

An aerial photograph of Malta, showing the island's coastline, the Grand Harbour, and the city of Valletta. The image is overlaid with a semi-transparent blue financial chart, featuring a grid, a line graph, and several vertical bars. The chart is positioned in the lower right quadrant of the image, partially overlapping the text.

Doing Business in Malta

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FOREWORD

Malta

The Quintessential Investment Location

Malta is an independent Parliamentary Republic and a European Union Member State with a stable political democracy, enjoying a growing and diversified economy combined with a safe Mediterranean lifestyle.

The Maltese islands have earned a distinguished reputation as a top European jurisdiction for business and investment. Malta's pro-business agenda has succoured it to become a centre of excellence, offering entrepreneurs attractive financial and fiscal incentives, significant investment opportunities, an English speaking and highly skilled workforce, top communications infrastructures, and fast connections to Europe and the rest of the world.

Strategically positioned in the Mediterranean, Malta is only 93 kilometres south of Sicily and 290 kilometres north of the African coast, which makes it an exceptional destination for all kinds of business opportunities. The fact that Malta is situated on the doorstep of mainland Southern Europe, North Africa, and the Middle East opens new avenues and further investment prospects in worldwide markets, enabling the country to establish sound relations not only with its neighbours, but also with the rest of the world.

Since its independence, Malta has been proactive in terms of foreign direct investment, primarily by establishing a thriving environment for international investors through the right incentives and sound yet flexible legislation in many key economic sectors. This has been fundamental for the continued prosperity of the Maltese economy, as is signified by its ever-growing national output and minimal unemployment.

After becoming a full member of the EU in 2004, the country became part of the Schengen area in 2007, and successfully adopted the Euro as its currency in 2008, thereby increasing its attractiveness for inward investments. Citizens are now allowed to live, work, study and travel freely in any of the 28 EU countries, as well as Norway, Iceland, Switzerland and Liechtenstein. The islands have developed healthy business ties and beneficial fiscal agreements with other EU member states, thus raising Malta's profile internationally. Furthermore, the Maltese economy has a history of attracting investments from international markets such as China, the Middle East and India.

Even though Malta is the smallest EU member state, it punches above its weight as a prime domicile for relocating families and businesses alike. The islands enjoy high quality education and healthcare systems and host international academic institutions.

Malta offers significant advantages to foreign entrepreneurs, high-net-worth individuals and investors seeking an appealing and safe business environment. Additionally, its positive approach to business promotion and development as well as the high European standard of living, make Malta the destination of choice for relocation of business, personal residence and investment.



Dr Jean-Philippe Chetcuti
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MALTA FACTS AND FIGURES

POPULATION
436,947 (2016)



LANGUAGES
Maltese, English



GOVERNMENT TYPE
Parliamentary Republic



RELIGION
Roman Catholic



REAL GDP GROWTH RATE
6.6% in 2017



CURRENCY
Euro €



EUROPEAN UNION
Full member of the EU,
eurozone and schengen area



300 DAYS OF SUNSHINE



COUNTRY COMPETITIVENESS
36th/140 (WEF)



MACROECONOMIC STABILITY
1st/140 (WEF)



HEALTH
16th/140 (WEF)



FINANCIAL SYSTEM
29th/140 (WEF)



ABOUT MALTA

History

Malta has a rich history, dating back to prehistoric times. The islands are located strategically in the centre of the Mediterranean between Europe, North Africa and the Middle East. Malta was occupied by the Phoenicians, the Romans, the Moors, the Carthaginians, the Normans, the Sicilians, the Spanish, the Arabs, the Ottomans, the Order of St. John, the French, and the British.

All this contributes to the mosaic, modern and vibrating history of the country. The islands were part of the British Empire for over 150 years until Malta became independent in 1964 and a republic 10 years later in 1974. The country strengthened its Euro-Mediterranean position when it joined the European Union in 2004 and the eurozone in 2008.

Government and Politics

Malta is a democratic parliamentary republic and its executive powers rest with the Prime Minister. Its unicameral Parliament is made up of the President and the House of Representatives, elected every 5 years by direct universal suffrage through single transferable vote. The President of Malta has the role of the Head of State.

Malta's party electoral system has long been dominated by two main parties- the social democratic party known as the Labour Party (LP) and the Christian democratic party known as the Nationalist Party (NP). In 2017, members from a third party- the Democratic Party- were elected into Parliament for the first time since 1962. The Labour Party is currently at the helm of the government and is headed by the Hon. Prime Minister Dr Joseph Muscat.

Lifestyle and Standard of Living

Malta enjoys a rich cultural and social life and the cost of living is still comparatively low. Property cost is rising, but it is still relatively affordable by international standards.

Being ranked amongst the top safest locations in the world, Malta is considered as an ideal location for families. The islands enjoy the political outlook of a European Union Member State, as well as the lifestyle of a Mediterranean country.

Having mild weather all year round, Malta offers multiple options for indoor as well as outdoor entertainment, including beach bars, music festivals, outdoor restaurants and the like. The typical Mediterranean climate allows for social gatherings and outdoor dining, whilst trips to the beach and country walks characterise the lifestyle of the Maltese. The restaurants serve typical Mediterranean food as well as cuisine options from virtually all over the globe.



Education

Malta boasts of an internationally acclaimed education system which is universally and freely accessible to all Maltese and EU citizens, all the way up to university education. In terms of schooling options, Malta offers both private and public schooling options, with English being the main language of instruction, including at the University of Malta – which also happens to be one of the longest established universities in Europe. The education system in Malta is based on the British model and educates students in a multitude of disciplines.

The country is well aware of how paramount it is to invest in the education system, with investment from the Government and the private sector reaching new highs over the last few years. This is evident in the ever-growing number of different international academic institutions present in Malta such as Barts and the London School of Medicine and Dentistry the University of Leicester, and the London School of Commerce.



Health

Serving as a vital pillar for Malta, recent years have seen substantial investment within the healthcare system which has in turn contributed to its advancement and constant refinement. This, along with its conformity to high European Union standards of service and care, has helped shape it into one of the top systems within Europe.

Notably, Malta's health and primary education were ranked 11th among 137 countries in the Global Competitiveness Report 2017-2018. The healthcare system of Malta also enjoys usage of the latest technologies and is home to international professionals from various areas of specialisation. This system is free for all those residing in Malta along with EU nationals, with emergency medical care being accessible to all.



People and Climate

The Maltese nation is believed to be amongst the most international of people, having descendants of ancient Carthaginians and Phoenicians with Mediterranean elements. The people of Malta are well-educated and qualified with 90 per cent being bilingual in English and Maltese, and many of them speaking Italian, French or German.

Malta enjoys a very mild Mediterranean climate. There are about 300 days of sunshine per year. The hottest summer month is August with an average temperature 31°C (87°F). The coldest winter month is February, with an average temperature of 9°C (49°F). The average annual rainfall is 520 millimetres (21 inches).

GROWTH SECTORS

Economic Success Story

The Maltese economy has undergone several changes over the past years. Higher value-added sectors, such as online gaming, aircraft maintenance, pharmaceuticals, the film industry and property development have gained traction, indicating a shift towards more knowledge-intensive sectors.¹

Traditional sectors like manufacturing and tourism have been sustained through competitiveness, whilst new economic sectors such as healthcare, energy, education and logistics have attracted considerable investment. Malta is considered as one of the fastest booming economies in the European Union and together with Germany it has managed to maintain sustainable economic growth during challenging times.

Steady Foreign Direct Investment

Inward FDI flows in Malta went up by €1.2 billion in the first months of 2017 alone.² Additionally, in 2016, foreign direct investment in Malta amounted to €161.36 billion, and in 2017, it registered at €169.8 billion, an increase of €8.3 billion over the 2016. According to the latest figures published by the National Statistics Office (NSO), in July 2017, the contribution of financial and insurance activities alone was registered at €162.29 billion, which is equivalent to 98.1% of all foreign direct investment.³ Over the past 3 years, the growth of investment was solidified by the successful completion of numerous EU-funded projects in various sectors and one-off large-scale projects mainly in the energy sector. The increase in net exports and household consumption further fuelled economic growth.

Robust GDP Growth

Because of the increased economic performance, GDP economic growth for Malta in 2018 is expected to increase by 5.4%, which is more than double the forecasted EU average growth rate which stands at 2.1%.⁴ This indicates a robust yet moderated growth pattern following the 6.6% real GDP growth in 2017- one of the highest in the EU. According to Eurostat, Malta registered a €436.6 million government surplus in 2017, reaching 3.9% of GDP, and setting itself as the highest registered EU surplus for the year, exceeding the surplus registered by Germany and the Netherlands.⁵

The latest outlook in terms of the Maltese economy indicates that economic activity is expected to continue its robust growth which will likely be mainly driven further by domestic demand which was heavily influenced by the investment growth that occurred between 2016 and 2018. In addition to this, the number of support measures indicated in Budget 2018 are all indicative towards further economic success.

According to the economic projections produced by the Central Bank of Malta, the investment growth is foreseen mainly in residential investment and the commencement of major construction projects in education and health, as well as the continued utilisation of EU funds.⁶ It is expected that in 2019 the investment growth will rise again after remaining stable during the period 2017-2018.

The profile of real government consumption is noticeably influenced heavily by the influx related to the Individual Investor Programme (IIP). Projections indicate that this growth is expected to remain constant throughout 2018 and 2019.

Incentivizing Business Environment

Businesses in Malta operate in a safe yet attractive environment, directed by sound legislation and Maltese regulations which have shaped the island into an onshore jurisdiction offering countless cost-effective opportunities in the financial services, maritime and logistics, property development, aviation, iGaming, film industry, ICT, life sciences, biotechnological and chemical industries, and advanced manufacturing, among others.

Latest reports show that most of Malta's industrial output is accounted by international companies registered and operating in Malta. The Maltese islands offer attractive investment and incentive packages. Malta Enterprise is the national authority responsible for such schemes. The financial instruments being offered include soft loans, loan guarantees, interest rate subsidies and investment tax credits. The latter enables initial investments by supporting new establishments along with the development of existing businesses.

According to the EU Commission's Spring 2017 Economic Forecast, Malta ranked high in terms of financial services and ease of access to loans and soundness of banks⁷, while the 2018 forecast predicts a strong push in investment supported by projects in the health, technology and telecoms sectors.⁸



Financial Services

A European Financial Services Centre

The Maltese financial sector has grown to offer advanced innovative solutions. Even though Malta has a significantly smaller market size than financial centres such as London and Paris, it has become an epicentre for financial services providing flexible yet secure regulatory frameworks. This contributed to a substantial Foreign Direct Investment inflow, where estimated financial services and insurance activities accounted for more than 97% of the total FDI inflows.⁹ The country's financial system also ranked 29th out of 140 countries reviewed in the World Economic Forum's 2018 Global Competitiveness Index.¹⁰

Nowadays, one may find a spectrum of investment businesses within Maltese shores, such as investment advisors, fund managers, forex brokers, securities market makers and stock brokers. Apart from factors which have contributed to such growth in investment services, one of the best advantages enjoyed by investment service providers domiciled in Malta is the ability to passport their services and set up branches throughout Europe through a simplified 'passporting procedure', sharpening their competitive edge.

Insurance Business

From just a handful of domestic insurance companies, the Maltese insurance sector has flourished into a full-fledged industry which operates across the EU Member States. It comprises of general and long-term business, subsidiaries of major international insurance and reinsurance undertakings, Affiliated Insurance Companies (Captives) and Insurance Management Companies.

In an effort to boost the insurance industry, the government has committed itself to legislating new structuring concepts for possible structures available for potential patrons in the business. Moreover, Malta is the first and currently only EU member state to have in force regulatory framework, providing the possibility of either the Protected Cell Company (PCC) or the Incorporated Cell Company (ICC) formations.

Investment Funds

Building on the success of its robust banking industry, Malta has taken the opportunity to establish itself as the funds jurisdiction of choice in the Mediterranean. Malta offers a whole range of innovative funds structures, including:

- Professional Investor Funds, commonly referred to as PIFs, the Maltese hedge fund that does not fall under the AIFMD.
- Alternative Investment Funds (AIFs).
- Notified AIFs, an innovative fund product offered in Malta which may be incorporated and marketed to investors within just 10 days.
- UCITS (retail funds)
- Private Funds
- Recognised Incorporated Cell Companies

The fully EU-compliant funds offered by Malta act as an innovative alternative solution to other European products. Moreover, as an EU member state, Maltese funds such as AIFs and Notified AIFs benefit from the possibility of EU Passporting.





Fintech and Blockchain

Fintech

Whilst the traditional areas of financial services and capital markets present a realistic and substantial source of FDI for any financial industry, new areas of investment have emerged in recent years. The merging of the financial services sector and technology has created the Fintech industry, which encompasses a variety of market players. This industry is releasing revolutionary technologies in order to compete with established market players such as retail banks and insurance companies. It includes peer-to-peer lending via crowdfunding platforms, money transfer solutions, virtual currency operators, online securities intermediaries and online wealth management services.¹¹

Setting Standards for the Industry

Fintech has gained significant popularity in recent years when cryptocurrencies and blockchain technology (also referred to as distributed ledger technology (“DLT”)) took centre stage. Malta is at the forefront of innovation, regulation, and facilitation of DLT, being one of the few countries which have sought to regulate this space which remains widely unregulated. The three ground-breaking bills below, dealing with blockchain-based businesses and their service providers, as well as cryptocurrencies and initial coin offerings, were approved by the Maltese Parliament in July 2018, and by November 2018, they had all been brought into force:

The Malta Digital Innovation Authority Act (MDIA): Provides for the establishment of a new authority, the MDIA, specifically created for the promotion and development of the innovative technology sector in Malta through the proper recognition and regulation of relevant innovative technology arrangements and related services.

The Innovative Technology Arrangements and Services Act (ITAS): Sets out the regime applicable for the registration of Technology Service Providers and the certification of Technology Arrangements. An innovative technology arrangement would include software and architectures which are used in designing and delivering DLT, smart contracts and related applications, and any other innovative technology arrangement which may be designated by the Minister, on the recommendation of the Authority.¹²

The Virtual Financial Assets Act (VFAA): Provides a proper framework within which ICOs and crypto exchanges would operate in. In respect of ICOs, it also provides specific requirements for the drafting of a whitepaper. The VFAA comes as a breath of fresh air in an industry where there is very little clarity as to how assets are to be treated. The Maltese legislation has also created the Financial Instruments Test (the ‘Test’) which determines the category under which a DLT asset falls.¹³

Blockchain leaders relocating to Malta

While other countries have also been adamant on regulating the Blockchain industry, the enthusiasm of Malta remains unparalleled considering the extensiveness and detail of the regulation, making it a true world first DLT law jurisdiction. Indeed, Malta’s efforts to become a true Blockchain island are bearing tangible fruit, and several industry players, including Binance which is one of the largest cryptocurrency exchanges in the world, have recognised Malta’s prowess in the field and chose to set up shop here owing to the jurisdiction’s open-minding and blockchain and crypto friendly legislation. Okex has also commenced recruiting staff in Malta.

Artificial Intelligence

Keeping pace with rapid technologic advancements, the Maltese government is determined to facilitate the integration of other technologies, namely advanced robotics and Artificial Intelligence (AI), in the same seamless manner as it has been doing with DLT. At the Malta Blockchain Summit held in November 2018, Junior Minister for Financial Services, Digital Economy and Innovation Silvio Schembri launched Malta.ai – a task force responsible for designing a national strategy for AI.¹⁴ The government is interested in exploring ways how AI could improve the accessibility of government services, enhance the health and well-being of Maltese citizens, and heighten productivity. The ultimate aim of this project is to secure Malta’s place as one of the top 10 nations in the world in respect to AI policy.





Citizenship and Residency

Benefits of Maltese Residency and Citizenship Programmes

Over the years, Malta has refused to allow its size as a small island nation confine its prospects for growth, prosperity, and competitiveness in the global economy. Indeed, the Mediterranean nation has seen remarkable economic growth which withstood the financial crisis that set back many others. Maltese banks have been ranked amongst the top five soundest banks in the world and the government has continually committed itself to ensuring a continuously thriving business climate through numerous investment incentives and a favourable tax system. Complimenting all this, the Maltese islands boast an ideal Mediterranean climate, picturesque landscapes, charming locals, rich history, and a relaxed lifestyle.

Several EU and non-EU nationals alike have therefore been eager to obtain Maltese residency or citizenship for all it has to offer. The Maltese government has responded to this increasing demand by introducing a variety of residency or citizenship by investment programmes to further bolster the country's economy and wealth; including the Malta Individual Investor Programme, the Malta Residency and Visa Programme, the Malta Global Residence Programme, and the Malta Residence Programme. The fact that Malta is a full-member of both the EU and Schengen and has visa-free access to more than 173 countries does more than a little to sway investors, particularly those coming from outside the EU. The Malta Individual Investor Programme which grants Maltese citizenship, and the Malta Residency and Visa Programme which grants Maltese permanent residency to non-EU nationals, are among the most competitive of the country's programmes.

Malta Individual Investor Programme

The Malta Individual Investor Programme (MIIP) was launched in 2014 and has since developed into a successful programme attracting more than 1245 applications over the course of three years.¹⁵ The programme grants Maltese citizenship within 12 months to high-net-worth individuals with an impeccable reputation, who satisfy set eligibility and investment criteria.

Applicants must make three different investments- a contribution of €650,000, a property purchase with a minimum value of €350,000 or a rental agreement for a minimum value of €16,000 a year, and a minimum €150,000 investment in government bonds or shares. Malta's citizenship programme is of even higher prestige than the country's residency programmes since Maltese citizenship grants individuals the right to live, work, study, and do business within all 28 EU countries, as well as Iceland, Norway, Liechtenstein, and Switzerland. Furthermore, the programme has a low minimum presence requirement and citizenship is automatically passed down to descendants.

Malta Residency and Visa Programme

First launched in 2015 and amended in 2017, the Malta Residency and Visa Programme (MRVP) grants permanent Maltese residency to affluent individuals of the highest repute who meet the investment and eligibility requirements of the programme.

In order to qualify, applicants must make a one-time contribution of €30,000, invest €250,000 in government bonds, and make a minimum property purchase of €320,000 or rent out property at a minimum of €12,000 a year. The programme comes with a three-month processing time, and same as the Malta citizenship programme, it allows dependants to be included in the application at additional fees. The investment is only required to be held for the first five years and no physical residence is required to maintain the permanent residency status.



Wealth and Asset Management

Malta's wealth and asset management industry has been quick to catch the sights of esteemed individuals and affluent families. In fact, the industry is among the fastest growing on the island, fostered through well-enacted legislation and business-friendly operating environments.

This prime industry in Malta has established its stronghold by offering diverse services, ranging from succession planning to philanthropy, estate planning, and corporate structuring, amongst others. Complimenting this, a number of investment vehicles have been established, most notably trusts and foundations, that vary in complexity and cater to different levels of wealth. Malta has become one of the most stable jurisdictions in which to establish trusts, whether inter vivos or testamentary, and foundations, not least because of the level of professional expertise available in the country.

Malta Trusts

The setting up of trusts in Malta is regulated by the Trusts and Trustees Act. By adopting trusts into its legislation, Malta allows for the creation of domestic trusts and the beneficial, yet secure, protection of a person's wealth and property. The law incorporates the provisions of the Hague Convention on the Law Applicable to Trusts and on their Recognition as ratified. The Malta Financial Services Authority (MFSA) is the designated authority in charge of the authorisation and supervision of trustees.

Individuals can plan for future generations and efficiently distribute assets with certainty and security that is guaranteed through a number of annual requirements to which Malta Trusts are subject to, including the drawing up of accounting records and due diligence updates.

The law allows for the setting up of a variety of trusts, including fixed interest trusts, discretionary trusts, charitable trusts, protective trusts, and unit trusts. There is no shortage of benefits that come with establishing a trust in Malta- to name a few, the process takes a mere three days and is completely authorised under the EU, it is fully confidential and flexible, and trusts can be set up for 125 years and can easily be re-domiciled to other jurisdictions.

Malta Foundations

Malta Foundations are efficient vehicles for structuring wealth and for estate planning purposes. Maltese law on Foundations was introduced in April 2008. Under the law, one can set up a private foundation or a purpose foundation- the latter being highly effective vehicles for wealth management and estate planning. As opposed to trusts, foundations have a separate legal personality with its own liabilities and obligations. Malta foundations are an excellent vehicle for asset protection and the creation of different patrimony, in addition to avoiding the splitting of estates.

A Malta foundation can be set up either by means of a public deed or else through a last will published in Malta. Founders need to make an endowment of money or property worth at least €1,164.69 to the same foundation. This does not apply to foundations established exclusively for a social purpose or as non-profit making entities in which case the endowment amounts to at least €232.94.





Life Sciences

Promoting Innovation in the Sector

The life sciences sector is well-entrenched within the Maltese economy and combines a variety of industries including pharmaceutical, biotechnological, chemical, health tourism, and medical device. The success of this sector is interlinked with an exceedingly qualified and English-speaking workforce and Malta's interconnectivity with the global market.

With regards to the digital policy of the sector, this is coordinated through the Malta Information Technology Agency (MITA) which is responsible for pushing a number of strategic vehicles including IT services, information systems, and digital outreach and information management through ICTs.

The government provides a wide range of incentives to help establish new business processes and expand existing ones, including tax credits, financial support for feasibility and research studies, and rent subsidies. Malta Enterprise- the agency responsible for investment promotion- gives top priority to manufacturing operations and activities linked to life sciences.

One of the latest developments in terms of investment in the area is the BioMedical Campus which aims to enable the development of research and innovation projects. The investment of this project stands at €38 million, and is collaborated by a consortium comprised of Malta Enterprise, the University of Malta and the national hospital Mater Dei. The BioMedical Campus project is also strongly supported by fiscal and financial incentives.¹⁶

Malta Life Sciences Park

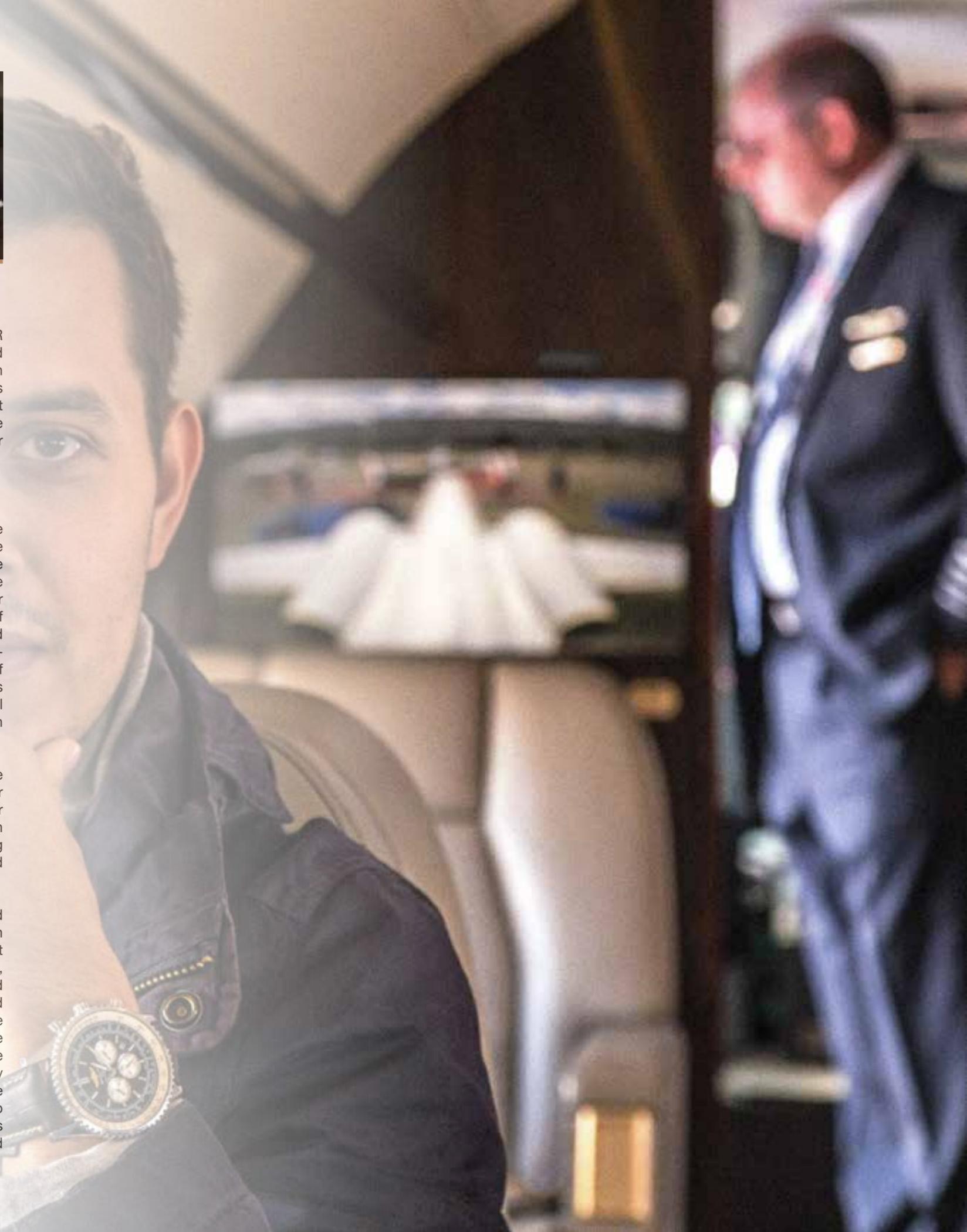
Further headway has been gained in Malta's life sciences sector through the establishment of the Malta Life Sciences Park (MLSP), a premium research site spanning over 13,500m², and situated alongside Malta's main general hospital, university, and medical school. It is divided into two main components- the Malta Life Sciences Centre and the Malta Digital Hub. Along with MITA, the Digital Hub is dedicated to the overall advancement of digital technology and creating harmonising efforts between ICT and life sciences.



The original backdrop behind the MLSP initiative was that of helping Malta flourish as a leading centre in pharmaceutical services. However, the project has now unfolded into a first-rate research centre stimulating the innovation and development of the life sciences sector in Malta. While aiding companies in the provision of financial advice, internationalisation of products and services, product development, and establishing operations in Malta, the facility also helps counteract any brain drain in the sector by serving as a top-tier research facility for promising local talent, educational institutions, and new graduates.

Pharmaceuticals

One of the most developed subsectors in Malta is the production of pharmaceuticals. Exports in pharmaceutical products for 2016 underwent a roughly 245% increase over 2015, exceeding €839 million.¹⁷ The fact that any appropriately certified operator in Malta may market its products throughout the European Union gives further merit to the sector. The presence of renowned pharmaceutical and medical companies in Malta serves as a testament to the quality of the sector-related workforce available in Malta, as such companies would not be able to operate without the necessary supply of qualified labour.



Aviation

Historic Reputation

Acting as a centre for international commerce and travel throughout history, and inarguably having been one of the most important strategic aviation bases in WWII, Malta is no stranger to the world of flight. Being an island nation, Malta relies on the aviation industry for its vital and lucrative tourism industry, as well as for importing and exporting, and the daily transport of passengers, whether for personal or business activities.

Malta's International Airport services direct flights to major cities in Europe, North Africa and the Middle East, while Transport Malta offers among the lowest ranging fees in Europe. The Civil Aviation Directorate of Transport Malta also provides a vigilant and tailored service to aircraft companies setting up in Malta.¹⁸

Private Aircraft Registration

Recently revamped rules and regulations have breathed new life in Malta's aviation industry, with the vision of punching above expectations of a local industry in a small country and rising to one of the most competitive aircrafts jurisdictions globally. Malta's first aircraft register was established in the 1960s, but it was only lately that the island decided to capitalize further on its aviation past.

The country has embarked on a new, enterprising project to establish one of the largest aircraft registers globally. Starting with the introduction of the new Aircraft Registration Act of 2010, by mid-January 2012, 104 aircrafts were listed on Malta's register, a notable increase of 18 aircrafts over the previous year.¹⁹ Motivations for the purchase and consequent lease of an aircraft have also escalated following the establishment of a leasing procedure upon which VAT is only due for the time period in which an aircraft operates within the EU.

Dedicated Aviation Park

Malta's aviation sector is fast growing, attracting internationally reputed entities to set up business locally. A recent investment in the aviation sector in

Malta was the building of a six-bay hangar for SR Technics.²⁰ In addition to this, Malta has invested €17 million in the Safi Aviation Park, a new aviation park of 200,000 sq. metres with a direct access to the airport's runways. This strong investment in physical infrastructure paves the way for the incorporation of larger aircraft leasing and charter companies.

Aircraft Servicing and Support

Malta was the first country to implement the Cape Town Convention which is regarded as the ultimate standard in aircraft finance. Changes in legislative frameworks and entry to the European Union have changed the Maltese position in the aviation sector with the introduction of an increasing number of service providers using Malta as a reputable and cost-effective destination. The fact that English- the international language of aviation- is one of Malta's official languages, serves foreign operators tremendously well. This, and the numerous fiscal benefits offered in Malta, provide more than enough incentive for relocating.

Lufthansa Technik, VistaJet and EasyJet have relocated their business in Malta which has further attracted many aviation executives to turn their attention to the islands. The range of aviation services granted by host firms- from crew training to engineering overhauls- has further solidified Malta's leadership in the industry.

The country has made sure to incorporate varied sectors in its mission to animate the aviation industry to its full potential, including amongst others, repair and overhaul (MRO) procedures, back-office systems, registration of private and corporate jets, research and development, and the manufacturing of aircraft units. While these measures have contributed to discarding excessive red tape and regulatory tethers, they still provide the much sought-after protection of being wholly endorsed by Maltese and EU law. Profitable niche opportunities such as custom IT design can also be taken advantage of in Malta with the country's well-founded reputation for aircraft quality and craftsmanship.



Maritime

Longstanding Logistics and International Hub

Malta has easily been landmarked as a maritime nation for generations, with marine and maritime activities irrevocably linked to the country's economy. In terms of logistics, Malta has a competitive edge as it is strategically placed in the middle of the Mediterranean and at the intersection of three separate continents. In addition to being party to numerous international conventions and regulations for the uses of the Sea and continental shelf, Malta is in the White-List of the Paris Memorandum of Understanding on Port State Control, making ships flying the Maltese flag less likely to be detained in ports for breach of international conventions. All this, combined with its reputation for reliability, transparency, and efficiency, has contributed to forging Malta into the prime international maritime centre it is today.

Infrastructure and Maritime Policy

Malta is the largest maritime registry in Europe and the 6th largest in the world, offering high service and safety standards and luring clients within Europe and beyond. It is one of the largest registries in Europe for pleasure yachts and super-yachts. The Maltese islands are connected to more than 165 ports on all continents. The Malta Freeport is the third largest maritime and logistics centre in the Mediterranean region- and a highly prestigious and reputable one at that. The freeport handles approximately 2.3 million TEUs (Twenty-foot equivalent units) yearly- with 3.15 million handled in 2017. The Valletta Gateway Terminal handles over 1,000 vessels per year, has around 100 employees, and generates a turnover of over 12 million Euros.²¹ The Malta drydocks have been upgraded and port areas around the island have undergone a revitalization process.²²

Over recent years, the maritime industry in Malta has been largely privatised, with the private sector assuming more of an initiative role and the government focusing more on the regulatory aspect. Since 2014, the government has also been dedicated to implementing a National Maritime Policy concentrating on the sustainable growth of the maritime industry in all related activities including economic growth of the different maritime sectors ("blue growth"), employment and protecting the marine environment.

With respect to super yachts, Malta has set up the Malta Super Yacht Network which brings together a group of local companies offering a wide spectrum of yacht repair & maintenance services to complete refits. Membership to this network grants a 'stamp of approval' to these businesses which continues to build upon the very positive reputation that Malta has in the maritime industry.

Fiscal Benefits

Malta's far-reaching success in the maritime industry is heavily attributed to two main pillars- the excellent reputation of its flag and register, and the possibility of fiscal planning and VAT payment minimization particularly in the context of private yachts and super-yachts based on their use in the EU- including with regards to leasing. In fact, there is a possibility to reduce VAT down to 5.4% through Maltese financial yacht leasing. Qualifying shipping activities such as ship ownership, operation, and administration, also qualify for certain fiscal tax benefits.



Registration

Overall, among the advantages of registering ships and yachts under the Maltese flag, there are:

- low company formation, vessel registration, and selling costs;
- no restrictions on the nationality of the vessel owner, master, officers, and crew;
- complete tax exemption for qualifying shipping activities or specific tonnage ranges;²³
- effective tax rate of 5% on non-qualifying shipping activities;
- VAT exemption for chartering of commercial yachts;
- agreements binding berth owners give full ownership for the duration of the contract
- no restrictions or taxation on the sale or transfer of shares of a company owning Maltese registered vessels;
- no restrictions or taxation on the sale and mortgaging of Maltese registered vessels;
- no trading restrictions and preferential treatment to Maltese vessels in certain ports;
- possibility of registering different types of vessels including passenger ships, super yachts and vessels under construction.



Information, Communication and Technology

Incentives for Operators

Malta is one of the fastest growing information and communications technology (ICT) markets in Europe. In recent years, the ICT sector has grown into an important contributor to the country's economy, with the country becoming a centre for technological expertise. ICT, e-Commerce, Media and Internet Law have evolved rapidly in Malta over the past years and now constitute an integral part of the local economy.

Malta offers a competitive package to ICT firms seeking to relocate on the islands, with inducements including investment aid to qualifying companies, incentives for start-ups, soft loans and loan subsidies, and a Business Development and Continuity Scheme which aids high-value projects that are expected to substantially bolster job creation. ICT start-ups are also able to apply for Malta's Start-Up Investment Grant Scheme, which can provide a maximum grant of €300,000 and part-finance 50% of eligible expenditure.²⁴

Top ICT Workforce and Ecosystem

The Maltese ICT industry is made up of more than 300 companies and employs over 7,000 people.²⁵ Prospective investors are easily encouraged by the success the sector has seen so far in Malta. In the meantime, current operators appreciate the comparative advantages offered by Malta and the quality workforce which the government has prudently invested in for decades. Notable investors and stakeholders in Malta include names such as RS2, Vodafone, Huawei and Microsoft.

As a result of Malta's commitment to ICT, the number of ICT-driven businesses has proliferated. The growth of the ICT sector is clear from the registered export figure of over "€200 million in 2015 when compared to just over €46 million in 2004".²⁶ Additionally, in the Global Competitiveness Report 2017-2018, Malta was ranked 22nd among 137 countries in technological readiness, which also makes the country one of the best among the EU-27 countries in this category.²⁷ The University of Malta's ICT faculty has also aided in supplying the island with highly qualified ICT experts. In 2014, the Maltese Government introduced the National Digital Strategy 2014-2020 known as "Digital Malta" as a vision for taking ICT policy development and implementation to a new level. The strategy relies on three building blocks-supportive regulation and legislation, infrastructure, and human capital. It centres around empowering the digital society by building on cyber security legislation, international connectivity, promoting excellence and specialist skillsets in the workforce, and inducing infrastructure-based competition, amongst many other measures.

Ideal Test Bed for New Technologies

Though Malta is a smaller country, small also means quicker results. Malta has taken advantage of its modest size and left its mark on the international stage by reinventing itself as a proponent of the advancement of European technological expertise. Its size also presents a model testing ground for innovative technology ventures, such as the building of an eGovernment infrastructure. A memorandum of understanding (MoU) signed in July 2018 between Huawei and the government of Malta will also see trials commencing on the introduction of 5G technology to Maltese businesses and citizens.





iGaming

Pioneers in Establishing A Regulated Market

Malta has set itself apart as one of the leading jurisdictions in iGaming, starting in 2004- a crucial year for the sector in Malta as the Remote Gaming Regulations were introduced. These regulations were the first of their kind to be offered in Europe in terms of remote gaming. The Malta Gaming Authority (MGA) is constantly striving for innovation and reinventing itself to stay at the top of its game. In 2016, the Authority moved forward on regulating emerging controlled skill-based games, and embraced growth opportunities in sectors such as eSports and Daily Fantasy Sports.

In an industry milestone, regulation underwent an overhaul in 2018 with the approval and gradual implementation of the new Gaming act. The Act substantially elevates and reinforces Malta's standing in the industry by strengthening and extending the MGA's supervisory and regulatory reach. Other key focus areas targeted in the new legislation include consumer protection standards, responsible gaming measures, reporting of suspicious sports betting transactions, and objective-orientated standards.

An Attractive World Class Jurisdiction

Malta is known for being a world-class jurisdiction for regulated online betting and gaming operations. The island offers many exciting opportunities for both new market entrants and established operators seeking a well-regulated and tax-friendly environment. The gaming regulatory framework provides wide-ranging incentives aimed at businesses related to remote gaming and licensed by the Malta Gaming Authority. Non-residents who are planning to relocate to Malta can also benefit from various tax planning schemes. The latter include the Global Residency Programme and the High-Net-Worth Individuals Scheme.

According to projections, the iGaming sector will remain one of the prime pillars responsible for the growth of the Maltese economy. In fact, Malta has attracted many iGaming and digital gaming companies, including the gaming giant King.com, Tanki Online, Bwin, Bettson and Unibet, and it continues to do so thanks to its cost-effective licensing fee, low gaming tax and a 5% net effective corporate tax.

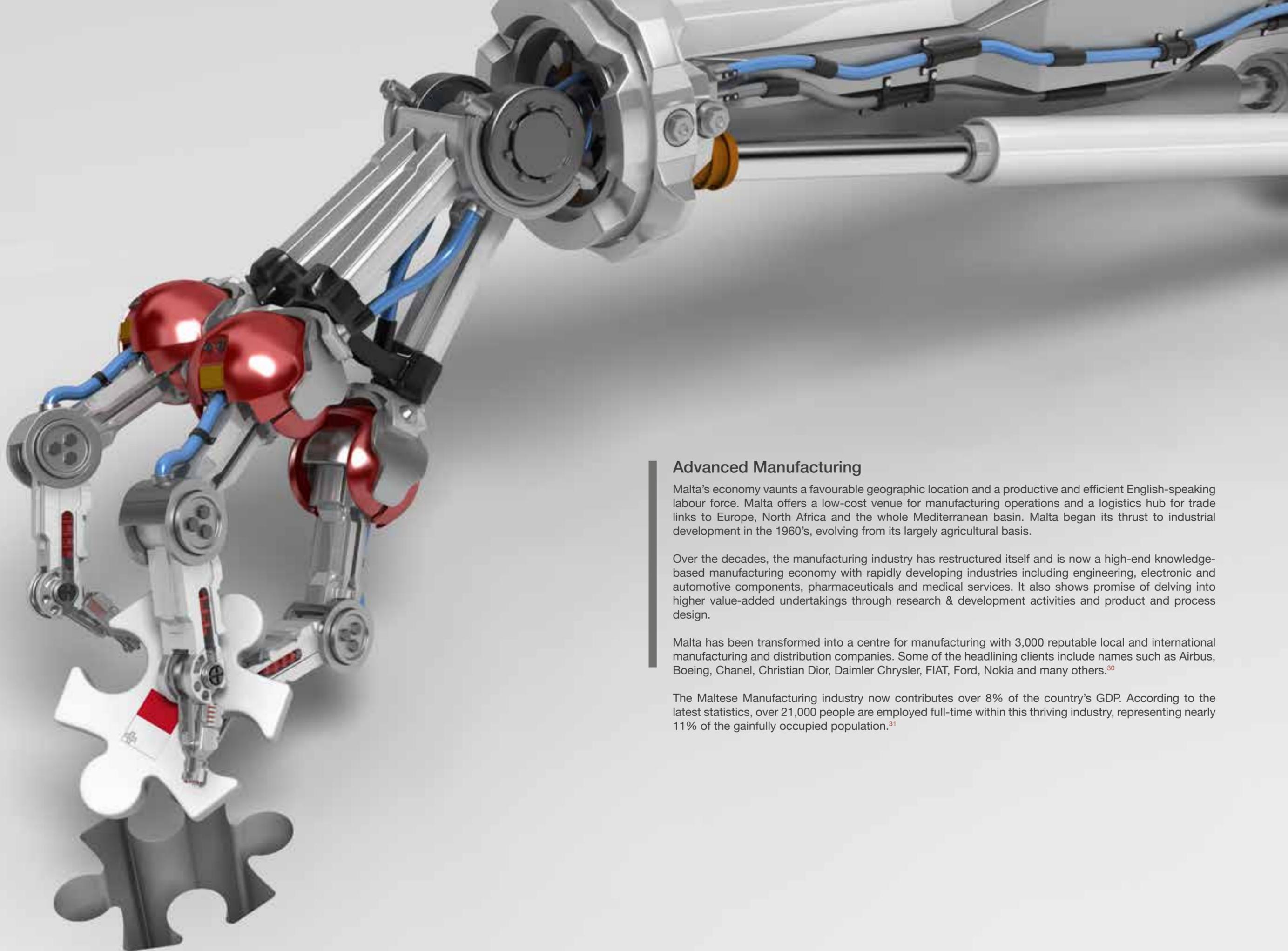
Booming Economic Contribution

The Malta Gaming Authority has published the latest statistics indicating that the gaming industry has generated an estimated €1.1 billion in gross value added for 2017²⁸. This growth rate represents



an increase of 10% over the activity registered in 2016. This has meant that the gaming industry now claims around 11.3% of economic activity on the Maltese islands, securing its position as the third-largest economic sector. According to the Malta Gaming Authority, the main reasons can be traced back to the repositioning of Malta through the new 2018 Gaming act, the organic growth in revenue, the expansion of services being offered by many firms, relocation of businesses and new investments in different sectors.

Direct employment within the industry accounted for 6673 full-time equivalent jobs in 2017, representing an increase of almost 500 jobs from 2016.²⁹ Employment growth was mainly registered in the areas of service delivery, consumer satisfaction and marketing activities, and prompted by the sheer amount of companies expanding their operations or relocating to the country. For 2018 and the oncoming years, the industry is set to continue surpassing expectations and harnessing innovation by staying responsive to regulatory and technological developments.



Advanced Manufacturing

Malta's economy vaunts a favourable geographic location and a productive and efficient English-speaking labour force. Malta offers a low-cost venue for manufacturing operations and a logistics hub for trade links to Europe, North Africa and the whole Mediterranean basin. Malta began its thrust to industrial development in the 1960's, evolving from its largely agricultural basis.

Over the decades, the manufacturing industry has restructured itself and is now a high-end knowledge-based manufacturing economy with rapidly developing industries including engineering, electronic and automotive components, pharmaceuticals and medical services. It also shows promise of delving into higher value-added undertakings through research & development activities and product and process design.

Malta has been transformed into a centre for manufacturing with 3,000 reputable local and international manufacturing and distribution companies. Some of the headlining clients include names such as Airbus, Boeing, Chanel, Christian Dior, Daimler Chrysler, FIAT, Ford, Nokia and many others.³⁰

The Maltese Manufacturing industry now contributes over 8% of the country's GDP. According to the latest statistics, over 21,000 people are employed full-time within this thriving industry, representing nearly 11% of the gainfully occupied population.³¹



Real Estate

Sustained Growth

When looking into investing in Malta, real estate indisputably holds its ground as one of the most sound and compelling type of assets. The islands' timeless architecture combined with the serene landscape and high standard of living is more than enough to entice the average investor.

Even throughout the global financial crisis of 2008, not only did the real estate market in Malta maintain its footing, but so did the country's economy. Despite the general downturn in Europe in the recent past, the Maltese property market has had an upward trend, as the Maltese economy continues to perform among the highest in Europe. Most Maltese property sectors have been enjoying steady price increments which have been fuelled through the unwavering demand of both locals and foreigners, especially from developers, investors, and iGaming executives.³² This positive flow in property prices in the past four years, has contributed an average of 9% to the country's Gross Value Added (GVA). According to Eurostat, there was over a 23% increase in property prices from Q1 2014 to Q4 2017.

The Rental Market

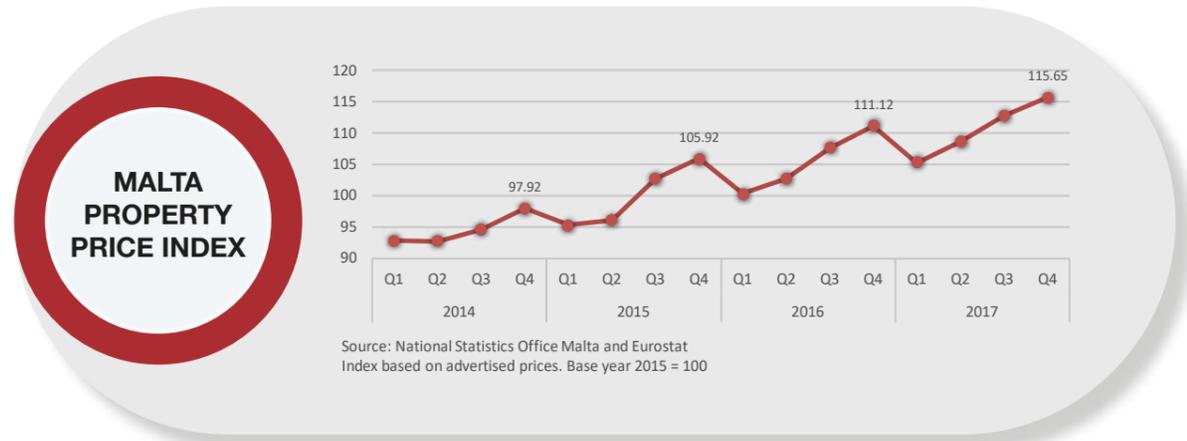
The positive trend in Malta's real estate was impacted significantly by the growth in rental prices. According to the Central Bank of Malta, rental prices for 1-bedroom flat in high demand areas (Sliema, St. Julian's, Gzira and Valletta) increased over 40% between 2012 and 2015, while the increase in rents of detached houses in the same region accounts almost 80%. Regarding the other regions, the growth in rents was lower during the reporting period; yet the rental prices of flats and detached houses increased significantly (more than 30%).³³

The booming rental market has in turn led to a sustained growth in the buy-to-let market. The merits of letting are no secret to anyone- a steady stream of income in the form of rental payments and retaining a property which will not only maintain its price, but see it appreciate in the long-term. To add to this, there is the outstanding choice of property available, persuasive demand, and attractive interest rates on home loans, as well as a concrete improvement in the quality of the property offered by developers.

Property Investments

A number of Special Designated Areas exist in various locations in Malta and Gozo where foreign investors can buy property without any restrictions. These are areas comprising of top-end and exclusive residential or commercial properties offering a wide range of facilities and amenities. Set in Fort Chambray, Portomaso, Cottonera, Manoel Island/Tigne Point, Tas-Sellum Residence (Mellieha Project), Madliena Village, Fort Cambridge Zone, Ta' Monita Residence in Marsascala, Pender Place and Kempinski Residences San Lawrenz Gozo, properties in these areas enjoy several exemptions established in Maltese law.

Malta offers a holistic professional property development service, coupled with a favourable tax regime and a system which protects both buyers and sellers in property deals. Moreover, despite the variety available, supply is only just meeting demand, which has led to this rise in prices while also maintaining them at perfectly affordable margins. Returns on property across Malta range from 7% to 9%- having said that, certain types of properties do offer a heightened return on investment over others, particularly sea-front apartments, palazzos, houses of character, and villas and bungalows.³⁴ All these factors make Malta a perfect destination for property investment.





Tourism

A Top European Destination

Tourism is a mainstay of the Maltese sector which significantly fuels the economy and continues to rise to new heights with each year that goes by. Travel and tourism directly contributed to around 14.2% (€1.49 billion) of the country's total GDP for the year 2017. In 2017 the number of inbound tourists accounted for over two million, which is a 27.5% increase in comparison to 2015.³⁵ Malta also ranked in 36th place in the World Economic Forum's 2017 Travel and Tourism Competitive Index (TTCI), out of the 136 countries taken into consideration.³⁶

The UK remains Malta's most popular market when it comes to inbound tourism, however, Italy, Germany, and France are not much further behind. Interest has also spiked from new markets such as the USA, Eastern Europe, and Asia. 97.9% of inbound tourists travelled through Malta by air in 2017, however there is also a market for cruise tourism which claimed 2.1% of visitors.³⁷

Diversity - From Scuba Diving to Conferencing

Malta boasts a vibrant history and culture, magnificent architecture and excellent Mediterranean weather. Malta's smaller sister island, Gozo, enriches travellers' experiences with a serene and scenic landscape- an idyllic escape that also caters for niche sectors such as ecotourism and sports tourism. Surrounded by clear glistening waters, the islands are both a feast for the eyes and a kernel for aquatic activities, including diving, swimming, and yachting.

Health tourism has also risen in popularity in Malta, with focus areas ranging from cosmetic surgery to oncology. Other non-traditional areas of tourism which have flourished in recent years include

English-language training and conference travel. Therefore, although tourism potential was first recognised in the 1960s, the industry has since then greatly diversified and caters to the likes of wealthy individuals seeking luxurious accommodation, as well as backpackers seeking cost-effective alternatives, and anyone who falls in between. All of this leaves much profit to be found in popular and untapped tourism sectors alike.

An Evolving Industry

The sector is overseen by the Malta Tourism Authority, which apart from promoting Malta as a tourist destination internationally, also aids in the domestic, regulatory and directional role, and consolidating cooperation between public and private sector initiatives. The government regards the tourism industry as one of utmost priority and is constantly ensuring that it remains at the top of its game, whether it be through providing incentives for hotels to upgrade or striving to ensure that a high standard of quality is maintained by the different establishments. Around 31,000 jobs (15.7% of total employment) were directly supported by the travel and tourism industry in 2017.³⁸

Malta has also been initiating partnerships with renowned hospitality schools such as The Emirates Academy of Hospitality Management so as to equip the workforce with superior expertise and knowledge.

International prestigious hotel chains such as Hilton, Kempinski and Intercontinental, operate in Malta as franchises with local partners. Apart from these large players, plenty of hostels and family-run accommodation also exist, with boutique hotels in particular experiencing a spike in demand and supply. Average stay for tourists ranges around 7 nights, and businesses around the islands have been quick to take advantage of the trend benefits that come along with these shorter breaks.



Film Industry

Prime Filming Location for International Blockbusters

The Film industry has established its roots on the island some ninety years ago. It augments the international visibility of the Maltese islands by making them an attractive spot not only for film producers but also for worldwide investors. Since September 2001, Malta has also been a member of the European Convention on Cinematographic Co-Production.³⁹

Some of the major blockbuster films shot in Malta included: *Gladiator*, *Promise*, *Risen*, *Troy*, *Assassin's Creed*, *By the Sea*, *World War Z*, *The Devil's Double*, *Agora*, *The Da Vinci Code*, and *The Count of Monte Cristo*, among others.

In the past four years, Malta has attracted more than 50 productions contributing over €200 million foreign direct investment to the local economy.⁴⁰ The Government of Malta is planning a sustainable film industry which will foster new creative talent, jobs and skills, therefore, increasing the country's economic profile. From a market perspective and according to recent developments in the film industry, Malta is developing as a central and reputable film location which is constantly maximising on its foreign direct investment.

Investment Aid

Recently the Maltese Government has upgraded the cash rebates for filmmakers, meaning that productions which comply with the given

requirements can benefit from a rebate up to 25% of the eligible expenditure with an additional 2% in cases where the production features Malta culturally.⁴¹

Investment aid in the form of tax credits for audio-visual facilities is also available under the Malta Enterprise Act. Additionally, the Government of Malta has allocated a €1 million budget for film co-productions between Maltese and foreign companies to produce TV series and film primarily for international distribution.

In addition to the above, foreign film productions shooting in Malta can claim refunds on input VAT incurred on property rental or hotel accommodation with respects to all the persons involved in the production of the TV series, commercial, animation, foreign film or documentary. Refunds can also be claimed on fuel, taxes and materials used in connection with the production.





LIFESTYLE

- Life expectancy (years): 79.6 Males, 83.3 Females
- Mediterranean lifestyle and culture
- Safe environment for families
- High standard of education and healthcare
- Rich cultural and social life

BUSINESS ENVIRONMENT

- High-skilled and multilingual workforce
- Sound banking system
- Low corporate tax and 70+ double taxation treaties
- EU Passporting rights for banks and financial services companies
- Fast process of company formation
- Attractive fiscal and financial incentive packages



Why Malta?



ECONOMY

- GDP Growth (2017) 6.6%
- GDP per capita €23,851
- Government surplus (2017) +3.9%
- Property Index (2015-2018) +12%
- Credit rating:
S&P: A- Positive
Fitch: A+ Stable
Moody's: A3 Positive

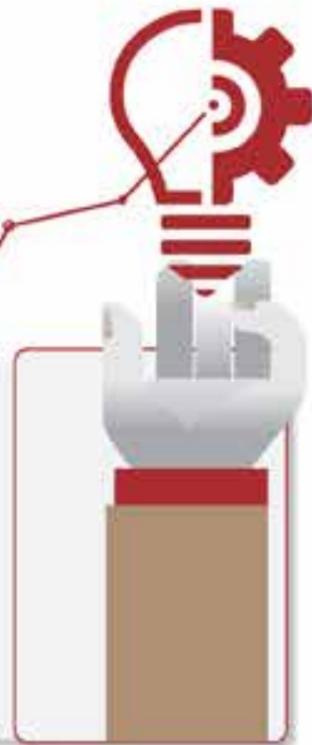


INFRASTRUCTURE

- World-class ICT infrastructure
- International logistics hub
- Prime international maritime centre-largest maritime registry in Europe
- Competitive aircraft jurisdiction
- Strong investment in physical infrastructure

INNOVATION

- Forerunner in Blockchain regulation and facilitation of Digital Ledger Technologies (DLT)
- Top-tier research facilities
- Model testing ground for innovative technology ventures
- World-class jurisdiction for iGaming
- High-end knowledge-based manufacturing economy



SETTING UP IN MALTA

Business Setup

Malta is an ideal destination for setting up a business be it a tech start-up or a well-established multinational business. Having a pro-business approach, Malta is home to over 70,000 foreign companies, with 30% having been registered in the past few years. The procedure for setting up a business in Malta or incorporating a company is fast and straight forward, with the process taking as little as one week. For an additional fee, a company may be registered within just 24 hours. No licenses or permits are required, except for businesses operating in the sectors of pharmaceutical, iGaming, financial industry, insurance and medical which have specific regulatory requirements.

To register a company, the memorandum and articles of association must be presented to the Registrar of Companies, along with the evidence that the paid-up share capital of the company has been deposited in a bank account.

Malta offers various forms of partnerships and limited liability companies including:

- Public Limited Liability Company (plc)
- Private Limited Liability Company (Ltd)
- En commandite partnership
- En nom collectif partnership

A company is set up through the drafting and registration of its Memorandum of Association (MOA). All shareholders must subscribe thereto, and a certificate of registration is issued in respect thereof. The following details should be included in the MOA:

- Company name
- Address and official identification of the subscriber
- The nature of the company – whether it is a public (Plc) or private (Ltd) company
- The registered office of the company in Malta
- The object and purpose of the company to be incorporated
- Details of the authorised issued and paid up share capital
- Judicial and legal representation of the company and
- Contact details of directors and secretary

Businesses may take other forms including that of a sole trader, trusts, and branches of foreign companies.



Capital Requirements

A private company must have a minimum issued share capital of €1,164.69. 20% of this amount must be paid up on incorporation. Any foreign convertible currency may be used to denominate this capital. The chosen currency will also be the company's reporting currency and the currency in which tax is paid and any tax refund due is received, a factor which eliminates foreign exchange risks. Furthermore, Maltese company law provides for companies set up with a variable share capital.

Shareholders

Whilst companies are generally set up with more than one shareholder, there is the possibility to set up a company as a single member company. Various persons or entities may hold shares, including individuals, corporate entities, trusts and foundations. Alternatively, a trust company authorised by the Malta Financial Services Authority may act as trustee or fiduciary, and may hold shares for the benefit of the beneficiaries.

Objects

The objects of a private limited company are unlimited but must be specified in the Memorandum of Association. In case of a Private exempt limited company, a primary purpose must be stated as well.

Directors and Secretary

With respect to directors and company secretary, private and public companies have different requirements. While private companies must have a minimum of one director, a public company must have a minimum of two. It is also possible for a director to be a body corporate. All companies are obliged to have a company secretary. A company secretary must be an individual and there is a possibility for a director to act as a company secretary. In the case of private exempt companies, a sole director may also act as the company secretary.

While there are no legal requisites regarding the residence of directors or the company secretary, it is advisable to appoint Malta resident directors as this ensures that the company is managed effectively in Malta.

Confidentiality

Under the Professional Secrecy Act, professional practitioners are bound by a high standard of confidentiality as established by the aforementioned act. These practitioners include advocates, notaries, accountants, auditors, trustees and officers of nominee companies and licensed nominees, amongst others. Section 257 of the Maltese Criminal Code stipulates that professionals who disclose professional secrets may be liable to a maximum fine of €46,587.47 and/or a 2-year prison sentence.

Meetings

Malta companies are required to hold at least one general meeting every year, with not more than fifteen months elapsing between the date of one annual general meeting and that of the next. A company which holds its first annual general meeting is exempt from holding another general meeting in the year of its registration or in the following year.

Accounting & Audit Requirements

Yearly audited financial statements need to be prepared in accordance with International Financial Reporting Standards (IFRSs). These statements must be filed with the Registry of Companies where they may be inspected by the public. Alternatively, Maltese law provides for a choice of financial year-end.



Government Incentives

Malta Enterprise (ME) supports local and international businesses in terms of access to finance and advice related to the setting up of businesses. The process involves due diligence checks and only after all the checks are completed, the companies can be supported with the provision of some of the following options:

Soft Loans

Soft loans usually amount to 33% but in any case, not exceeding 75% of the cost of plant, machinery and equipment at a reduced rate of interest.

Innovation Aid for SMEs 2014-2020

Malta Enterprise offers this incentive by supporting the SMEs to recover in the form of tax credits, part of the costs incurred for the loan of highly qualified personnel from large undertakings and Research and Knowledge-dissemination Organisation. The aid shall be capped at 50% of the eligible costs.

Micro Guarantee Scheme 2017-2020

This Scheme provides eligible undertakings with a guarantee of up to 70% on loans of up to €100,000 required to finance business enhancement, growth and development.

Start-Up Finance 2017-2020

The Start-Up Finance initiative supports innovative undertakings in their early stages of development providing repayable financial assistance of up to Euro 100,000 linked to crowd funding campaigns and up to Euro 200,000 linked to private equity or required to fund the procurement of machinery and equipment.

Aid for Research and Development Projects (Tax Credits)

The incentive allows enterprises to claim tax credits on costs incurred directly or indirectly in carrying out an R&D project or other projects relevant to the enterprise's business.⁴²

In addition to the above, Malta offers other incentives such as the Continuity Scheme, the Business Development and the Research and Development Schemes - all targeted for companies in various fields.





Company Tax System

Companies registered in Malta are considered to be resident and domiciled in Malta for tax purposes, thus they are subject to tax on their worldwide income less permitted deductions at the corporate income tax rate which at present stands at 35%.

As a general rule expenses are fully deductible when they are incurred wholly and exclusively in the production of the company's income, provided such expense is not specifically excluded as a deductible expense by the legislation.

With effect from year of assessment 2018, in an incentive aimed at neutralising the effects of debt versus equity financing, Malta companies as well as permanent establishments of non-resident entities, may include among their deductions, a deduction for a "notional interest on risk capital" subject to the approval of all the shareholders or partners of the eligible undertaking.

Imputation System

Malta operates a full imputation system whereby Malta taxpayers in receipt of dividends out of a Malta company's taxed profits receive full credit for any tax paid at the level of the company, thus preventing the risk of economic double taxation on that income. Where the shareholder is liable to tax in Malta on that dividend at a rate which is lower than the company rate of tax, excess imputation tax credits are refundable.

Withholding Tax

Malta does not levy withholding tax on dividends, interest and royalties paid to non-residents.

Tax Refunds

Upon receipt of a dividend, shareholders of a Malta company may claim a refund of all or part of the Malta tax paid at the level of the company on such income. Shareholders of a company that have a branch in Malta and who are receiving dividends out of branch profits subject to tax in Malta qualify for the same Malta tax refunds as shareholders of a Malta company. In order to determine the amount of refund which one may claim, the type and source of the income received by the company must be considered. The default tax refund is 6/7ths of the Malta tax paid.

Refunds may not be claimed in any case on tax suffered on income derived directly or indirectly, from immovable property.

Participation Exemption

Income or gains from qualifying investments, may be exempt from tax under the Participation Exemption regime. An investment qualifies for the exemption where it is a participating holding in a company which is resident or incorporated in the EU or which is subject to any foreign tax at a rate of at least 15%; or where less than 50% of its income is derived from passive interest or royalties. A participating holding would be, among other things a holding of at least 5% of the equity of a company, an equity holding which gives the shareholder the right to appoint a director, an equity holding whose acquisition value is not less than €1,164,000.

Where income or gains derived by a Malta company from an investment cannot benefit from such exemption, the company's shareholders would still be eligible to claim, upon the distribution of dividends, a refund of part of the tax paid by the Malta company on the profits from foreign investments.

Relief from double taxation

Foreign source income or gains which have suffered tax overseas may benefit from relief from double taxation either in terms of one of Malta's over 70 double taxation agreements, or by way of the other forms of unilateral relief provided by Malta.

Infrastructure and Logistics

Communications Infrastructure

Technology innovation has been put among the uppermost priorities in Malta, as evidenced in the great strides the sector has made over the years. Malta has been confirmed as the best performing country across the EU in the field of broadband connectivity according to the Digital Economy and Society Index 2017 (DESI) published by the European Commission. The Malta Communications Authority (MCA) has worked hard in recognising cutting-edge communication services and implementing them in the country. Malta is the only Member State with full coverage of very fast broadband, with subscriptions to such services growing year-on-year.

With the support of a flexible regulatory environment, industry players are encouraged to do their part through constant investments. The two fixed service providers are deploying gigabit internet across Malta and Gozo through fibre and coaxial connectivity. 4G mobile coverage is ubiquitous and there are already plans for the widespread deployment of 4.5G and 5G in the imminent future.

Sustainable Infrastructure

Malta has also been increasing efforts to improve its infrastructure across other sectors. The Malta Development Bank was set up in 2017 to serve as a second-tier financial institution. It is meant to contribute towards sustainable economic development by offering financial facilities that back up financial and viable operations where the financial market is unable or unwilling to satisfy such activities on its own, in whole, or part.

The government has also undertaken to tap into EU funds for infrastructure such as those dealing with waste management, how to manage waste, and how to produce energy out of waste. With regards to transport infrastructure, a €700 million

road upgrade project started in 2018 and will continue in 2019 while an additional 25 major projects on arterial roads and 160 residential roads are expected to take place over the next year.

Logistics Hub in the Mediterranean

Attention has been increasingly diverted to Malta in view of its growth as an international logistics hub. The country's strategic location in the middle of the Mediterranean, its highly-trained labour, expansion in the cargo industry, and increased investment have led to monumental strides in the industry. Malta overall offers a highly developed logistics sector allowing companies to operate smoothly, avoiding any disturbances in supply of raw materials or finished products.

A number of transportation options are available for manufacturing and trading companies in Malta. The Malta Freeport, for instance, is presently linked by regular carrier services to over 120 ports worldwide and connected to over 65 ports in the Mediterranean and the Black Sea. Malta's Grand Harbour offers RORO, containers, trailers and conventional cargo facilities. Furthermore, the Malta International Airport (MIA) is connected by direct flights to most major European, North African and regional cities. Airfreight service providers operating in this airport offer daily connections to various important hubs, within Europe and beyond, and the introduction of low-cost airlines has stimulated further growth.





Intellectual Property

IP Legislation

Intellectual Property (IP) is often a client's most valuable asset. It is that area of business law which provides entrepreneurs, whether private individuals or corporate entities, an incentive to create and discover without the constant fear that their initiative could be threatened or prejudiced.

Over the years, Malta has, for a variety of reasons, established itself as an attractive jurisdiction for entrepreneurs wishing to safeguard their intellectual property rights. With the setting up of foreign companies on the Maltese islands, investment by financial services firms and software companies and the Government's vision of establishing Malta as a mecca for ICT and financial services, many companies have felt the need to protect their intellectual property within our shores.

Over the years, Malta has undergone numerous developments with regards to IP. It is worthwhile to mention the Industrial Property Registration Directive which confers regional or international protection, as well as national protection. Of equal significance is the Intellectual Property Rights (Cross-Border Measures) Act which provides for the importation into Malta and the exportation and re-exportation from Malta, of goods in contravention of IP rights. A Patents Tribunal has also been established with the exclusive jurisdiction to hear and determine claims relating to patent infringement and revocation and actions related thereto. Moreover, the country is also invested in the larger project of 'Making Malta an IP hub' which is centred around consolidating Malta's various IP laws into one code.

International Agreements

Apart from extensive legislation guaranteeing peace of mind for clients, Malta is also party to a number of international conventions and treaties, namely the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the Patent Cooperation Treaty (PCT), the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

Malta is also bound by agreements held within the various international organisations it forms part of, such as the World Trade Organisation and the European Union.⁴³ For instance, upon accession in the EU, all EU Trademarks (as well as all Community Designs) are applicable to Malta and consequently can find protection in Malta through the EU's Community Trade Mark (CTM) and Community Design (CD) system. A CTM is any trademark which is pending registration or has been registered in the European Union as a whole. This, as opposed to individual registrations on a national level, renders the CTM a very favourable option to right holders, resulting in a cost-effective and unitary mode of registration and administration. Malta's applicable law with regards to counterfeit goods and the relevant procedure for intervention is also in line with the relevant European Union Regulations and Directives. All of this provides sweeping coverage over four main areas of IP- patents, designs, copyright and trademark.

Employment

Employment Conditions

Malta's Constitution recognizes the right to work as one which is fundamental and deserving of being rendered effective through the relentless promotion of proper working conditions. Conscientious measures are taken at the local level in order to ensure an all-encompassing regulation of employment. The principle statute is found in Chapter 452 of the law of Malta, the Employment and Industrial Relations Act (EIRA).

Specific regulations have been enacted throughout the years to address private and public sectors, minimum safety standards at work, wage expectations, applicable overtime work rates, the allocation and consumption of working hours by employer and employee, paid and unpaid leave entitlements, and other matters. Employers are required to satisfy specified minimum requirements with regards to these areas as well as others. Employment in Malta is also regulated by industry specific collective agreements which might apply as well as decisions of local courts and tribunals. Additional matters which relate to employment, such as work permits, licence to operate as an employer, the payment of wages and deductions of income tax and other fiscal considerations, business permits and so on are also specifically addressed in the law.

EIRA covers all workers, including those who are self-employed. Employment contracts can cover jobs which are full-time, part-time, or full-time with reduced hours, and these may be established over fixed or indefinite periods of time. The probation period for employees normally spans over six months, and the standard working week is that of 40 hours. Full-time employees are entitled to 24 days of vacation leave per year. Maternity leave for full-time employees covers up to 18 weeks, while three months unpaid paternal leave is also provided.

Individuals are taxed on their income at progressive rates up to a maximum of 35% (for income over €60,000). Individuals may be subject to single, married, parental or non-resident tax rates.

Incentives for Foreign Nationals

As a direct result of its economic success Malta is always looking into ways to attract skilled and qualified labour, while also assisting foreign companies relocating or investing in Malta who need to bring in foreign workers. In this regard, various incentives have been introduced dealing with attractive tax schemes, soft loans, investment allowances, and training assistance, amongst others.

The country also has an incentive scheme in place for Highly Qualified Persons so as to attract professional personnel from abroad, particularly those specialising in the sectors of aviation, financial services, gaming and assisted reproduction. Qualifying professionals would benefit from a flat personal income-tax rate of 15 per cent on income up to €5 million. For the basis year 2018, the minimum qualifiable income is €84,016.⁴⁴

Employment of foreign nationals is also comprehensively regulated in Malta. Since joining the EU, the European Union Act (Chapter 460 of the Laws of Malta) allows for Union members to enter Malta, reside and seek employment in the country, while being treated equally to the Maltese nationals in all aspects of employment. Family members, including those who are not nationals of any member states, may also enjoy the same rights, subject to certain requirements. On the other hand, the employment of third country nationals who are by no means related to any EU citizens, is regulated through the Immigration Act (Chapter 217 of the Laws of Malta). Third country nationals may only hold employment within Malta should they be granted with the appropriate employment license by the Principal Immigration Officer.



USEFUL LINKS

- Central Bank of Malta - <https://www.centralbankmalta.org/>
- Commissioner for Revenue - <https://cfr.gov.mt/en/Pages/Home.aspx>
- Department of Information - <https://www.gov.mt/en/Government/DOI/Pages/Department-of-Information.aspx>
- Employment and Training Corporation - <https://jobsplus.gov.mt/>
- Enemalta Corporation - <https://www.enemalta.com.mt/>
- Finance Malta - <http://www.financemalta.org>
- Government online portal - www.mygov.mt
- Identity Malta Agency - <https://identitymalta.com/>
- Justice Services - <http://www.justiceservices.gov.mt/LOM.aspx>
- Malta.ai - <https://malta.ai/>
- Malta Chamber of Commerce, Enterprise and Industry - <https://www.maltachamber.org.mt/>
- Malta Communications Authority - <https://www.mca.org.mt/>
- Malta Digital Innovation Authority - <https://mdia.gov.mt/>
- Malta Enterprise - <https://www.maltaenterprise.com/>
- Malta Film Commission - <https://maltafilmcommission.com/>
- Malta International Airport - <https://www.maltairport.com/>
- Malta Financial Services Authority - <https://www.mfsa.com.mt/>
- Malta Foreign Affairs - <https://foreignaffairs.gov.mt/en/Pages/Home.aspx>
- Malta Gaming Authority - <https://www.mga.org.mt/>
- Malta Life Sciences Park - <https://www.maltalifesciencespark.com/>
- Malta Planning Authority - <https://www.pa.org.mt/>
- Malta Stock Exchange - <https://www.borzamalta.com.mt/default.aspx>
- Malta Tourism Authority - <https://www.visitmalta.com/en/home>
- Ministry for Economy, Investment and Small Business - <https://economy.gov.mt/en/Pages/Home.aspx>
- Ministry for Finance - <https://mfin.gov.mt/en/Pages/default.aspx>
- National Statistics Office - <https://nso.gov.mt/en/Pages/NSO-Home.aspx>
- Registry of Companies - <https://registry.mfsa.com.mt/ROC/>
- Transport Malta - <http://www.transport.gov.mt>
- Water Services Corporation - <http://www.wsc.com.mt>

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- 5 http://ec.europa.eu/eurostat/statistics-explained/index.php/Government_finance_statistics#General_government_surplus.2F_deficit
- 6 <https://www.centralbankmalta.org/economic-projections>
- 7 https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2017-economic-forecast_en
- 8 https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2018-economic-forecast-expansion-continue-amid-new-risks_en
- 9 [https://nso.gov.mt/en/News_Releases/View_Current_Year/Pages/News-Releases-2018-\[1\].aspx](https://nso.gov.mt/en/News_Releases/View_Current_Year/Pages/News-Releases-2018-[1].aspx)
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Priscilla participated in the discussion fora leading to Malta's FinTech legislative framework and advises clients active in blockchain and crypto services.



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