



The Tax-efficient Gateway to Europe

# Malta Ltd Companies

Taxes and Ownership

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## MALTA CORPORATE TAX IN GENERAL:

Corporation Tax is 35%, payable by the company to the Inland Revenue Department 9 months after the account reference date (typically 31. December). In most cases a tax refund of up to 6/7 applies on profits distributed as dividend to the shareholders, payable by the Inland Revenue Department to the shareholders on the 15. of the month following the payment of the Corporation Tax. There is no withholding tax payable in Malta. Net tax suffered in Malta is down to only 5% (other tax refund rates may apply depending on various conditions).

### PREFERRED OPTIONS OF OWNERSHIP:

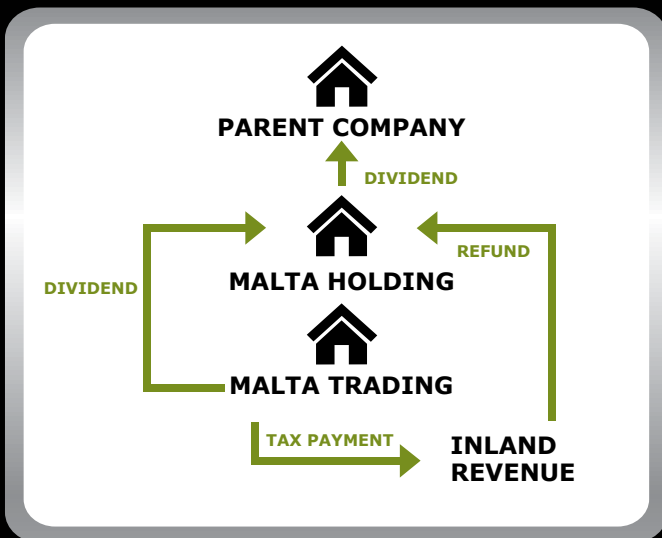
*There are four preferred ways to hold shares in a Maltese Trading company:*

- 1 Through a European holding company registered in another EU/EEA state.
- 2 Through a Maltese Bare Trustee.
- 3 Through a holding company registered in a country outside the EU/EEA where no tax is due upon receipt of dividends from a Malta company (double tax treaties apply).
- 4 In your own name (private) if your tax status in your country of residence has a favorable tax legislation on receipt of dividends from a Malta company (double tax treaties apply).

**Option 1 or 2 are chosen by almost all our clients** as option 3 involves a lot of additional KYC requirements unless the state of incorporation is a well known and reputable jurisdiction like the USA, Canada, Australia etc. and option 4 is rarely the case for anyone these days, except for those being resident but not domiciled in one of the very few countries offering tax free regimes on all activities outside the state of residency (UK, Monaco, Malta etc).

## WHY OPT FOR OPTION 1:

If you want to distribute dividends to a holding company in another EU/EEA state from a Malta based company, you can do so tax-free, since the EU Parent-Subsidiary Directive **will** apply between any company **within the EU/EEA**. We normally incorporate a two-tier structure (both a Malta Trading- and a Malta Holding company) to secure that the tax-refund will not be subject to any taxes in the other EU/EEA state. We then distribute the tax-refund from the Malta Trading to the Malta Holding and further distribute a regular dividend from the Malta Holding to the Foreign Holding. Since the ownership is held in a holding company most likely registered in your country of tax residency, you are declaring the ownership of your holding company on your individual tax declaration and **a legal corporate set-up within the EU/EEA is achieved at only 5% tax**. This is the model used by several multi-national companies.

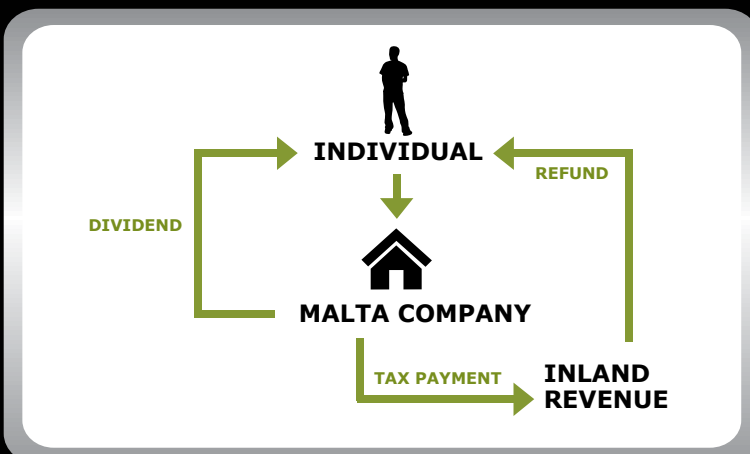


Tax refund remains exempt from tax in the Malta Holding Company because of the Full Imputation System in Malta.

The refund may then be distributed as part of the dividend to the Foreign Company and the Parent-Subsidiary Directive may apply.

## WHY OPT FOR OPTION 2:

The ownership of a Maltese company could also be arranged through Bare Trustee Services. Malta has kept the Trustee business even after the jurisdiction became an EU member. The Trustee will hold the shares in the Malta Trading company on behalf of the Ultimate Beneficial Owner(s) ('UBO'). Trust Services in Malta are regulated by the "6 Eyes Principle" securing at least three individuals having to be regulated as trustees by the Malta Financial Services Authorities ('MFSA') to become approved trustees. In a single-tier structure using Trustee services, the dividend will be received by the Trustee on behalf of the client. The Trustee declares to the Inland Revenue Department that the UBO is not tax resident in Malta and distributes the dividend received in escrow to the account(s) of the UBO's choice - anywhere in the world.



Tax refund in the hands of the shareholder is exempt from Malta tax BUT may be taxed in the country of tax residence of the shareholder.

Verdun Group acts as local directors for almost all the client companies and provide Malta registered office and Management services so as to further emphasize the Place of Actual Management in Malta to minimize the risk that the clients' tax jurisdiction taxes the Malta company further by claiming that it is managed abroad.



Meet the next generation of companies

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