbound payments of Interest or Royalties.
- An extensive and expanding Double Tax Treaty network.
- Access to the benefits of the EC Tax Directives.
- Malta does not charge any Wealth or Capital Taxes.
- Malta does not apply any CFC legislation or thin capitalisation or transfer pricing rules.
- No exit/entry taxes are levied in Malta on a shift of fiscal residence and / or corporate domicile.



Disclaimer: Whilst every effort has been made to ensure that the details contained herein are correct and reflect the conditions at the time of publishing (November 2016), it does not constitute legal or professional advice. White November Corporate Services does not accept responsibility, legal or otherwise, for any errors or omissions.

Why White November?

White November has extensive experience advising clients internationally, and we have been involved in transactions in virtually every corner of the world. From our offices in London, Malta and Cyprus we offer a wide range of services to both corporations and individuals. We provide advanced, tailor-made solutions with care and confidentiality.

Our multicultural staff speak a variety of languages, and have experience from across the globe. Our clients have access to the expertise of our professional staff no matter where in the world they are based.

At White November we pride ourselves on being one of the few providers of tax and corporate solutions who focus extensively on developing new technical solutions from our in-house IT department. Our clients have access to state-of-the-art web interfaces allowing easy and safe communication and storage of corporate data.

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The White November Story

The name “White November” was inspired by the rare and valuable “white truffle” or “trifola d’Alba Madonna”. The white truffle is found almost exclusively in a small area in Northern Italy. Unlike black truffles, which can be farmed and harvested, white truffles must be hunted by intrepid truffle hunters and their sniffer dogs. As of yet, no one has worked out how to cultivate this unusual truffle, thus increasing its value and desirability.

November is the month in which truffle hunters set out with their dogs in hope of unearthing some of these rare commodities. White truffles have an extremely short season, making November an exciting and lucrative time of the year in the small area where they can be found.

Our name, White November, thus reflects an allegory: white truffles are like your tax solutions and investments – the most rewarding ones are unlikely to just cross your path without some help from experienced, dedicated, and knowledgeable professionals.



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