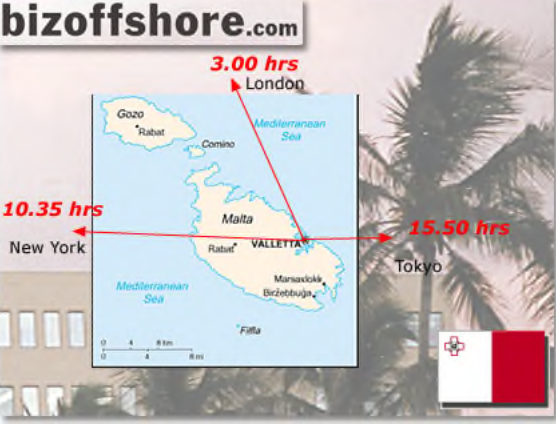


Malta

<p>Overview</p> <p>The Republic of Malta is a small and densely-populated island nation in southern Europe. It consists of an archipelago in the middle of the Mediterranean Sea directly south of Italy and north of Lybia. Malta joined the European Union in May 2004. The official languages are English and Maltese.</p> <p>Due to its extensive network of double tax treaties with almost all the important OECD countries, Malta is often chosen as a base by firms needing to set up an offshore holding or investment company, or trading subsidiary. The Maltese financial services sector has grown significantly over the last decade and today accounts for 12% of GDP. It is expected to contribute 25% to Malta's GDP within the next ten years. However, Maltese legislation for banking, mutual funds, insurance and trust services was relatively late in arriving, and while these sectors are growing, they are not on the scale of some other OFCs.</p>	
<p>Current Time</p> <p>World Time Server</p>	<p>Country Motto</p> <p>None</p>

Online News Sources

The Times: www.timesofmalta.com
 The Malta Independent: www.independent.com.mt
 The Malta Financial and Business Times: www.businesstimes.com.mt

Business Environment

Malta has an excellent business infrastructure with good telecommunications, extremely well-equipped ports and Freeport, a well-developed manufacturing infrastructure, and has a relatively sophisticated, European business environment.

Over the past decade, Malta has completed a programme of reforming all its finance sector legislation in line with international best practice and was one of the first six countries in the world to reach an advanced accord on fiscal matters with the OECD. As a result of this agreement Malta is not considered as a tax haven.

The Malta Financial Services Authority (MFSA) was established by law on 23 July 2002. It is a fully autonomous public institution and reports to Parliament on an annual basis. The MFSA has taken over supervisory functions previously carried out by the Central Bank of Malta, the Malta Stock Exchange and the Malta Financial Services Centre and is the single regulator for financial services. The sector incorporates all financial activity including banking, investment and insurance. The MFSA also manages the Registry of Companies and has also taken over responsibility as the Listing Authority.

Although the financial services sector is dominated by banking, the investment and fund management industry is becoming more of a draw for foreign companies. Investment services and mutual funds are regulated by the Investment Services Act, 1994. The act provides for two types of licenses: an investment services license, and a collective investment scheme license. Collective investment schemes can be formed as open ended investment companies (Sicavs), close ended investment companies (Invcos), mutual funds, investment partnerships or unit trusts. Sicavs can be public or private companies. Invcos can only be public companies. Unit trusts are defined as those created under the legislation of another country recognised in Malta.

Companies are considered resident in Malta if incorporated in Malta or if control and management are exercised in Malta. Malta's Companies Act, 1996 allows limited liability companies, general partnerships, and limited partnerships. A general partnership is called a 'partnership en nom collectif' and a limited partnership is called a 'partnership en commandite'. For tax purposes companies may be classified as international trading companies or holding companies. International trading companies are restricted to trading overseas. Companies providing back office management services to non-resident companies may operate as international trading companies. Holding companies are Maltese registered companies that hold assets, shares or investments.

The term 'offshore' is used in Malta only in the 'Offshore Company' which is being phased out in favour of the International Trading and Holding Company (ITC and IHC) forms. Non-residence is a key criterion for obtaining offshore tax treatment in most situations. The main forms useful for offshore operations apart from the ITC and IHC are the Limited Partnership and the Trust.

The Insurance Business Act, 1998, and the Insurance Brokers and Other Intermediaries Act, 1998 regulate the insurance sector. The Banking Act, 1994 and the Financial Institutions Act, 1994 regulate the provision of banking and financial services. A foreign trust formed under the Trusts Act 1988 is one in which the settlor and beneficiaries are not resident in Malta and in which the assets do not include immovable property situated in Malta. The trust must be registered with the MFSC to qualify for tax incentives. For shipping companies the Malta Freeport facility provides a trans-shipment centre for the Mediterranean.

Under the Prevention of Money Laundering Act, Malta established a financial intelligence analysis unit (FIAU), which reports to the ministry of finance. Malta is gradually abolishing bearer accounts.

Taxes

Malta has moderately high internal taxes, but offers low-tax regimes to companies and individuals. Taxation for offshore entities is very light, and Malta is unusual among low-tax countries in having tax treaties with 38 other countries, including most of the major European trading nations, and is in the process of negotiating others.

The corporate tax rate is 35%. ITCs are taxed at the normal company rate of tax but gain tax advantages for non-resident shareholder amounting to an effective tax rate on distributed profits of 4.2%. Holding companies are taxed at the corporate tax rate but gain tax advantages for non-resident shareholders. Under the Business Promotion Act businesses set up to manufacture in Malta are eligible for a number of incentives, including a ten year tax holiday, reduced rates of tax, investment allowances, accelerated depreciation, and tax free dividends. Companies with a license from the Malta Freeport can get exemptions from custom duties, from income tax, and from duty on documents.

Collective Investment Schemes are exempt from tax but are excluded from double taxation treaty benefits. A collective investment scheme that is not a unit trust may waive its right to the exemption from tax on its income and is taxed at 25%. Schemes opting to be taxed are entitled to benefits under double tax treaties. Capital gains realised by a scheme listed on the Malta Stock Exchange are exempt from capital gains tax.

Non-resident persons (including companies) are exempt from tax in respect of interest, royalties and gains or profits made on a disposal of any units in a collective investment scheme and of any shares or securities in a company. Individuals ordinarily resident or domiciled in Malta are taxed on income

arising in Malta and on foreign sourced income received in Malta. Tax paid by a company is imputed to the shareholder in the event of a dividend distribution. All income and capital gains derived from overseas assets and profits derived from an overseas branch, agency or permanent establishment are eligible for relief of double taxation. Personal tax rates are progressive up to a maximum of 35% on any amount of income, including capital gains. Overseas online betting operators are taxed at an effective rate of 4.2% plus pay the Malta government 0.5% on the value of all bets.

Stock Exchange

The Malta Stock Exchange Act 1990 led to the opening of a stock exchange towards the end of 1992. Management of the exchange is in the hands of a Council, headed by the Chairman. Prospectus and listing requirements are in line with EU standards. Amendments made to the Malta Stock Exchange Act in 2002 provide for virtually the complete removal of the Exchange's regulatory functions in particular those concerning admission to listing and licensing of stockbrokers; these functions are now the responsibility of the MFSA.

During 2001 the Exchange obtained Associate Membership of the Federation of European Securities Exchanges after undergoing a rigorous evaluation process by the Federation itself covering, in particular, regulatory and trading operations as well as compliance with EU Directives.

As of the end of June 2005, there were fourteen equity listings and twenty-eight corporate bonds listed on the Exchange, along with some Maltese Government stocks. The exchange had listings for about 70 mutual funds. During this last quarter total turnover on the MSE was Lm6.74 million, down from Lm10.59 million registered in the previous quarter but marginally higher than the Lm5.16million measured in the same period of 2004. Total Market Capitalisation at the end of June 2005 stood at Lm 1,024.80 million.

Although fairly limited due to the small number of listed companies, the exchange has sought to expand its international role, by developing into a regional exchange, the BorzaMed, for the Mediterranean basin. Already a number of cooperation agreements developing an efficient regulatory framework for cross border trading of securities in the Mediterranean region.

Key Contacts

[Borza ta' Malta](#) (Malta Stock Exchange)
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[The Registry of Companies](#)
(Provides services online)
Malta Financial Services Authority
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Central Bank of Malta

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The Malta Development Corporation

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Malta Maritime Authority

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Key Stats

Country Name: Republic of Malta.

Population: 398,534 (July,2005est)

Capital: Valletta

Languages: Maltese (official), English (official)

Currency: Maltese lira. US\$1 = 0.3444 lira (2004)

Legal system: Based on English common law and Roman civil law. Judges and magistrates are appointed by the president, acting on the advice of the prime minister. The judicial system is made up of inferior courts, civil and criminal courts of appeal, and a Constitutional Court. The *Constitutional Court* deals in cases involving violations of human rights, the interpretation of the constitution and invalidity of laws. The court has jurisdiction to decide questions as to membership of the House of Representatives and any reference made to it relating to voting for election of members of the House of Representatives. The *Court of Appeal* is composed of three judges and hears appeals from the Civil Court. The same court composed of one judge hears appeals from the Court of Magistrates in its civil jurisdiction. The court also hears appeals from decisions of a number of special tribunals. The *Criminal Court* sits with a judge and a jury of nine persons to try, on indictment, offences exceeding the competence of the Court of Magistrates. The court may in certain cases sit without a jury. The *Court of Criminal Appeal*, made up of three judges, hears appeals from persons convicted before the Criminal Court. The court, when formed by one judge, hears appeals from judgments delivered by the Court of Magistrates. The *Civil Court* hears civil and a commercial cases exceeding the jurisdiction of the Court of Magistrates. The *Court of Magistrates* sits with a single magistrate, who exercises both civil and criminal jurisdiction.

Government: Malta is a parliamentary democracy with a president and prime minister. The president is elected by the unicameral parliament for a term of five years. The president is the nominal head of state, with moral rather than executive powers. The president assents to bills, he prorogues and dissolves parliament, and except in rare constitutional matters he must act on the advice of the prime minister and ministers. Executive power lies with the prime minister and cabinet based on the Westminster model. Parliament is made up of the House of Representatives, which has a minimum of 65 members elected by popular vote on the basis of proportional representation to serve five-year terms. Additional seats are given to the party with the largest popular vote to ensure a legislative

majority. The speaker may be appointed from within or from outside the House of Representatives. Current parliament: 65 seats and a speaker of the house. The government is formed by the Nationalist Party (PN), which holds 34 seats. The opposition Labour Party holds 31 seats

Executive: chief of state: President Eddie FENECH ADAMI (since 4 April 2004)

head of government: Prime Minister Lawrence GONZI (since 23 March 2004)

cabinet: Cabinet appointed by the president on the advice of the prime minister

elections: president elected by the House of Representatives for a five-year term; election last held 29 March 2004 (next to be held by April 2009); following legislative elections, the leader of the majority party or leader of a majority coalition is usually appointed prime minister by the president for a five-year term; the deputy prime minister is appointed by the president on the advice of the prime minister

election results: Eddie FENECH ADAMI elected president; percent of House of Representatives vote - 33 out of 65 votes

Unicameral House of Representatives (usually 65 seats; note- additional seats are given to the party with the largest popular vote to ensure a legislative majority; members are elected by popular vote on the basis of proportional representation to serve five-year terms)

elections: last held 12 April 2003 (next to be held by April 2008)

election results: percent of vote by party - PN 51.7%, MLP 47.6%, AD 0.7%; seats by party - PN 34, MLP 31

Political parties: Alleanza Gustizzja Socijali-Alternativa Demokratika/Social Justice Alliance-Democratic Alternative (AD): leader Harry Vassalo. Partit Laburista/Malta Labour Party (MLP): leader Alfred Sant; Partit Nazzjonalista/Nationalist Party (PN): leader Edward Fenech Adami.

Economic overview: The economy is dependent on foreign trade (including trans-shipment through the port), manufacturing (electronics and textiles), and tourism. Manufacturing contributed 22.85% of gross domestic product, public administration 16.47%, private services 11.49%, insurance, wholesale and retail trade 11.07%, property income 10.77%, insurance, banking and real estate 9.18%, transport and communication 6.7%, government enterprises 6.09%, construction and quarrying 2.96%, agriculture and fishing 2.41%..

Public holidays (2005)

1 January (New Year's); 10 February (Feast of St Paul's Shipwreck); 19 March (Feast of St Joseph); 25 March (Good Friday); 31 March (Freedom Day); 1 May (Worker's Day); 7 June (Sette Giugno: commemoration of the uprising of 7 June 1919); 29 June (Feast of St. Peter and St. Paul also known as Mnarja or Harvest festival); 15 August (Feast of the Assumption); 8 September (Feast of Our Lady of Victories); 21 September (Independence Day); 8 December (Feast of the Immaculate Conception); 13 December (Republic Day); 25 December (Christmas Day).

Time

GMT plus one hour. The clock goes forward one hour on the last Sunday in March and back to normal time on the last Sunday in October.

Financial Year: Calendar year

Restaurant Guide

We recommend:

Da Pippo

136 Melita Str, Valletta

Tel +356 248 029

Specialising in Maltese and Italian cuisine

Giannini

23 Windmill Str, Valletta

Tel +356 237 121 Fax +356 236 575

Malata Bar & Restaurant

Palace Square, Valletta

Tel +356 233 967

Distinctly Maltese specialities

Pappagall

174 Melita Str, Valletta

Tel +356 236 195

Ideal lunchtime venue in Valletta