

BUSINESS ADVISORY SERVICES

Every business, whatever its size or activity, requires an adequate, professionally maintained accounting system to control its activities and record its progress, correctly and accurately. The type of system will be determined by the size and nature of the business. The resulting information and data enabling compilation of accounts must be well prepared and readily available. UHY Business Advisory Services Limited can cater for this through a well organised, professional approach, employing qualified and professional staff and methods, to cater for the requirements of entities operating in a business climate which is become more complex and demanding.

Accountancy and book-keeping service

We provide advice and assistance and appreciate the special needs of an individual trading on a personal basis. We can assist from the preparation and compilation of data right up to the preparation of annual accounts. Accounts are complimented by our taxation service which aims to plan an efficient tax liability.

The services we offer include:

- Payroll & book-keeping services
- Preparation of the business periodical and year end accounts
- VAT advice, registration and compliance
- VAT, Provisional Tax, FSS (PAYE) submissions
- Completion of self assessment personal and corporate tax returns
- Personal tax planning and computation
- Advising on types and timing of capital expenditure
- Business planning and cashflow forecasting
- Computer software and hardware advice and logistic support

Limited Company Accounts

It is a statutory requirement for all limited companies to file audited accounts with the Registrar of Companies at the Malta Financial Services Authority.

The core services described above are naturally provided to Companies as well according to the requirements of the Companies Act.

BACK OFFICE SERVICES IN MALTA

What are 'back office' services?

Back office services are those activities and services of an administrative and continuous nature such as:

- routine administration services;
- General Business consultancy such as book-keeping, accountancy services, credit control business administration and business correspondence (It is important to note that such duties would specifically exclude assignments which may only be carried out by a person or firm holding a warrant under the Accountancy Profession Act);
- information and data processing; and
- computer bureau, database, networking and computer outsourcing.

Back office services specifically exclude services and or activities which are professional in nature and which require a warrant, or a licensed control or authorisation under the various financial services legislation. Such legislation would typically be under the auspices of the Malta Financial Services Authority which is the Malta Government financial regulatory body.

A back office management company established in Malta may provide such services to both financial and/or non-financial services related companies provided they are not resident in Malta and not otherwise established in Malta.

Such service providers are required to have a physical presence on the Island entailing a fixed place of business in Malta employing a number of Maltese staff in the process.

The back office management company may either be a local company registered under the Companies Act, 1995, or, alternatively, a foreign company registered as an 'overseas company' The company's objects, however, would have to specify the activity, and in the case of the latter, be restricted to the rendering of [qualifying] back office services.

Tax incentives have been implemented in 2006 making back office operations in Malta more attractive.

BANKING

Personal & Company Bank Accounts

We offer assistance in setting up Bank Accounts in Malta non-resident individuals or corporate entities with Malta's leading banks. Typical facilities include the following

- Current Accounts
- Call Deposit and Fixed Term Deposit
- Savings Accounts
- Credit Card
- Cheque Book
- Any Foreign Currency

Mail and correspondence Forwarding and Administration in relation to bank accounts

We may also offer you the service to administer the bank accounts. This includes communicating with the bank, receiving bank correspondence at a predetermined address in Malta, processing and recording of mail.

Documents Required

In order to open a bank account in Malta the following documents are required

1. Personal Bank Accounts

1. Certified Copy of passport
2. Positive Identification Statement (Document B)
3. Banker's reference (original)

2. Bank Accounts for Foreign Companies

1. Certified Copy of passport of each beneficial owner and each director of company
2. Positive Identification Statement for each beneficial owner and each director of company
3. In the case of Non-EU nationals, an original Banker's reference for each account holder, director and signatory of the account
4. Memorandum & Articles of Association of company
5. Certified copy of company's certificate of registration together with a Good Standing Certificate
6. A Board resolution showing appointment of directors

All documents are required to be original. A Bankers reference on the company is usually requested

RESIDENCE IN MALTA

For taxation and legal purposes, foreigners visiting Malta may fall within three different types of residency categories. These are:

- a. **Non-Residents** - These are persons who visit Malta on a casual basis, usually as tourists, and whose any one stay does not exceed three months. No Maltese tax is payable except for income arising in Malta.
- b. **Temporary Residents** - Persons who are in Malta for a temporary purpose, and for a period longer than three months. Such persons require an extended resident permit which is renewable at fixed intervals. Temporary residents are subject to Malta Income Tax on income arising in Malta or remitted to Malta and on capital gains arising in Malta.
- c. **Permanent Residents** - These are persons who are entitled to reside in Malta permanently on the basis of special legislation and conditions.

Permanent Residents

The Permanent Residency Scheme is directed towards persons who do not have the natural right to reside in Malta. In order to obtain such a permit, a foreigner must satisfy the following conditions:

Tax Liability of Permanent Residents

A holder of a Permanent Residence Permit does not acquire Maltese Domicile through the scheme. Therefore taxation is on a **remittance basis and not on world-wide income basis**. Permanent Residents are subject to a tax rate of 15% on their chargeable income, that is, income remitted to Malta and income arising in Malta less personal allowances. Any income brought to Malta and re-transferred out of Malta in the same year is not taxable. However, there shall always be a minimum tax liability of Lm1,800 per annum. If the Permit holder engages in gainful occupation in Malta, he would be taxable on that income under normal Income Tax rules.

Employment in Malta

A Permanent Resident is obliged **NOT** to engage in business or take up employment in Malta. A Permanent Resident may work from Malta. He may take up employment with persons or businesses outside Malta. He may also be a director of a Maltese Company.

An exemption is granted on the import of all personal belongings. Certain conditions must be satisfied.

REDOMICILIATION OF FOREIGN COMPANIES TO MALTA

Foreign companies incorporated outside Malta may transfer their domicile to Malta without winding up their foreign business. Redomiciliation of foreign companies to Malta may be carried out under certain terms and conditions which allow the foreign company set-up to remain in existence.

Foreign companies which choose to transfer their domicile to Malta may benefit from the tax advantages available under the International Trading Companies legislation.

The conditions under which a foreign company may transfer its domicile to Malta are the following:

1. The law of the foreign jurisdiction where the foreign company is established, must allow the company to migrate. Proper evidence must be provided to the Maltese authorities, usually in the form of a written declaration by the foreign authority.
2. The company's own regulations (memorandum & articles or charter) must allow it to migrate.
3. Evidence must be provided that the competent authority of the foreign jurisdiction has been informed that the company wants to migrate.
4. Evidence must be provided that the laws of the foreign jurisdiction, in relation to migration of companies, have been followed; in particular that shareholders, creditors and debenture holders have consented to the migration in accordance with the rules of the foreign jurisdiction.

The following documents are required for re-domiciling a foreign company to Malta:

1. A shareholder's resolution authorising the foreign company to migrate to Malta.
2. A copy of the foreign company's charter or memorandum & articles of association, which must include all the information necessary to register the company in Malta.
3. A good standing certificate or equivalent document issued by the competent authority of the jurisdiction where the foreign company is registered.

REDOMICILIATION OF FOREIGN COMPANIES TO MALTA (CONTINUED)

4. A declaration signed by the directors of the company stating:
 - the name of the company and the name under which it wants to register in Malta.
 - the name of the jurisdiction where it is currently registered.
 - the date of incorporation.
 - that the company has decided to re-domicile to Malta.
 - that the company has informed the competent authority of the foreign jurisdiction of its decision to migrate to Malta.
 - that no proceedings are pending against the company for breach of laws of the foreign jurisdiction.

5. A declaration signed by the directors of the company confirming that the company is solvent.

6. A list of directors, officers and company secretary of the company and of any persons vested with the administration or legal representation of the company.

Corporate Taxation - Advance Corporation Income Tax

1. Imputation system of taxation

It is important to bear in mind when reading this explanatory memorandum that Malta has always had, since the introduction of income tax in 1948, a full imputation system of taxation and therefore tax paid by a company is credited in full to the shareholder upon the payment of a dividend. The company tax rate of 35% is equal to the maximum rate of personal tax in Malta. A simple example set out below clearly demonstrates the position: -

At Company Level	Euro
Chargeable Income	100
Company tax at 35%	35
Net profit after tax	65

At Shareholder Level	Euro
Gross Dividend	100
Tax deducted at source	35
Net Dividend	65

In the above example if the shareholder in receipt of the dividend suffers personal tax at a rate of, say, 20% he would be entitled to a refund of tax of Euro 15.

2. Tax Accounts

Companies registered in Malta (see also 6 below) are obliged, for tax purposes, to keep a record of five categories of distributable reserves or Tax Accounts as follows:-

- **Immovable Property Account**

This consists in those distributable profits which have suffered tax and are derived directly or indirectly from Maltese immovable property.

A shareholder in receipt of a dividend from this Tax Account is entitled to be credited with the underlying tax paid by the company distributing the dividend but is not entitled to the automatic refunds referred to in 4 below.

- **Maltese Taxed Account**

To this Tax Account are allocated Malta source profits including international trading profits. A shareholder in receipt of a dividend from this Tax Account is entitled to be credited with the underlying tax paid by the company distributing the dividend or to the automatic refunds referred to in 4 below.

2. Tax Accounts (cont)

- **Final Tax Account**

The profits allocated to the Final Tax Account are those which have been subject to final tax and in respect of which no tax credit can be claimed or are tax free upon distribution.

Upon a distribution of profits from this Tax Account no person may claim a credit or refund in respect of any tax directly or indirectly paid on such profits.

- **Foreign Income Account**

Of particular relevance to companies operating internationally is the Foreign Income Account into which must be recorded the following types of income (less attributable expenses) received or receivable by a Maltese company from overseas:-

- Dividends
- Capital gains on disposals of shares
- Other capital gains
- Interest
- Royalties and other similar income
- Rents

Other similar income emanating from assets situated outside Malta and which is liable to tax in Malta

- Profits resulting to a company licensed as a bank or licenced under the Financial Institutions Act in Malta from investments, assets or liabilities situated outside Malta.
- Profits or gains resulting to a company resident in Malta carrying on the business of insurance in relation to risks situated outside Malta.
- All profits or gains which are liable to tax in Malta and are attributable to a branch or permanent establishment situated outside Malta.
- Dividends paid out of the Foreign Income Account of another company resident in Malta.

A shareholder in receipt of a dividend from this Tax Account is entitled to be credited with the underlying tax paid by the company distributing the dividend or to the automatic refunds referred to in 4 below.

2. Tax Accounts (Cont)

- **Untaxed Account**

The Untaxed Account consists of those profits (or losses as the case may be) which represent the total distributable profits (a positive amount) or the total accumulated losses (a negative amount) as the case may be and deducting therefrom the total sum of the amounts allocated to the other tax accounts. As the total of all five Tax Accounts must equal the balance on the company's profit and loss account it may also be said that the Untaxed Account is the "balancing account".

3. Refund of tax on Foreign Income Account and the Maltese Taxed Account

A shareholder receiving a dividend payment from a Maltese company out of the company's Foreign Income Account or Maltese Taxed Account is entitled to a refund of tax paid by the company in respect of the income. It is important to bear in mind that it is the payment of a dividend that triggers the tax refund entitlement of the shareholder.

In most cases, the refund is six-sevenths of the tax suffered by the company on profits allocated to its Foreign Income Account and Maltese Taxed Account. However, where the dividend is paid out of income received by the company in respect of "participating holdings" (See 5 below) the shareholder is entitled to a full repayment. It should be noted that: -

- where the dividend is paid out of profits consisting of passive interest or royalties (see page 7 for definition) the six-sevenths refund referred to above is reduced to five-sevenths; and
- in the case of profits distributed that had been allocated to the Foreign Income Account of the company paying the dividend and on which any form of double tax relief has been claimed, the six-sevenths and five-sevenths refunds referred to above are reduced to a two-third refund of the Malta tax paid.

Upon the payment of a dividend by a Maltese company from profits allocated to the Foreign Income Account or Maltese Taxed Account, an amount equal to the actual Malta tax payable on the profits comprised in such dividends shall be paid by the company within sixty days of the end of the month in which the dividend is paid. Where the dividend is paid out of profits earned in the financial year in which the dividend is paid, the dividend shall be deemed to have been paid on the last day of the financial year. The "normal" deadline within which a tax return must be submitted is nine months from the balance sheet date but this may be extended to eighteen months.

Under the Income Tax Management Act, refunds are due to be paid within as little as 14 days of a valid application being made which is therefore the maximum time lag between the date of payment by the company and the refund to the shareholder, provided of course, a dividend distribution takes place.

A simple example

At shareholder level of Maltese company (Illustrative example - XYZ Limited cont.)	Participating Holdings		Other income	
	Res		Res	
	Coy	N/R person	Coy	N/R person
Net dividend received	650	650	650	650
Grossed up dividend	1000	1000	1000	1000
Tax at source	350	350	350	350
ACIT Refund 100% - Part. Holding	350	350	-	-
ACIT Refund other income - 6/7	-	-	300	300
ACIT Refund passive income - 5/7	250	250	250	250

Imputation credit to shareholder

Effective combined level of taxation of corporate profits in Malta

Part. Holding	-	-		
Other income			50	50
Passive income	100	100	100	100

Final effective tax rate on other income			5%	5%
Final effective tax rate on passive income	10%	10%	10%	10%

4. Participating Holdings and the Participation Exemption Regime

“Participating holdings” as they are known under Malta’s Income Tax Act, relate to equity shareholdings held by a company in an overseas company. For this purpose, a participating holding means:-

- a holding of 10% or more of the equity shares of an overseas company whose capital is wholly or partly divided into shares.

If the Maltese corporate shareholder owns less than 10% of the equity shares in the overseas company, its shareholding is still eligible as a participating holding provided it satisfies any one of the following conditions:-

4. Participating Holdings and the Participation Exemption Regime (Cont.)

- the Maltese corporate shareholder is entitled, at its option, to purchase or has the right of refusal on a disposal of the balance of the equity shares of the overseas company; or
- the Maltese corporate shareholder is entitled to be represented on the board of the overseas company in which it has an equity shareholding; or
- the value of the equity shareholding exceeds Lm5 00,000 (Euro 1.2 million approx.) and the investment is held for at least 183 days; or
- the equity shares are held in the overseas company for the furtherance of the business of the Maltese company and the holding is not held as trading stock for the purpose of a trade (e.g. a strategic stake in a business with which it has a large contract). An advance ruling can be obtained from the Inland Revenue to determine whether this condition has been met.

The above mentioned conditions will apply equally to a holding in a body of persons constituted, incorporated or registered outside of Malta, which is not resident in Malta, and is of a nature similar to a Maltese partnership en commandite the capital of which is not divided into shares.

For acquisitions made after ~ January, 2007 anti-abuse provisions apply in order for participating holding status to be achieved. Anti abuse will not apply if the foreign entity in which the Malta company has invested satisfies ~ g~ of the following conditions:

- It is resident or incorporated in a country or territory which forms part of the EU; or
- It is subject to foreign tax at a rate of 15% or more; or
- It does not have more than 50% of its income derived from “passive interest or royalties”.

5. Participating Holdings and the Participation Exemption Regime

Where none of the above three conditions are satisfied then the following two conditions must be satisfied for non application of the anti abuse provisions:

- the equity holding by the company resident in Malta in the company not resident in Malta is not a portfolio investment and for this purpose where the company concerned derived more than 50% of its income from portfolio investments it shall be deemed to be a portfolio investment; and
- the company not resident in Malta has been subject to any foreign tax at a rate of tax which is more than 5%.

For the above purposes:

“Portfolio investment” is an investment in securities such as shares, bonds and such like instruments and which is held as one of many such investments for the purpose of investment by risk spreading where such an investment is not a strategic investment and is made with no interest in and without the intention of influencing the management of the company invested in and in addition is made only to follow the share price and dividend policy of the company invested in to maximise investment returns and to sell the investment as soon as it appears the shares may lose value.

“Passive interest or royalties” shall mean interest or royalty income which is not derived, directly or indirectly, from a trade or business where such interest or royalties have suffered any foreign tax, directly by way of withholding, or otherwise, at a rate which is less than 5%.

“Equity holding” means a holding of the capital in a body of persons when the holding entitles the holder to a right to vote, to profits available for distribution and to assets available for distribution on a winding up of that company and the terms “equity shareholder”, “equity shares” and “equity shareholding” should be construed accordingly.

An acquisition of a participating holding made prior to 1st January 2007 that does not satisfy the additional conditions referred to above for acquisitions made after that date shall continue as a participating holding until 31st December 2010 or earlier disposal.

Income received by a Maltese company from its Participating Holding will be allocated to its Foreign Income Account and will be taxed in the normal way.

5. Participating Holdings and the Participation Exemption Regime (Cont.)

However, when profits derived by a Maltese company from its Participating Holding are subsequently distributed, there will be a full repayment of the Malta tax suffered on the income or gain as opposed to the six-sevenths repayment in normal circumstances. This six-sevenths refund is reduced to a two-thirds refund where the Maltese company has claimed double tax relief. (See 4 above).

Article 12 of the Income Tax Act deals with those items of income that are exempt from tax. Effective 1st January, 2007 sub article (u) of Article 12 provides that where a taxpayer derives income or gains from a participating holding or from the disposal of such holding and such income or gain has not been shown as part of his chargeable income then this income will be exempt. As a result of this amendment to Article 12, effective 1st January 2007, Malta now has a participation exemption regime and the conditions for participation exemption status to be obtained are identical to those of participating holding status.

On the attached Appendix A a “decision tree” is shown which gives an overview of how Participating Holding status is obtained.

On the attached Appendix B is a list of the double tax treaties in force with Malta. This list also shows the treaty withholding taxes for dividends, interests and royalties for payments to Malta.

When reading this explanatory memorandum it is important to bear in mind that it is a legal requirement for all Maltese companies to have their accounts audited and that financial statements must be prepared in accordance with International Financial Reporting Standards (JFRS).

6. Branches

A company is deemed to be resident in Malta for tax purposes if:

- (a) It is a company incorporated in another jurisdiction but whose control and management is exercised in Malta; or
- (b) It is a company incorporated in Malta.

From 1st January 2007, the term “company registered in Malta” has been introduced in the Income Tax Act and covers the following entities:

- (i) Companies resident in Malta; and
- (ii) A non-resident company which carries on an activity in Malta.

With regard to the branches referred to in (ii):

- A) These are obliged to follow the Tax Accounting rules referred to in 2 above.
- B) The shareholders of a company having a branch in Malta are entitled to tax refunds upon a distribution as described in 4 above.
- C) Audited accounts, prepared in accordance with 1FRS, need to be prepared by the non-resident company and filed with the Tax Authorities (audited branch accounts only).

7. Withholding taxes for payments from Malta

7.1 *Dividends*

There are *no withholding taxes* on dividends paid out by Maltese companies to a non resident.

7.2 *Interest and Royalties*

There are no withholding taxes on interest and royalties as these are tax free in the hands of a non resident provided that the non-resident is not ultimately beneficially owned by an individual or individuals resident in Malta.

COLLECTIVE INVESTMENT SCHEMES

Collective Investment Schemes (CIS) are regulated by the Investment Services Act. The Act defines a collective investment scheme as:

...any scheme or arrangement which has as its object, or as one of its objects, the collective investment of capital acquired by means of an offer of units for subscription, sale or exchange and which has any of the following characteristics:

- the scheme or arrangement operates according to the principle of risk spreading; and either
- the contributions of the participants and the profits or income out of which payments are to be made to them are pooled; or
- at the request of the holders, units are to be re-purchased or redeemed out of the assets of the scheme or arrangement, continuously or in blocks at short intervals; or
- units are issued, or have been issued, or will be issued continuously or in blocks at short intervals.

Possible CIS structures

Maltese legislation allows the setting up of schemes under various forms. These may be both corporate and unincorporated:

- SICAV (investment company with variable share capital - i.e. open-ended fund)
- Investment company with fixed share capital (i.e. closed-ended fund)
- Mutual Fund
- Investment Partnership
- Unit Trust

Licensing

A CIS organised under the Laws of Malta as well as a CIS operating in or from Malta requires a licence under the ISA.

Conditions

Licences are issued subject to Standard Licence Conditions (SLCs) which are set out in full in the Investment Services Guidelines.¹ However SLAs are not exhaustive and need to be supplemented in certain circumstances.

The Investment Services Guidelines describe the basic principles to which licence holders must adhere in the operation of a CIS (or even in the provision of investment services discussed above). These principles place certain standard requirements on a Scheme's investment policy and restrictions such as the ceiling (10%) of assets invested in securities issued by the same body and the authority to borrow - as long as the borrowings do not exceed 10% of the value of the Scheme.

In certain circumstances, the standard requirements can be tailored to meet specific circumstances. If the promoters can justify why one or more derogations from the Standards should be considered, the Authority will consider the proposals submitted.

Fit and proper test

As is the case with investment services discussed above, the applicant of a CIS licence must be fit and proper and be prepared to act in accordance with the law and the SLC's attaching to any licence which is issued.

This fit and proper test is a fundamental regulatory concept which is extremely important. The test requires senior staff and potential and existing licensees, both at licensing stage and on an on-going basis thereafter, to demonstrate solvency, competence and integrity in all their dealings.

Time to process application

As with investment services, the application process for a CIS is in three stages. The speed at which the Preparatory Stage (stage one) is completed depends on the efficiency of the applicant. However, stages two and three can be completed within six to twelve weeks.

Additional sub-funds of an umbrella fund already licences in Malta can be licensed within six weeks of the receipt of the application process.

Fee structure

The amount of each fee is set out in the following table. The fee is payable when the draft licence application is submitted. An annual fee is payable on the day a licence is issued and on each subsequent anniversary.

	Application Fee EUR	Annual Fee EUR
Scheme	650	700
Up to 15 sub-funds (per sub-fund)	125	600
16 sub-funds and over (per sub-fund)	75	1,200

Taxation

For tax purposes, a fund or a sub-fund of a collective investment scheme may be classified as a prescribed or a non-prescribed fund. A fund in a locally based scheme is classified as a prescribed fund if the value of the assets situated in Malta is at least 85% of the value of the total assets. Other licensed funds, including all funds in overseas based schemes, are classified as non-prescribed funds.

All income of collective investment schemes is exempt from tax in Malta except for a withholding tax applicable to local investment income in the case of prescribed funds. Thus local investment income (excluding dividends) derived by prescribed funds is subject to a final withholding tax. **The withholding tax rate is 15% in the case of bank interest and 10% in the case of other investment income.** No tax is payable by the investors when they dispose of their investment or when they receive a dividend out of such profits.

No tax is withheld on investment income received by non-prescribed funds. Tax is, however, payable by the Maltese resident investors in such funds when they dispose of their investment or when they receive a dividend. This tax qualifies, subject in certain conditions, for a 15% rate under the final withholding tax system.

Non-residents receiving dividends out of a locally based, non-prescribed Scheme suffer no withholding tax on such income.

Exemption from other taxes

In respect of CISs, there is:

- *no stamp duty on share issues or transfers;*
- *no tax on the net asset value of the scheme;*
- *no withholding tax on dividends paid to non-residents out of non-prescribed funds;*
- *no taxation on capital gains on the sale of shares or CIS units by non-residents out of non-prescribed funds ;*
- *no taxation on capital gains on the sale of shares or CIS units held in prescribed funds by residents provided such shares/units are listed on the Malta Stock Exchange.*

Double Taxation Relief

There are four types of relief of double taxation available to a CIS in accordance with the provisions of the Income Tax Act:

1. double tax relief pursuant to a treaty,
2. relief from tax on income subject to tax in certain jurisdictions in the British Commonwealth,
3. unilateral relief, and
4. a 25% flat-rate foreign tax credit.

Malta benefits from an extensive treaty network which offers a number of benefits to fund managers and investment funds. In particular, the election to be taxed in Malta, and thereby claim eligibility for treaty benefits, is particularly advantageous to funds that generate long-term capital gains or substantial dividend flows from treaty countries.

Back office administration

Administrative services which do not themselves constitute licensable activity under the ISA, still require the MFSA's recognition the Act and the Investment Services Guidelines.

The MFSA considers that administrative services include the following activities:

- Preparation of Net Asset Value
- Reconciliations
- Pricing the Investment Portfolio
- Payment of Bills
- Preparation of Financial Statements
- Fund Accounting
- Performance Reporting
- Compliance Reporting
- Preparation of Contract Notes
- Other activities considered to be of a similar nature by the MFSA.

A request for recognition should be supported by a description of the administrative services to be provided and details as to whom such administrative services will be provided. The applicant also has to provide a number of documents such as annual audited financial statements etc...

Fees

A fee of Lm600 is paid on application. Moreover, upon receipt of recognition from the MFSA, and annually thereafter, the recognized administrator shall pay the MFSA a recognition fee of Lm100.

Application Fee LM	Recognition Fee LM	Annual Fee LM
600	100	100

Duties of recognised administrator

A recognised administrator is to ensure that proper accounting and other records are at all times retained at its premises to show and explain the transactions it carries out and the nature of its services and to make such records available to the MFSA.

The MFSA may, whenever it deems it necessary or expedient undertake compliance visits to the premises from which the administrative services are rendered.

Investment services licensees

Persons in possession of a licence under the Investment Services Act, other than Category 5 licence holders, shall be exempt from the requirement to acquire recognition in terms of the above procedure, subject to notification to the MFSA.

Listing on the Malta Stock Exchange

A CIS may be listed on the Malta Stock Exchange (the only recognised investment exchange in Malta) on application. If it has been already listed on an exchange in another country, it can apply to the Malta Stock Exchange (MSE) for a Secondary listing. If it has not been so listed a primary listing can also be carried out. However, a CIS cannot be listed unless it is first licensed by the MFSA.

Benefits

Listing a CIS on the MSE may be beneficial in a number of ways:

- the international profile of listed security is automatically enhanced;
- some institutional investors may only acquire units in a CIS that is listed, and
- it increases the “marketability” of the CIS.

Procedure

The listing of a CIS on the Malta Stock Exchange entails a two stage process:

Stage One: An application would need to be made to the Listing Authority of the Malta Financial Services Authority, for the admissibility to listing.

Stage Two: Once admissibility to listing is granted, the CIS would still need to apply with the MSE for actual listing.

Fee structure

An Advance Booking Form (initial application) must be accompanied by the payment of an initial and non-refundable Listing Fee as shown below. The Annual Listing is payable in advance within one month of the Scheme obtaining a listing and subsequently within one month of the anniversary of the listing.

	Initial Fees EUR	Annual Fees EUR
The Scheme	1,150	1,150
Where the scheme lists Multiple Classes of Securities:		
On the first five classes	-	1,150/class
On the next five classes i.e. the 6th to the 10th	-	910/class
On the next five classes i.e. the 11th to the 15th	-	685/class
Thereafter	-	460/class

If the Collective Investment Scheme is given a Secondary listing on the Malta Stock Exchange, the annual and initial fees due to the Exchange will be equivalent to 50% of the rates due in respect of a Primary listing.

Investment Services Guidelines are available at: <http://www.mfsa.com.mt/mfsa/default.asp>

A FEW GOOD REASONS TO DO BUSINESS IN MALTA

- *Relative ease of incorporation for non-regulated entities*
- *Audited accounts must be prepared in accordance with IFRS's and filed for public inspection*
- *Low minimum capital requirements - US\$1,500*
- *No local shareholders or directors required*
- *Low registration and maintenance costs*
- *No "thin-capitalisation" rules*
- *Share capital, accounting, and tax in a foreign currency*
- *No withholding taxes on remittances of dividends, interest, and royalties to non-residents*
- *Possibility of "flighting" companies to and from Malta*
- *Extensive DTT network - aggressive policy of expansion*
- *Lower costs*
- *Quality of life - convenient European time zone*
- *Accessible and solution oriented regulator*
- *High quality workforce - fluent in English. Other mainland languages not uncommon*
- *Tax efficiency - but all companies taxed at 35%*
- *Quality Professional services*
- *"Can do" attitude*
- *Political Stability and a safe country*
- *Variable share capital companies - SICAVS*
- *Licensed trustees as registered shareholders*
- *No exchange controls*
- *Advance revenue rulings on international tax issues - valid for 5 years*
- *Choice of accounting year-end*
- *Tax only payable at the earlier of 18 months after year-end, or when a dividend is paid*
- *Low capital duties - max US\$1,600*
- *Stamp duty exemptions*
- *Capital gains normally exempt (or treated in same way as foreign income)*
- *Defined capital reduction rules*

DOUBLE TAXATION AGREEMENTS

In Force

Albania	Australia	Austria	Barbados	Belgium	Bulgaria
Canada	China	Croatia	Cyprus	Czech Republic	Denmark
Egypt	Estonia	Finland	France	Germany	Hungary
India	Italy	Korea	Latvia	Lebanon	Libya
Luxembourg	Malaysia	Netherlands	Norway	Pakistan	Poland
Portugal	Romania	Slovakia	Slovenia	South Africa	Sweden
Switzerland*	Syria	Tunisia	UK	US**	

* Agreement limited to profits derived from the operation of ships or aircraft in international traffic.

** DTT Agreement reached but not ratified yet

Maximum rates of tax on Dividends, Interest and Royalties paid to residents of Malta

Country	Dividends			Interest	Royalties
	Rate for Minor shareholding	Rate for Major shareholding	Percentage required to qualify for major shareholding		
	%	%	%		
Albania	15	5	25	5	5
Australia	15	15	N/A	15	10
Austria	15	15	N/A	5	10
Barbados	15	5	5	5	5
Belgium	15	15	N/A	10	10
Bulgaria	0	0	N/A	-	10
Canada	15	15	N/A	15	10
China	10	10	N/A	10	10
Croatia	5	5	N/A	0	0
Cyprus	15	15	N/A	10	10
Czech Rep.	5	5	N/A	0	5
Denmark	15	0	25	0	0
Egypt	10	10	N/A	10	12
Estonia	15	5	25	10	10
Finland	15	5	25	10	10
France	15	5	10	10	10
Germany	15	5	10	0	0
Hungary	15	5	25	10	10
India	15	10	25	10	15
Italy	15	15	N/A	10	10
Korea	15	5	25	10	0
Latvia	10	5	25	10	10
Lebanon	5	5	N/A	0	5
Libya	15	15	N/A	15	15
Luxembourg	15	5	25	0	10
Malaysia	0	0	N/A	15	15
Netherlands	15	5	25	10	10
Norway	15	15	N/A	10	10
Pakistan	-	15	20	10	10
Poland	15	5	20	10	10
Portugal	15	10	25	10	10
Romania	5	5	N/A	5	5
Slovakia	5	5	N/A	0	5
Slovenia	15	5	25	10	10
South Africa	5	-	N/A	10	10
Sweden	15	0	10	0	0
Syria	0	0	N/A	10	18
Tunisia	10	10	N/A	12	12
UK	-	-	N/A	10	10