Tax Agenda Malta

October 2022

EY

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No.	Fact	Action
1	**Fiscal unity - Malta:** Maltese incorporated companies are subject to taxation on a worldwide basis. Having said that, shareholders are eligible for the Maltese Refundable Tax Credit System once the taxed income is distributed as a dividend . Through such system it may be possible for the effective tax rate to be 5%. With Fiscal unity which was introduced in 2019, it is now possible to expediate the mechanism above by eliminating the current process of paying the full amount of taxation and then claiming the refund at a later date to merely a set off between the amounts due to and from the company so that only the 5% is paid in the first place.	Effective for accounting periods commencing in calendar year 2019 Eligibility for the Maltese refundable tax credit system should analyzed and the implication of applying for fiscal unity assessed.
2	**Maltese Tonnage Tax Regime:** Malta also has a long history when it comes to shipping and maritime activity. In 2018 the EU approved the tonnage tax regime for the next 10 years. Under the Maltese Tonnage Tax Regime, eligible shipping companies would need to pay a tonnage tax and at the same time benefit from an exemption from income tax on their shipping activity. This regime should not be affected by the BEPS Pillar 2 changes due a specific exemption that applies to shipping activities.	Effective for accounting periods commencing in calendar year 2018 MNEs involved in shipping and related activities can explore eligibility for the Maltese Tonnage Tax Regime especially those who would like to diversify their fleet's country of registration.

Oct Nov Dec Jan

Use text boxes above the timeline to plan your actions for coming months

Compliance *Risk management* *Cash-flow / ETR impact*

No.	Fact	Action
3	**Tax treatment vis a vis Intellectual Property** Capital expenditure on intellectual property can be amortized for tax purposes over a period of 3 years. Moreover, Malta has recently launched a nexus-based Patent Box Regime (Deduction) Rules in August 2019. These rules apply to qualifying income derived from qualifying intellectual property on or after 1st January 2019. This regime allows for an enhanced deduction in relation to qualifying IP expenditure and which can potentially bring the effective tax to 1.75%. The general conditions that need to be satisfied in order to apply for such an enhanced deduction include that the company need to own the IP or holds an exclusive license in respect of a qualifying IP. In addition to this requirement the company also needs to have carried out, wholly or partly, specific activities leading to the creation, development, improvement or protection of the qualifying IP, solely |or together with any other person/s or in terms of a cost sharing arrangement with other person.	The Patent Box Regime applies from 1st January 2019 onwards MNEs, especially those with a presence in Malta, for example in the manufacturing and online gaming industries, can explore the possibility of applying the Patent box regime.
4	**Maltese Non-Domiciled Company** A company which is incorporated outside Malta but is managed and controlled in Malta is treated as a Maltese resident company (non-Dom Co). A non-Dom Co would not be taxed on Foreign source capital gains and Foreign source (passive) royalty income that is not received in Malta. A non-Dom Co may be eligible to use the Maltese refundable tax credit system with the potential to reduce the effective tax rate to 5%, on income which is subject to tax in Malta.	MNEs especially with intellectual property may assess the implications of Maltese Non-Domiciled companies.
5	**Notional Interest Deduction** A company registered in Malta may claim a 'notional interest deduction' (NID) in determining its chargeable income. NID may be claimed against taxable income arising from assets (including income arising from IP) which are financed by risk capital. The NID which may be claimed is determined by reference to the company's risk capital, that is, its equity, reserves and non-interest-bearing loans. The maximum NID that may be claimed in any particular year is capped to 90% of the Maltese registered company's chargeable income.	Applicable for accounting periods commencing in 2017 onwards.

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