

MALTA'S INTERNATIONAL ADVISORY GROUP

Malta - Tonnage Tax System



Malta - a Maritime Hub

As a leading maritime service provider, Malta has become a flag of choice for shipping and maritime companies seeking a reputable and tax efficient jurisdiction that protects both assets and the rights of ship owners.

Offering one of the most competitive shipping registry fees and income taxation regimes across the globe – depending on the tonnage and age of the vessel – the Malta registry provides registration for ships, yachts and a wide variety of vessels. It is also possible to register vessels under bareboat charters, vessels under construction and mortgages.

Key Information

The Tonnage Tax Regulations (Subsidiary Legislation 234.43) establishes the tonnage tax system in Malta. These regulations have been updated in 2021 to reflect current general practice in ship measurement.

Tonnage tax contributes to Malta being ranked as the 6th largest ship registry in the world and the largest in Europe. The system has been approved by the European Commission as being compatible with EU State Aid rules and with the Commission's 2004 Guidelines on State Aid to Maritime Transport.

Tonnage Tax Ship

- Tonnage not less than 1,000.
- Registered under the Maltese Merchant Shipping Act; or
- Registered in another EU/EEA State and has paid the applicable Maltese tonnage tax;
- Registered under a third country flag and declared by the Minister to be a tonnage tax ship provided certain conditions equivalent to those set out in EU Guidelines are satisfied.
- Recently includes commercial yachts.

Shipping Activities

The tonnage tax system is applicable to all organisations that own, charter or operate a tonnage tax ship. Qualifying shipping activities consist of:

- Carriage of goods or persons by sea in terms of the EU Maritime State Aid Guidelines and other activities that the European Commission has declared as eligible for tonnage tax;
- Activities that are integral or directly linked to the business of operating tonnage tax ships when carried out together with the above activities; and
- Ancillary activities, when also carried out in conjunction with the above.

Qualifying Income

Income arising from shipping activities as defined above is otherwise exempt from Malta tax.

Shipping Organisations

Business entities may qualify as 'shipping organisations' if they have as their special purpose one or more shipping activities listed below and obtain (and maintain) a licence from the Registrar-General to carry out such activities.

- Ownership, operation (including charter), management and administration of ships registered as Maltese ships and ancillary financial, security and commercial activities;
- Ownership, operation (including charter), management and administration of ships registered under other flags and ancillary financial, security and commercial activities;
- holding of shares and other interests in entities set up for similar purposes, whether Maltese or not;

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Acumum Legal & Advisory:: Malta, UK & Ireland. Corporate, Fiduciary, Legal.

info@acumum.com | www.acumum.com | Skype ID: acumum

Malta +356 2778 1700 | UK +44 20 7060 4277 | Ireland +353 1 293 6500

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- raising of finance for a shipping organisation, or other entities within the same group, to achieve these objects; and, or
- carrying out any activities which the Minister for Transport may prescribe in regulations (published by means of a Legal Notice in the Government Gazette).

Such organisations may be limited liability companies or commercial partnerships. Companies may be private or public. Shipping organisations may also operate under a trust ("shipping trust") or foundation ("shipping foundation"). A foreign corporate body or entity enjoying legal personality under its law of incorporation that also has a place of business in Malta can also qualify as a shipping organisation.

Full Tax Exemption - Income from Shipping Activities

- Exemption from tax on income derived from shipping activities;
- Exemption from income tax or stamp duty on the disposal of shares in a licensed shipping organisation;
- Exemption from income tax for income derived by a ship manager from ship management activities;
- VAT exemptions for certain maritime activities; and
- Exemption extended to include activities of commercial yachts.

Full Tax Exemption - Sale / Transfer of Ownership of Shipping Vessels

Full exemption from tax for income, profits or gains derived from:

- sale or other transfer of a tonnage tax ship; or
- disposal of any rights to acquire a ship which when delivered or completed would qualify as a tonnage tax ship

Total tax exemption also applies to entities that trading in the acquisition and disposal of tonnage tax ships.

Conditions to Qualify for Exemption

- Company - set-up and licence to operate as a shipping organisation;
- Ship or Yacht - qualifies as tonnage tax ship;
- Annual declaration filed regarding shipping income, plus settlement of registration fees and tonnage tax;

- Segregated accounts - maintaining distinct accounts for shipping and ancillary activities;
- At least two thirds of the tonnage of the ships to which the ship manager provides services to be managed from EU territory;
- At least 60% of the managed tonnage is registered under an EU flag; if not, the ship manager must ensure not to reduce this percentage or would be required to provide a commitment to increase the tonnage of EU managed ships over a specific period.
- At least 10% profit to be made on qualifying transactions.

Note: leasing profits are considered to be trading income.

EU Flagged Ships

The benefits under this system also extend to EU registered ships. In this case if registration fees/tonnage tax were paid in respect of that ship in another Member State/EEA State, relief may be provided against the Maltese registration fees/tonnage taxes, subject to a minimum payment equivalent to 25% of Maltese registration fees/tonnage tax.

Third Country Flagged Ships

The benefits of the Malta tonnage tax system are also applicable in certain instances to non-Malta Flagged ships. To qualify, any tonnage ships not registered in Malta must pay, in full, all relevant registration fees/tonnage tax applicable to the vessel. These rates are calculated as if the ship were registered in Malta.

Additional Benefits

- No grouping provisions requirements - benefits still available to shipping management companies, even if not all shipping companies in the group are registered in Malta
- Licensed shipping organisations having no income other than income from shipping activities can submit a declaration in lieu of a tax return;
- Distribution of profits derived from shipping activities are usually exempt from tax in Malta in the hands of the shareholders;
- Ship management activities are defined as referring to those activities consisting in, but not limited to, the entire crewing of a tonnage tax ship and/or the provision of

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technical management thereto. A Ship manager must be a licensed shipping organisation, established in the EU, and must have assumed responsibility for either or both of the technical or crew management of a ship and complies with international standards.

Advantages of Malta Registration

The tonnage tax system does not necessarily require a vessel to be registered in Malta. However, registering a yacht or ship in Malta does present several advantages, including:

- No nationality restrictions on ownership or crew;
- No trading restrictions on Malta-flagged vessels;
- Progressive reduction in registration costs and tonnage tax for younger ships;
- Registration under construction;
- Registration of mortgages - no limits;
- Flag requirements known to major shipyards and classification societies;
- Preferential treatment in certain ports, favourable treatment in major ports;
- Serious and efficient maritime administration;
- Flag state inspectorate to ensure adherence to international standards;
- Round-the-clock service at Merchant Shipping Registry;
- Sound multilateral and bilateral relations;
- Extensive double-tax treaty network; and
- Active participation of the Malta Flag in international fora, including international organisations.

For more information, you can consult our Malta Shipping Fact Sheet.

Acumum Advisory

How can Acumum help?

Trusted | Expert | Independent: Acumum – Legal & Advisory is an award-winning set of legal, corporate, tax and fiduciary firms. With our main office in Malta and having international reach, our practice areas span: aviation, corporate, energy, financial services, gaming, intellectual property, maritime & yachting, pharmaceuticals, residency & citizenship, as well as wealth & estate planning. Celebrating 10 years since establishment, our experienced team of lawyers, accountants and tax advisors create holistic, practical and cost-effective solutions tailored to our clients' needs.

We are guided by a commitment to long-term relationships and exemplary customer service, acting as leading advisors to international clients, including individuals, family offices, companies, governments and intermediaries.

Key Contact

Dr Geraldine Spiteri - Director, Advocate (Malta)

Dr Geraldine Spiteri has been a Maltese advocate since 2002 and subsequently qualified in EU & Comparative Law (Magister Juris, University of Malta) and International Maritime Law (LL.M. IMO International Maritime Law Institute).



Geraldine's main practice areas are maritime and yachting, aviation and corporate law. She manages the maritime and aviation departments of Acumum.

Email: gspiteri@acumum.com

Direct Dial: +356 2778 1700 (403)



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info@acumum.com | www.acumum.com | Skype ID: acumum

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