



Malta - A Perfect Holding Jurisdiction 0% tax Participating Exemption

EU Membership - Benefits

As a full member of the European Union, Malta enjoys the benefits of EU directives and in particular the Parent & Subsidiary Directive, which allows for profits and gains arising through subsidiaries in one EU member state to be repatriated to its holding company on a **0% tax basis**.

Participating Exemption

Income derived from a participating holding or from the disposal of such holding will qualify for a participation exemption, which is intended to exempt from tax dividends and gains derived from such holdings. The income derived from a participating holding which qualifies for a participation exemption, may be altogether excluded from the tax return and as a result **no tax will be due**.

Participating Holding

A shareholding in a non-resident company qualifies as a participating holding if the Maltese company holds equity shares in a non-resident company or a qualifying body of persons and it:

- (i) holds directly at least 5% of the equity shares of the non-resident company; or
- (ii) is an equity shareholder in the non-resident company and is

entitled at its option to purchase the balance of the equity shares of the non-resident company or has the right of first refusal to purchase such shares; or

- (iii) is an equity shareholder in the non-resident company and entitled to be represented on the Board of directors; or
- (iv) is an equity shareholder which invests a minimum of €1,164,000 in a company not resident in Malta and such investment is held for a minimum uninterrupted period of 183 days; or
- (v) holds the shares in the non-resident company for the furtherance of its own business of the Malta company but not held as trading stock for the purpose of trade.

A shareholder of a Maltese company may claim **a full refund of the tax paid on the dividends and capital gains** received from a participating holding if the holding in the non-resident company satisfies at least one of the following anti-abuse provisions:

- it must be resident or incorporated in the EU;
- it must be subject to foreign tax of a minimum of 15%;
- it must not derive more than 50% of its income from passive interest or royalties.

Capital gains arising from the disposal of the participating holding would be **0% tax** rated in Malta.

Non - Qualifying Holdings

If a subsidiary of a Maltese company, not come within the rules of the participation exemption, dividends arising from the subsidiary, would be subject to Malta's normal tax system, which after application of tax credits and refunds would levy a tax rate of 6.25%
Capital gains arising from the disposal of the participating holding would be **0% tax** rated in Malta.

Malta's Tax System

Following the application of Malta's tax refund system, Malta's corporate tax rate is substantially reduced from 35% to:

- 6/7ths refund for trading income = **5% tax rate**
- 5/7th refund for passive income = **10% tax rate**
- 2/3 refund for certain passive income = **6.25% tax rate**

Imputation System-0% Shareholder Tax

As one of the few countries to still retain a full imputation system, dividends paid by a Malta company do not attract any further tax since they carry a tax credit equivalent to the tax paid by the company upon the distribution of profits. Resident and non Resident shareholders are entitled to a **refund of tax paid** by the company—with no further tax levied on the shareholders' income.

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