

SETTING UP BUSINESS IN MALTA



General Aspect

Malta lies at the heart of the Mediterranean, a few hours' flight from most European cities and from North Africa. The advantage of living in Malta is that you can work and enjoy life to the full at the same time.

Malta has been a member of the European Union since May 2004, is politically stable and is strongly oriented towards the outside world. Malta is a signatory to many important international agreements, mainly in the economic and financial domains, but also with regard to maritime, transport and cultural matters.

Legal Forms of Business Entities

Legal Form	Feature	Remarks
Branch Office	A Maltese branch is not considered a legal entity, but it must register with the Maltese Registrar of Companies.	Suitable for foreign companies looking for a presence in Malta many to initiate business or maintain contacts with business partners, especially in cases of uncertain success. No minimum share capital is required upon registration.
Sole Proprietorship	Set up by a single natural person, who is fully liable for the debts contracted by him/herself with his/her own present and future wealth. Registration of such must be done with the local VAT department and also with the jobsplus authority.	Suitable for small businesses and start-ups. Less formalities are required.
Partnerships	Any partnership requires at least two partners with a personal commitment. Their liability for the partnership's debts and liabilities is generally unlimited and personal, including all private assets.	No minimum share capital is required and the accounting and publication obligations are less extensive than those for corporations.

The below are the different types of partnerships:

Civil Partnership	An association of at least 2 individuals united together for the achievement of a joint contractual purpose.	Appropriate for joint individuals. A written agreement is necessary.
Commercial Partnership En Commandite (Limited Partnership)	An association of at least 2 individuals. This form of commercial partnership has its obligations guaranteed by the unlimited, joint and several liability of one or more partners (called the "general partners") and by the liability, limited to the amounts unpaid on the contribution, if any, of one or more partners (called the limited partners)	Suitable form for small and medium-sized businesses. A partnership deed for a partnership en commandite must also specify which partners are general partners and which are limited partners.
Partnership En Nom Collectif	The main distinguishing feature being that a partnership en nom collectif has its general obligations guaranteed by the unlimited, joint and several liability of all its partners.	A deed of partnership en nom collectif must specify which of the partners are general partners and which of them are limited partners.

There are the following corporations in Malta:

Private Limited Company	Such company will have to be registered with the registry of companies in Malta. A Memorandum and Articles of association must be prepared and submitted with the registry. The minimum share capital of a limited liability company is EUR 1,165. At the time of registration at least 20% of the minimum capital has to be verifiably contributed.	The most popular legal form for corporations, even though there are restrictions to invite the public to subscribe for its shares or debit shares. The maximum number of members in a private company are limited to 50. An audit has to be carried out every year and audited accounts have to be submitted with the registrar of companies.
Public Limited Company	The public company will have a minimum share capital of EUR 46,600 of which 25% must be paid upon incorporation. Public companies may trade their shares on the Malta Stock Exchange, while private companies are not allowed.	Shares can be transferred easily to the public, the plc can be listed publicly on the stock exchange and enjoys a high market reputation. The costs of the founding process are relatively high. The organisational and accounting obligations and the publication requirements are very extensive.
Partnership limited by shares	This is a Commercial Partnership En Commandite with its capital divided into shares. Such Partnership will be treated as a company for income tax purposes. At least one partner, the general partner, has to be liable for debts and liabilities of the company without limitation. The general partner can also be a corporation with limited liability. It can have an unlimited number of capital investors, whose liability is limited on the capital contribution they subscribed.	The partnership limited by shares combines structures of a private limited company and partnership with unlimited liability.

Organizational Questions

Topic	Feature	Remarks
Companies Register	Companies of all legal forms must be entered in the companies register. The companies register is administered in electronic form (http://registry.mfsa.com.mt/).	All companies are registered automatically once incorporated.
Trade Register Notification	As from the Budget of 2016, the Government decreed an exemption on such license, hence this is not applicable anymore.	Not mandatory anymore.

Bank Account	To open a bank account individuals need a valid passport, a utility bill showing the current place of residence and a bankers' reference letter. Individuals must prove to the bank that they are either resident in Malta or they have income arising from Malta. Companies need the certificate on incorporation and the Memorandum and articles of Association, a valid passport, utility bill and also a bankers' reference letter in the name of all directors and shareholders involved in the company.	For account deposits of more than EUR 10,000 cash, banks are required to check the identity of the depositor and also the source of such cash, in order to prevent money laundering.
Transfer of Goods and Machinery	Within the EU goods and machinery can circulate freely. Imports from non-EU jurisdictions to Malta will trigger customs duty, VAT and in some cases special excise taxes.	There are several customs exemptions to be considered.
Transfer of Capital	Capital can be moved in and out of Malta without any restrictions.	None
Visa and Residence permit	All EU citizens can set up business and take up self-employed work in Malta without the requirement of any permit. They will only need to apply for a Maltese residence card. All the non-EU nationals need a visa to enter Malta.	In the time of setting up business a Schengen Travel Visa may be sufficient, which enables its holder to stay in Malta for up to 3 months per half year. For a longer stay a residence permit is needed.

Employment

Topic	Feature	Remarks
Work permit	Citizens of the European Union, the European Economic Area (=EEA), or Switzerland can work in Malta without any restrictions. Nationals from all other countries need a work permit to work legally in Malta.	No exception exists.
Labour law	In Malta there are detailed employment regulations. A minimum of 24 days of paid leave is guaranteed. This amount is based on 5 working days per week and added to public holidays, which falls during week days. Normal working hours are 40 hours or 5 days per week. The notice period for termination of employment depends on seniority of the employee	
Social system	The social security system consists of an average of 10% on the basic salary, not including allowances, bonuses etc. There are also a minimum and a maximum capping on the contributions payable. The social security contributions are payable by the employee. Then the employer will pay the same amount paid by the employee.	Social Security contributions are payable by everyone, but there is a distinction on the % payable in between the employees and the self-employed (freelance). The employee have to pay an average of 10% and the self-employed have to pay an average of 15%. Both having a minimum and a maximum capping.

Taxation

In many countries the corporate tax system is a classical system. In other words, corporate profits are first taxed in the hands of the company and when the company distributes the profits by way of dividends to individual shareholders, the said shareholders are fully taxed on the net amount of dividends received. This leads to economic double taxation, that is, corporate profits are taxed first in the hands of the company and secondly when the said taxed profits are distributed by way of dividend, they are again taxed in the hands of the individuals in receipt of the dividend.

On the other hand, Malta operates the full imputation system of company taxation whereby corporate profits are taxed in the hands of the company at the flat rate of 35%. However, when dividends are distributed to individuals out of taxed profits, the dividend carries an imputation credit of the tax paid by the company on the profits so distributed.

Tax	Feature	Remarks
Corporate Income Tax	The standard corporate income tax rate is 35% on all chargeable income/profits of the corporation	Dividends distributed will not suffer any double taxation in the hand of the shareholder receiving such.
Personal Income Tax	The rate of personal income tax starts at 15% for an annual income exceeding the tax-free allowance of EUR 9,100. It rises progressively to a maximum personal income tax rate of 35%, which is applicable to earnings of EUR 60,000 or more.	Different tax rates are applicable for single persons, married couples and parents. The can be found on https://ird.gov.mt/services/taxrates.aspx#2016
Personal Income Tax in case of partnerships	As partnerships are not separate legal entities but associations of partners, the partners themselves generally are subject to the personal income tax, with the individual tax rate applicable to each shareholder. In order to achieve a tax burden neutrality between partnerships and corporations, the personal income tax rate applicable to Same % as stated above will apply.	
Value Added Tax (VAT)	The normal VAT rate is 18%, a lower rate of 7% is charged on accommodation, and 5 % is charged on, printed material such as books and newspapers. All food items and some services, such as banking, insurance, healthcare, and non-profit work are VAT-exempt. For certain services rendered by a foreign entrepreneur, the reverse-charge-system has to be applied.	Each entrepreneur can apply for a VAT-Identification-number, which is particularly necessary for intra-EU supplies and services.
Real Estate Transfer Tax (Stamp duty and Capital tax)	When real estate changes owner, a one-time real estate transfer tax of approximately 0% to 5% (depending on the property in itself and to whom it is transferred) of the purchase price has to be paid, usually by the buyer. On the other hand the seller will be liable to pay another tax of approximately 5% to 12% (depending on the property in itself and to whom it is transferred) on the selling price paid.	
Non-resident Taxation	Non-resident individuals and companies in Malta receiving income generated in Malta, are subject to Malta taxation. Double taxation of this income is avoided by double taxation agreements between Malta and other countries.	

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Mallorca, 260 àtic
08008 - Barcelona
Tel.: + 34 93 215 59 89
Fax: + 34 93 487 28 76
Email: info@antea-int.com
www.antea-int.com

