



Taxation in Malta

- **Shipping in Malta**
- **Nomad Residence**
- **Malta Enterprise Incentives**



1. Shipping in Malta

Merchant and shipping in Malta

The taxation of Shipping Organisations is enacted by the Minister for Shipping, with the agreement of the Minister of Finance

Subject to the powers granted to the Ministers under the Merchant Shipping Act.

Tonnage Tax of Ships

What is Tonnage tax?

It is the tax paid dependent on the tonnage of the vessel or fleet belonging to a ship owner. Cargo and passenger ships trading internationally benefit freely from the tonnage tax regime.

On 17 December, 2017 the European Commission approved the Maltese Tonnage Tax Rules for a period of ten years

EU - Tonnage tax Approval Conditions

- All registration fees and tonnage taxes must have been paid - **No Accrued fees;**
- **Separate** accounts and legal paperwork must be kept clearly distinguishing shipping business activities and other business activities;
- Only income derived from shipping activities is exempted;
- The activities must be performed by a registered tonnage tax ship;
- The tonnage tax ship must be owned or chartered by a licensed Shipping Organisation;
- If Tonnage tax approved and paid, then **No additional tax in Malta.**

Merchant & Shipping Regulation, 2018

(MLT)

“No further tax under the Income Tax Act shall be charged or payable on the income of that shipping organisation, to the extent that such income is derived from shipping activities”.

Tonnage Tax Chart

Ship of Net Tonnage (NT)		Fee on Registration	Annual Register Fee for non-tonnage tax ships	Annual Register Fee for tonnage tax ships	Annual Tonnage Tax
Exceeding	Not Exceeding				
0	6,250	€ 1,562.50	€ 2,500	€ 500	€ 2,500
6,250	8,000	€1562.50 plus 25 cents for every NT in excess of 6,250 NT	€2,500 plus 40 cents for every NT in excess of 6,250 NT	€500 plus 8 cents for every NT in excess of 6,250 NT	€2,500 plus 40 cents for every NT in excess of 6,250 NT
8,000	10,000	€2,000 plus 7 cents for every NT in excess of 8,000 NT	€3,200 plus 19 cents for every NT in excess of 8,000 NT	€640 plus 1 cent for every NT in excess of 8,000 NT	€3,200 plus 19 cents for every NT in excess of 8,000 NT
10,000	15,000	€2,140 plus 7 cents for every NT in excess of 10,000 NT	€3,580 plus 14 cents for every NT in excess of 10,000 NT	€660 plus 1 cent for every NT in excess of 10,000 NT	€3,580 plus 14 cents for every NT in excess of 10,000 NT
15,000	20,000	€2,490 plus 7 cents for every NT in excess of 15,000 NT	€4,280 plus 12 cents for every NT in excess of 15,000 NT	€710 plus 1 cent for every NT in excess of 15,000 NT	€ 4,280 plus 12 cents for every NT in excess of 15,000 NT
20,000	30,000	€2,840 plus 7 cents for every NT in excess of 20,000 NT	€4,880 plus 9 cents for every NT in excess of 20,000 NT	€760 plus 1 cent for every NT in excess of 20,000 NT	€4,880 plus 9 cents for every NT in excess of 20,000 NT
30,000	50,000	€3,540 plus 7 cents for every NT in excess of 30,000 NT	€5,780 plus 7 cents for every NT in excess of 30,000 NT	€860 plus 1 cent for every NT in excess of 30,000 NT	€5,780 plus 7 cents for every NT in excess of 30,000 NT
Exceeding 50,000		€4,940 plus 7 cents for every NT in excess of 50,000 NT	€7,180 plus 5 cents for every NT in excess of 50,000 NT	€1060 plus 1 cent for every NT in excess of 50,000 NT	€7,180 plus 5 cents for every NT in excess of 50,000 NT

Tonnage tax Calculator

If we have a ship weighing 30,000 tones used to carry cargo and annually this ship earns €1,000,000 Profit;

Without tonnage tax the corporate standard tax will be:
 $(€1,000,000 * 0.35) = €350,000$

With tonnage tax the tax charged on the €1M will be:

In the 1st year: $(3,540 + 860 + 5,780) = €10,180$

In the 2nd Year: $(860 + 5,780) = €6,640$

Main benefits of the Malta Tonnage Tax Regime

1. Shipping organisations are **exempt from paying the standard corporate tax.**
2. **Simplified tax declaration** instead of a regular income tax return.
3. The profits from shipping activities are **exempt from tax** in the hands of the **shareholders following a distribution thereto.**
4. The transfer of shares is **exempted from capital gains and stamp duty.**
5. **VAT exemptions.**
6. **Technical & Crew management activities** benefit from the exemption under the Income Tax Act.
7. The sale or other transfer of **tonnage tax ship** which had been acquired or sold whilst under the tonnage tax system is **exempt from transfer taxes.**

2. Nomad Residence

What is a Nomad Residence

The Nomad Residence Permit enables holders to retain their current employment based in another country whilst legally residing in Malta. The Permit is open to individuals who can work remotely and independent of location, using telecommunications technologies.

Permit is open to individuals from third countries, who would normally require a Visa to travel to Malta.

Nomad Residence - Eligibility

1. Work for an employer registered in a foreign country and have a contract of work; or
2. Conduct business activities for a company registered in a foreign country and of which applicant is partner/shareholder; or
3. Offer freelance or consulting services, mostly to clients whose permanent establishments are in a foreign country, and with whom the applicant has contracts.
4. Applicant must reach a gross monthly income threshold of EUR 2,700.

Applicants must also:

1. Hold a valid travel document;
2. Have health insurance covering risks in Malta;
3. Hold of a valid property rental or purchase agreement; and
4. Pass a background verification check.

Nomad Residence - Tax considerations

Holders of the Nomad Residence Permit will not be subject to personal income tax in Malta as their employment is taxed at origin.

Nevertheless, freelancing, and self-employed individuals who wish to offer their services to clients based in Malta will incur tax obligations in Malta on that income.

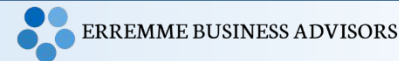
Does this contradict the OECD's Model on Remittance Basis vs Global Tax Basis ???!!!

3. Malta Enterprise Incentives

What is Malta Enterprise?

Malta Enterprise is the Maltese government's exclusive agency focused on attracting inward investment and supporting enterprise in Malta. Its role is to act as a single point of contact for all enterprise support in Malta and to provide cohesion to government policies and efforts relating to enterprise in the country.

Certify (Tax Credits) by MLT Enterprise



A fiscal measure administered to encourage the expenditure on improvements for Maltese established entities undergoing an economic activity.

Through this incentive the Corporation may approve a tax credit to assist in recovering the costs of achieving approved certifications, quality marks, or licences.

BUT what are Tax Credits ?

A tax credit is an amount of money that taxpayers can subtract directly from the taxes they owe. Unlike deductions, which lower the amount of taxable income, tax credits reduce the actual amount of tax owed.

Tax Credit vs Allowable Deductions

Micro Invest - Malta Enterprise

- ❑ Encourages undertakings to invest in their business. Undertakings benefitting from this measure will be supported through a tax credit calculated as a percentage of eligible expenditure
- ❑ Malta Enterprise may approve a tax credit equivalent to 45% of eligible expenditure in favour of each undertaking.
- ❑ An additional bonus of 20% (that is a total of 65% tax credit) applies to undertakings operating from Gozo.

Example – Micro invest

If It is a company's 2nd year of business.

And this company:

Has invested €5,000 in purchasing of laptops.

Has invested €500,000 in purchasing of a small factor.

Has invested in new employees and a total wage rise of €20,000 occurred.

Total: $€525,000 * 45\% = €236,250$

Example – Micro invest Con.

*Does this mean that the entity has a tax credit
of
€ 236,250???*

YES or NO?

If yes then this means that effectively a company continuously growing will effectively keep getting a discount on the annual tax charge

Micro Invest - De Minimis Aid

SO as there not to be a form of conflict between the Micro invest scheme and stat aid the De Minimis condition was implemented.

'The total amount of de minimis aid granted to a single undertaking shall not exceed the amount of €200,000 over any period of three consecutive fiscal years.'

Thus effectively the maximum one can claim in a period of 3 years as a tax credit is €200,000.

Tax credits – life time

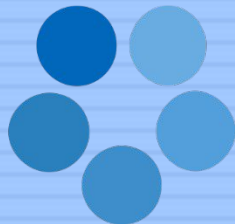
The tax credits are uncontrolled when it comes to the use and enjoyment.

E.g. if in year 1 I earn €100,000 and tax is at 35% then the tax charge is €35,000.

If I have a tax credit of €60,000 then I can in the first year pay Zero tax (Tax charge of €35,000 less tax credit of €60,000) - the remain €30,000 of the tax credit can be used up over a duration of 5 years



Thank you



ERREMME BUSINESS ADVISORS