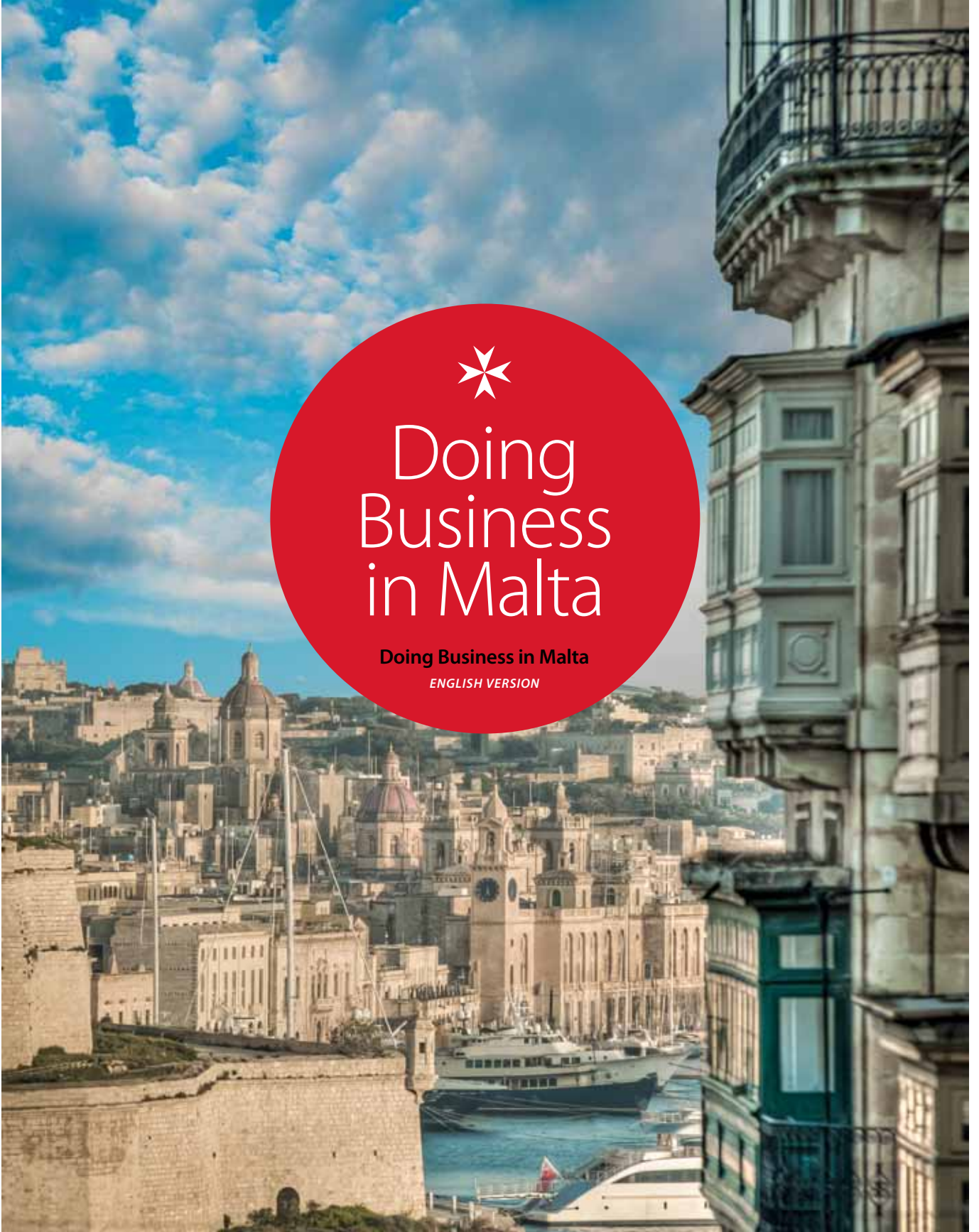




Doing
Business
in Malta

Doing Business in Malta
ENGLISH VERSION





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Doing Business in Malta

Forward-looking Malta has laid the groundwork for a strong economy and an International Finance Centre of repute. A range of emerging sectors and business opportunities will help it retain its competitive position.

Despite being the EU's smallest member state, Malta has been one of the most exciting countries to watch and invest in. Over the years, the island's leaders have been on a mission to make Malta a magnet for financial services. It was their vision to turn the island into a platform for international business and to develop a model economy, which has regularly been among the best in the EU.

In no small part, Malta's rise into the ranks of Europe's leading finance centres has been driven by the island's reputation for stability, predictability and security which has made it an exception among other global financial centres. A robust, EU-compliant regulatory framework, diverse ecosystem and deep talent pool also helped financial services companies from around the world to find opportunities in Malta.

Behind Malta's ascent is a combination of sound policymaking and a pro-business environment. Home to a population of just over 421,000 people, Malta's development has largely been attributed to its focus on knowledge and value-added industries. While financial services has become a key pillar of its economy, Malta also boasts a thriving tourism industry, is home to a large maritime service cluster and supports a host of other sectors including ICT, advanced manufacturing and life sciences.



Location

Located at the southern tip of Italy and just over 316 square kilometres in area, the Maltese Islands lie virtually midway between Europe and North Africa. The archipelago comprises Malta, Gozo and Comino. The main island, Malta, is 27 kilometres long and measures 14.5 kilometres at its widest point. It takes just 45 minutes to cross Malta, reducing commuting times and increasing leisure time. Malta's sister island, Gozo, is smaller still at 67 square kilometres, and Comino covers only 3.5 square kilometres. Situated at the heart of the Mediterranean, the small island nation has become a major shipping hub with its position on the major East-West shipping lanes granting easy access to both Eastern and Western Mediterranean ports.



Geography & Climate

A rocky island with dry and often windy weather, Malta enjoys a typical Mediterranean climate with average temperatures ranging from 12 degrees Celsius in winter to 30 degrees Celsius in summer. It enjoys around 300 days of sunshine a year. Surrounded by some of the clearest and cleanest waters in the Mediterranean, the island's countryside is characterised by tiny terraced fields carved out of any available agricultural land, supported by laboriously constructed rubble walls. The capital city Valletta is both the administrative and business centre of the country. Other main towns include the popular sea-side towns of Sliema and St. Julians on the east coast, the inland towns of Mosta and Birkirkara, situated in the centre of the island, and Paola in the south. While the majority of the Maltese live in urban settings, there are numerous small villages that still evoke the traditional Mediterranean, rural way of life.



Sunshine
300 days of
sunshine/year



Time
GMT +1



Currency
Euro



History

Malta's strategic location at the commercial crossroads linking Europe, Africa and the Middle East has attracted the interest of the various dominant cultures of the last 7,000 years. The Phoenicians, the Romans, the Carthaginians, the Arabs, the Ottomans, the Knights of St John, the French and the British all ruled the island at one time and contributed to the mosaic that is modern Malta. Not surprisingly, Britain's legacy has lasted the longest as Malta was part of the British Empire for over 150 years until independence in 1964. As a result, English remains one of the national languages, with Maltese being the other. Since the mid-80s the island has pursued a strategy of developing a financial services centre. While starting out as an offshore hub, Malta decided to move its financial services onshore. By introducing a strong supervisory framework as well as a competitive, transparent regime approved by both the EU and the Organisation for Economic Co-operation and Development (OECD), Malta sought to distance itself from secrecy jurisdictions and tax havens. The country's decision to join the EU in 2004, and later the eurozone in 2008, was integral to the expansion of its horizons and bolstered its status as a key business hub in the Euro-Mediterranean region.

People

Descendants of ancient Carthaginians and Phoenicians, with strong elements of Italian and other Mediterranean stock, the Maltese are said to be among the most international of peoples. With a history that has seen a succession of foreign rulers, the islanders have acquired a unique ability to adapt to new ideas and to adopt and improve the best of them to their ultimate advantage. Generally well-educated and qualified, 90 per cent of Maltese are bilingual in English and Maltese, and many also speak a third language, usually Italian, German or French.

Government & Politics

Today, Malta is a democratic parliamentary republic in which executive powers rest with the Prime Minister. The President fulfils the function of Head of State. Elections are contested, for the most part, by the two main parties: the Labour Party led by current Prime Minister Joseph Muscat, and the Nationalist Party headed by Simon Busuttil. The last general election, in March 2013, resulted in a landslide victory for Labour, at the expense of the centre-right Nationalist Party which had been in power for 15 years. In April 2014, the island also appointed a new president, Marie-Louise Coleiro Preca, Malta's second female president.



Economy

Malta has posted healthy economic growth for the last four years. In 2014, the economy and the labour market continued to perform well, and the outlook for 2015/16 is favourable. Strong labour market fundamentals, recovering investment and an accommodative fiscal stance are projected to have resulted in real GDP growth of 3.3 per cent in 2014. This has also allowed Malta to maintain one of the lowest unemployment rates in Europe, hovering around 6 per cent against the EU average of 10 per cent. Services, including financial intermediation, tourism and real estate, form the most important pillar of the Maltese economy, contributing 75 per cent of GDP, while industry accounts for 23 per cent and agriculture just two per cent. Businesses like aircraft maintenance, life sciences, high-end manufacturing and IT services are expanding fast, while tourism remains strong, contributing close to 25 per cent of GDP.

FDI & Trade

With its successful economic track record, it is no surprise that Malta has constantly attracted steady inflows of foreign direct investment (FDI) across all sectors of the economy, with the finance sector currently accounting for more than 90 per cent of the total. Malta's FDI stock stood at €136.8 billion at the end of June 2014. Malta's EU membership has been the key attraction for companies to set up operations on the island, while Malta's proximity to and cultural links with North African and Middle East countries are particularly attractive to companies that use the island as a stepping stone for trading, distribution and marketing of their international operations in North Africa. Some prominent companies that have invested in Malta are HSBC, Microsoft, Playmobil, Uniblue, Betfair, Cardinal Health and Lufthansa Technik. In addition to strong historical and commercial ties to Italy and the UK, Malta enjoys healthy trade with France, Germany and Greece. The country's exposure to international commerce is one of the highest worldwide, and Malta has a wide network of some 70 tax treaties. The island's leaders are also constantly working on developing new ties with foreign governments in order to facilitate worldwide market access for all industries. Trade with Asia (mainly China and Singapore), Russia and the US is increasing.

FDI

€136,800 billion

(June 2014)

Finance Hub

Over the years, Malta has become a significant exporter of financial services and has accelerated efforts to increase the depth and breadth of its finance industry. The sector has demonstrated consistent annual growth over recent years. It now accounts for an estimated 13 per cent of the island's GDP and provides close to 10,000 jobs. The Government has provided critical support, and a range of opportunities exist for financial institutions to expand and grow their business in Malta. The scale of this transformation has been enough to position Malta as an alternative to established finance hubs such as Dublin, London and Luxembourg. Malta's finance sector has also been given a clean bill of health by rating agencies, the EU Commission and the International Monetary Fund (IMF). Malta provides a broad and integrated suite of financial services, and the various parts of the financial sector not only serve important functions in their own right but are mutually reinforcing. The island has strong banking, insurance, investment funds and wealth management sectors, all of which are underpinned by EU-compliant legislation and regulation.

Key Players

Malta has gained a reputation as a jurisdiction for smaller financial services companies and start-ups, which offer clients more personalised services than those provided by the bigger firms. But the Maltese authorities' efforts over the last few years have successfully attracted a large number of international banks such as Banif Bank, Deutsche Bank, FIMBank and HSBC. Fund administrators such as Apex, Citco and Custom House all have a presence in Malta, along with insurance managers such as AON, Marsh and Munich Re. In addition, a number of Fortune 100 companies have set up operations here, including multinationals such as BMW, Citroën, Peugeot and Vodafone. Malta also boasts considerable expertise in the field of trusts and foundations, with many legal and accounting firms operating in-house trust companies in addition to international advisory networks.



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Regulation & Legislation

Malta's financial services legislation is in line with EU law and has facilitated a commercially secure business environment from which international investors can operate. Financial services legislation is drawn up by the Ministry for Finance, and Malta pays close attention to the design of financial regulation to ensure it is risk-based and meets regulatory objectives, without over-regulating in a way that might inhibit growth and innovation. The Malta Financial Services Authority (MFSA) oversees all financial services. As a result, companies benefit from streamlined procedures, reduced bureaucracy and lower regulatory fees. The MFSA is open and approachable and offers face-to-face meetings with international companies seeking to operate from Malta. Such access is rare in other finance centres and a blessing in a bureaucratic world.

Human Capital

Over the years, Malta has invested heavily in developing the competencies of its financial sector workforce. From home-grown talent to experienced international financial sector professionals, Malta today offers a diverse talent pool. A high proportion (60 per cent) of Maltese students continue to tertiary education, with law, accountancy and management among the most popular subjects. Companies may occasionally struggle with a shortage of qualified employees, but this is tackled with training initiatives and the hiring of foreign staff. Virtually crime-free, with a Mediterranean climate, good health and education systems, Malta makes it easy for high-flying executives to persuade their spouse and family to move to the island. The country has also introduced tax incentives for highly qualified foreign professionals, who can benefit from a flat income tax rate of just 15 per cent.

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Market Access

Much of Malta's success can be credited to the island's central location. EU membership has provided Malta with access to a massive internal market of over 500 million people. The island is just two to three hours direct flight time from Europe's major cities, and not surprisingly Malta's most important commercial relationship is with the European Union. However, the finance centre does not solely focus on its traditional links and has sought to promote itself in overseas and developing markets. The island's geographic position in the middle of the Mediterranean and its close proximity to North Africa also make it a good stepping stone for financial companies wishing to target the Arab world.

Support Network

New companies setting up on the island also find many helping hands. FinanceMalta, a non-profit public-private foundation set up to promote Malta's financial centre, is the first point of contact for investors and financiers who soon find that the island's professional services firms offer a wealth of knowledge and experience. Most law firms are affiliated with international networks, and many lawyers have post-graduate degrees in finance. In addition, each of the global 'Big Four' accountancy firms has a presence in Malta and, together with the smaller accountancy and auditing practices, service international clients. Clients can rest assured that they are dealing with professional firms. Malta also offers significant cost advantages. Legal and accounting fees are lower than in most other European jurisdictions, and other operational costs and salaries are typically 20 to 30 per cent less than in more established centres.



Emerging Business Opportunities

To bolster its appeal as a finance centre, Malta has been closely studying international trends in finance and has identified a number of business opportunities. Building on its strong IT and telecoms capabilities, sectors such as eFinancial services and online foreign exchange have been singled out as growth areas. As a politically stable and neutral country, Malta also has potential to become a centre for international arbitration, while its long-standing connections to North Africa and the Middle East make it a suitable base from which to establish Shariah-compliant structures. Malta's capital markets are also poised for growth, in particular offering opportunities for small and medium cap companies from Europe and beyond.

Lifestyle

Bankers, fund administrators and insurance managers also talk enthusiastically about the environment. There are few finance centres in the world that match Malta's sunny climate, low crime rate, excellent schools and packed cultural calendar. The island is renowned for its excellent quality of life and, with its small size and well-balanced rhythm, offers residents the opportunity to enjoy the proverbial eight hours of work, eight hours of play and eight hours of sleep. Malta's Mediterranean cuisine, based on seasonal fresh produce and infused with aromatic herbs, is one of the healthiest and tastiest in the region. Last but not least, the island also offers a diverse range of shopping, cultural and leisure activities in addition to well-equipped public and private hospitals and clinics. Malta's government remains focused on expanding the sector and developing its reputation as a stable financial centre that is international in outlook and reach. The country's many strengths - from the quality of its workforce to its lower operational costs, high quality of life and Mediterranean location - offer financial services companies business and lifestyle opportunities that are hard to match.

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KEY SECTOR

Banking

Despite its diminutive dimensions, Malta has developed into an international banking centre, and today accounts for a significant share of global banking activity. The island has charmed international and regional players who have established operations in the country. Today, more than 25 credit institutions have a presence in Malta, offering a full set of banking services that range from retail and investment banking to trade finance and custody services. Bank of Valletta (BOV) and HSBC are the largest players in the local retail sector. The largest international banks are subsidiaries of Turkey's Akbank and Garanti Bank. Other major players include: BAWAG, CommBank, Deutsche Bank and IIG Bank.

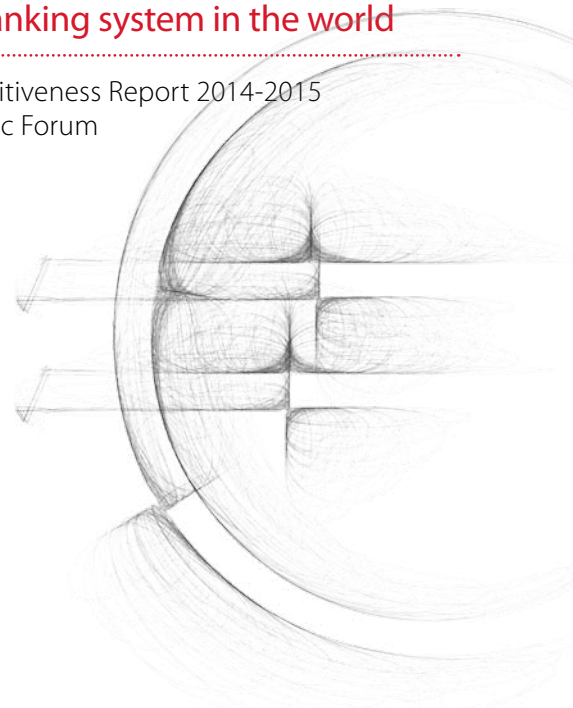
Rated repeatedly as the 10th soundest banking system in the world by the World Economic Forum's Competitiveness Index 2014-2015, Malta's banking sector is thriving. The sector's continued robustness is based on conservative investment policies and a stable deposit base. The sector has suffered no systemic shocks or banking failures. Malta's banks maintain substantial liquidity, adequate capital and prudent lending policies. There is a clear divide between the local retail banks and the more investment-focused, specialised foreign banks that have set up in Malta and which have almost no interaction with the domestic economy.

Prospects for future growth are high. Prudential oversight and a robust regulatory regime will continue to play a key role. Malta's strengths lie in the provision of specialist banking services, in which it aims to compete on an international level. In fact, the island's constantly expanding international finance sector offers plenty of growth opportunities in areas such as ship finance, investment banking and custody services. The island is also generating considerable interest from non-banking finance companies as it seeks to attract this form of business with a dedicated regulatory framework.

10th

soundest banking system in the world

Global Competitiveness Report 2014-2015
World Economic Forum





Investment Funds & Servicing

Malta has emerged as one of Europe's top domiciles for investment funds and asset management, hosting more than 580 investment funds. Malta has long been an established jurisdiction for alternative funds, starting with the island's highly successful Professional Investor Fund (PIF) regime. In 2013, the island was one of the first countries to bring its regulatory regime in line with the EU's Alternative Investment Fund Managers Directive (AIFMD). Malta's new fund regime now has got all bases covered as managers are allowed to run funds under the island's PIF regime, outside the scope of the directive, or Alternative Investment Funds (AIFs) under the AIFMD, as well as EU-compliant and globally recognised UCITS schemes.

The sector also gained momentum due to increased asset management and fund servicing activity. Around 80 fund managers are currently operating in Malta, including companies such as BlueGold Capital Management, Clive Capital, Comac Capital and Liongate Capital Management, while around 30 fund administrators such as Apex Fund Services, Custom House, HSBC and Valletta Fund Services, as well as the largest hedge fund administrator in the world, Citco, have set up on the island. In particular, fund service providers report a growth in business as Malta's lower cost makes it an attractive service jurisdiction for smaller funds in the €100 million range located elsewhere.

620

investment funds

80

fund managers

30

fund administrators

Malta's flexible and pro-business attitude has helped consolidate the island's claim for prominence as a fund jurisdiction. The island's high standards of regulatory oversight and processes, its dedicated customer-service ethos, highly qualified and multilingual staff and lower all-round costs are strengthening its reputation. In fact, fund service providers recently voted the island as their favoured European fund domicile. As more offshore funds choose to move into regulated onshore jurisdictions, Malta is poised to win a significant share of the business seeking an EU location, and expectations are that this sector will continue to grow.



Insurance & Insurance Management

Malta is a relative newcomer to the international insurance market, yet it has made significant strides in attracting world-class companies to its shores, including some of the largest blue-chip corporations in the world. It is a great testament to Malta that international insurance managers such as AON, Marsh and Willis have established operations on the island. Reinsurance provider Munich Re also has a presence on the island, while global corporations such as BMW, Citroën, Peugeot, RWE, Vodafone and Volkswagen have set up captive insurance companies. EU passporting rights and competitive operating costs are key attractions of locating in Malta. The country also championed the introduction of innovative structures such as Protected and Incorporated Cell Companies. Both structures allow firms to write risks through cells within a core company and provide businesses with a cost-effective alternative to setting up a stand-alone insurance company. The cell model is also applicable to insurance managers and brokers.

Some 60 insurance companies are today registered in Malta, with the large majority being international players and only a handful of companies being active in the local market. Together these companies have delivered record premiums in 2013, collecting almost €2.6 billion in premiums. In particular, premiums relating to risks or commitments based outside Malta have rocketed from €1.2 billion in 2010 to over €2 billion by the end of 2013. International insurance business now accounts for more than 80 per cent of the total gross written premiums.

The industry is confident that the Maltese market will continue to witness growth in the coming years. With new legislation on reinsurance special purpose vehicles, Malta is also positioning itself to tap new markets. The island has recognised the growing importance of insurance-linked securities and catastrophe bonds, as well as the convergence of reinsurance and capital markets. These new regulations will strengthen Malta's role as an alternative risk transfer domicile.



International insurance managers such as AON, Marsh and Willis have established operations on the island, while global corporations such as BMW, Citroën, Peugeot, RWE, Vodafone and Volkswagen have set up captive insurance companies.



Capital Markets

The Malta Stock Exchange (MSE), established in 1992, has become a key component of the island's thriving financial services sector. The Exchange uses Deutsche Börse's Xetra trading platform while on the settlement and custodial side, the MSE has a link with Clearstream Banking, the global liquidity provider of Deutsche Börse Group, which facilitates international investor access.

With a market capitalisation of €10.3 billion and a turnover of €940 million in 2014, the MSE is presenting itself as an ideal place to accommodate specialist services, providing small and medium cap companies (SMEs) a step towards eventual listing on the main European exchanges. The MSE has two new innovative products in the pipeline that are set to increase international market access and bridge the financing gap for SMEs. MSE International will provide access to a vast range of international securities, while a second product will create an opportunity for SMEs to raise capital. The island's strategic position in the Mediterranean also lends itself to Malta becoming a gateway to European investors by using the EU Prospectus Directive to tap into the

wider EU capital market. Despite being equipped with and connected to the latest technology, what differentiates the Malta Stock Exchange is its very high standard of personal service. Thus, in Malta it is possible to go through the preparation for an initial public offering (IPO) with a lot more support than on a larger exchange. In addition to this, costs and fees remain competitive while those making primary and secondary applications can expect a swift, well-organised process.

Local as well as foreign companies can also benefit from ancillary services that range from admission and trading to depository and custodial services. Following its vision of becoming an international player, the MSE has also created a new market for debt securities in cooperation with the Irish Stock Exchange. The European Wholesale Securities Market (EWSM) has already attracted two listings and is aimed at a global client base, targeting issuers who desire a European listing for distribution to European investors. The MSE is optimistic that the EWSM will satisfy a demand that is not met by existing markets and will account for substantial revenues in the coming years.

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KEY SECTOR

Corporate Structuring / M&A

Malta is increasingly playing a role in global deal-making, capturing the attention of blue chip corporations and corporate planners for international transactions and investments into Europe as well as into the world's leading emerging markets. As a member of the European Union and the eurozone and in close proximity to the African continent, the island is expanding its role as a regional hub serving Europe and Africa in the same way that Hong Kong serves as a hub for Asia.

Malta emphasises that it is not a tax haven; the island keeps its regulatory framework in sync with the changing demands of the industry and in line with the requirements laid out at EU level. The country operates a full imputation tax system under which companies are taxed at a rate of 35 per cent. However, shareholders are entitled to certain refunds for the tax paid by the company. This regime has been approved by the European Commission, while Malta is also included on the so-called 'white list', set out by the Organisation for Economic Co-operation and Development (OECD).

Incorporating a company in Malta is relatively easy and only takes a couple of days. Every company must be registered with the Registrar of Companies at the Malta Financial Services Authority (MFSA), which today lists some 65,000 companies. The most commonly used vehicle for international business is the Limited Liability Company. A Malta company is the ideal vehicle for a wide range of business activities, as holding or trading companies, ranging from property ownership to the management of eCommerce activities and financial services provision.

Malta is also being used as a platform for M&A transactions. The island is perceived as a prime jurisdiction for this kind of work due to its corporate law and regulatory environment. Malta's network of 70 double taxation treaties further strengthens its position as a key corporate location. Thus far, the majority of transactions coming through Malta are predominantly European, but there is increased interest from outside the EU, including America and Asia.

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KEY SECTOR

Corporate Headquarters

The combination of a highly skilled international workforce, an appealing operating environment and high quality of life makes Malta an attractive choice for the set up of international or regional headquarters overseeing investment in the developed and emerging countries of the region. With its central location, Malta is often regarded as the hub linking the EU's market of 500 million people and the rapidly evolving markets of Africa. Among the companies with corporate management functions on the island are Actavis, FimBank, HeidelbergCement, Konica Minolta and Lufthansa Technik.

Doing business in and from Malta is easy: as home to a major international financial services sector, the country has one of the most developed business infrastructures in the world, making it an ideal base for region-wide corporate coordination and central management functions, sales, marketing

and customer service. A neutral, pro-business and economically stable country, Malta offers companies the perfect climate to successfully compete in the region. A fiscally efficient tax structure leads the way and is complemented by a wide network of double-taxation treaties. Political stability and solid legal, banking and accounting systems make investing in Malta attractive and safe.

Malta may not be the most obvious location as either the European or global headquarters for a firm, but the island is improving its competitive position steadily. The advantages of operating in or from Malta also include the country's flexible, highly trained and multilingual workforce, with wages below the Western European average. The island's low crime rate, Mediterranean climate, as well as its good educational and healthcare systems also make Malta an easy sell for American, Asian or European expatriate executives.



Trusts & Foundations

Malta has been a prominent player in administering private wealth structures for more than 25 years. The Malta trust, combining all the features of the Anglo-Saxon trust concept within a civil law framework, has quickly become the preferred vehicle for professionals and high-net-worth individuals seeking an effective and trustworthy solution to wealth management issues. Trusts have been set up in Malta to safeguard everything from heirlooms to stocks, bonds, art and real estate.

Recently, the island modernised its trust law to bring it in line with international trends and rival trust jurisdictions, ensuring that Malta remains one of the 'go-to' names for those in search of wealth management solutions. The changes to the Trusts & Trustees Act are expected to make Malta an even more attractive destination for wealth management. The perpetuity period of trusts has been extended by 25 years up to 125 years. The other key change concerns settlor powers. Typically, a trust may be invalid if the person establishing it retains control over the assets, however, the updated law introduced specific circumstances when a settlor may reserve powers under the terms of a trust without the trust being considered a sham.

Another example of Malta's competitive offering in this sector is that foundations can also be established. Unlike trusts, foundations have a legal personality and the foundation itself becomes the legal owner of the foundation estate. Both trustees and foundation administrators must be licensed by the Malta Financial Services Authority and are legally bound to treat the interests of beneficiaries as paramount. The fact that Malta is one of the few places in the EU catering for both trusts and foundations has attracted over 140 service providers, including large banks, independently owned trust companies and smaller niche providers to the Mediterranean island, meaning that the sector is blessed with strong support from highly qualified legal and financial service providers.

140+

Fiduciary Service Providers

KEY SECTOR

Wealth Management

It is not by chance that Malta is catching the attention of affluent families and is developing into a world-class platform for the private wealth and asset management industry. The country's mature financial services industry, established infrastructure and luxury lifestyle have been carefully cultivated to satisfy the specific needs of the most exclusive clientele.

Malta's strengths as a wealth management centre lie in its holistic offering that caters for a wide spectrum of needs, including succession planning, investment advisory, corporate structuring, investment banking and even lifestyle administration. Private bankers and asset managers cater to all levels of wealth from the mass affluent to the ultra-high-net-worth individual. A wide range of investment vehicles is available – from simple trusts and company structures for families, to high value and more complex set-ups involving trusts, companies, investment funds and foundations for affluent clients. The island's membership of the EU further strengthens its competitive position as it provides asset planners the security of a reputable jurisdiction, coupled with flexible business entities that can accommodate the most diverse needs. Equally important, the

country has an excellent legal infrastructure, which is supported by experienced professionals who can combine all the separate strands into a unified and comprehensive wealth management offering.

Investors preferring physical assets are increasingly looking at Malta too. The island offers significant advantages for yacht and aircraft registration and boasts a collection of prestigious residential homes that can be purchased for occupancy or as an investment. In addition, it is positioning itself as an attractive place for high-net-worth individuals to reside. Malta has recently introduced a residence programme, offering non-EU nationals a flat tax rate of 15 per cent on foreign income if they purchase property in Malta. The country has also enacted legislation offering foreigners the option to obtain Maltese citizenship through an Individual Investor Programme.



Family Offices

Along with its growing reputation as a wealth management hub, the island is being seen as an alternative to the traditional family office locations of the US, UK and Switzerland, and is attracting money-managers to establish fully-fledged family offices in the country. One of the key attractions for family office providers is Malta's regulatory framework that surrounds the wealth management industry and the smooth licensing process for trustees, foundation administrators and investment advisors. In addition, setting up a family office is expensive; it often costs more than US\$1 million a year to run a fully integrated family office due to the lack of economies of scale. By locating both the administration and asset management functions in Malta, affluent families and their advisors can benefit from the island's low administrative costs, simple licensing arrangements and an effective regulator in the form of the Malta Financial Services Authority (MFSA).

Although the financial sector is today more complex than ever, family offices based in Malta say they can successfully navigate the new regulatory landscape due to the fact that all of Malta's financial services fall under the regulation of the MFSA. New and foreign companies are able to benefit from streamlined licensing procedures, lower regulatory fees and reduced bureaucracy when compared to other finance centres. Political and financial stability are also critical in attracting business to the island, and Malta's strengths have been proven in recent years, particularly in how well the country weathered the global recession. Malta's strategic position in the Mediterranean, sound legal framework and appealing tax benefits are expected to help family office services to expand in the coming years, in particular as more and more clients are beginning to appreciate the island's relationship-driven business culture and service-oriented workforce.

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Political and financial stability are also critical in attracting business to the island, and Malta's strengths have been proven in recent years, particularly in how well the country weathered the global recession.

KEY SECTOR

Citizenship & Residency

With its warm and sunny weather, historical charms and Mediterranean bliss, Malta is well on its way to becoming one of Europe's top expat destinations, attracting affluent foreigners, expats and globetrotting professionals looking for a permanent or temporary home. Two separate residency programmes, the Residence Programme for EU nationals and the Global Residence Programme for non-EU nationals, offer a flat tax rate of 15 per cent to people who purchase or rent property on the Maltese Islands. Industry professionals point to the benefits derived from these schemes for foreign entrepreneurs, international consultants, intellectuals, authors, musicians or athletes who can establish a second residence in Malta that suits their lifestyle.

Possibly the most attractive feature of the programme for non-EU nationals is the opportunity of visa-free travel throughout the Schengen zone. Applicants from unstable countries in search of a safe residency location for their families are expected to see the benefit of the programme as well. Malta's recently introduced Individual Investor Programme, which has been endorsed by the European Union, might also attract them. The programme offers foreign nationals the possibility

to obtain Maltese citizenship after having resided in the country for 12 months, by paying €650,000 to the National Economic and Social Development Fund, purchasing property having a minimum value of €350,000 or leasing a property for a minimum annual rent of €16,000, and investing €150,000 in government-approved financial instruments, in addition to fulfilling a number of other criteria.

Aside from the fiscal benefits of relocating to Malta, expatriates can rest assured that they would be living in a country where crime is virtually non-existent. Despite the island's size, there are always new experiences to be enjoyed that range from scuba diving to jet-skiing. A country full of history, passionate people, excellent weather and crystal clear seas, Malta offers the best fusion of the traditional and the sophisticated, the luxurious and the intimate, and embodies the very best in Mediterranean charm.



Corporate Treasury

Malta's economy, the smallest in the European Union, emerged from the international financial and European debt crises relatively unscathed – a fact that has strengthened Malta's growing reputation as a stable and reputable international financial centre. In particular, the country won international acclaim for its solid banking system. This has allowed the island to move up the value chain in financial services provision, with a focus on front office activities, complex transactions and high-level risk management.

Malta now aims to attract more foreign companies wishing to centralise, or consolidate, their regional or global treasury management operations. Globally, the financial crisis led to a more cost-conscious organisational culture, and more multinational corporations are currently seeking cost-effective jurisdictions for their corporate finance transactions, making the island an interesting alternative to other European treasury locations.

In most cases, multinationals want a single platform that can offer them an overview of their position, and many of them have come to appreciate the advantages of a Malta company, which can be established to function as Group Treasury for related companies in Malta and abroad. For smaller corporations preferring to outsource treasury functions, a number of providers, including the 'Big Four' accountancy firms, banks and smaller organisations, offer a full range of financial management and transaction services to their clients. Cash pooling, leasing arrangements, asset management, risk management and payment services can all be procured from the same treasury service in Malta, whether the client is a single entity or a group of companies.



KEY SECTOR



Financial Software Development

With an established state-of-the-art telecoms infrastructure capable of hosting and delivering round the clock connectivity to mainland Europe, Malta provides a tailor-made environment vastly conducive to financial technology (fintech) firms. Malta's small size and low costs make it an ideal start-up location, while synergies with Malta's finance centre make it a natural choice for international companies looking to expand into financial technology (fintech) or use the island as a springboard to nearby markets.

Over the years, Malta has become one of Europe's favoured destinations for foreign direct investment within the ICT industry. Today, several hundred ICT companies operate in, or from, Malta. The island is also home to a number of eFinancial Services companies, including payment gateways, card issuers, eWallets and online foreign exchange traders. Many of them are showing interest in collaborating with tech start-ups on pilot projects, as well as the testing of software, hardware and applications. Tech firms pinpoint to Malta as an emerging fintech location because it provides a wealth of talent, both tech and finance. The local labour pool is deep enough to meet the needs of ICT employers across the range of technical and creative skills, while specialist knowledge can easily be sourced from overseas.



Often referred to as a 'Mediterranean Silicon Valley', Malta's small size also makes it the ideal test environment for new technologies and ventures in need of a flying start. Companies can develop and test new products and services on the diverse, yet concentrated, local market before exporting their services and solutions to Europe and further afield. Global giants support the small island nation in its effort to become a centre for tech innovation. The

island has partnered with Microsoft to create an innovation centre, offering lab space and mentoring programmes to early-stage companies or individuals. In addition, a Dubai-style technology park, SmartCity Malta, is being built and promises to further enhance the supportive environment for IT companies.

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Foreign Exchange Trading

Malta's sophisticated IT and telecoms infrastructure, along with the vibrancy of its financial sector, has also helped the country gain a foothold in the global forex market. A wide range of market participants, including fully-fledged market makers, platform providers, brokers and fund managers focusing on forex as an asset class, have opened offices on the island, while foreign exchange dealers such as FXDD, Sensus Capital Markets, Swissquote and RTFX have operations in Malta.

Forex companies based in Malta are licensed and overseen by the island's financial regulatory body, the Malta Financial Services Authority (MFSA). Companies can apply for different types of licences with varying capital requirements, depending on the business model they choose to adopt. In times when the protection of investors' money is as important as returns, being regulated in a respected jurisdiction with a stable and proven track record gives forex companies an added advantage in winning the confidence of international institutions and retail clients.

Malta's status as an EU member state also means that certain foreign exchange products and services can be offered in all countries of the European Economic Area (EEA), without the need to obtain authorisation from the regulator in each country. This makes Malta attractive as a base for non-EU companies wishing to expand their operations into Europe.

Malta offers forex companies a 'plug-and-play' environment. Professional hosting and co-location services are widely available as the island has developed a growing cluster of data centres with 24/7 support services. Systems are designed for high traffic and have ample redundancy. International connectivity is guaranteed with three operators, GO, Melita and Vodafone, providing international gateway services via submarine fibre optic cables to mainland Europe.

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**KEY SECTOR**

Payments

Malta is increasingly playing a role in the fast-developing payments industry. With safety and security being a major concern for consumers, and the desire of companies to be based within a reputable EU jurisdiction, Malta offers the opportunity to operate in a well-regulated environment and service customers throughout the European Union. The island is in particular being seen as a convenient location for the European headquarters of American and Asian financial institutions wanting to enter the EU market.

Malta's regulatory framework places great emphasis on anti-money laundering and anti-fraud measures. Overseen and supervised by a single regulator, a licence from the Malta Financial Services Authority (MFSA) can assure consumers of the integrity of a payment solution. Companies can choose between four distinctive licences: the banking licence, the eMoney institution licence, the financial institution licence, and the payment institution licence. While a fully fledged banking licence offers operators the opportunity to provide online banking services,

an eMoney institution licence is more attractive to standalone eMoney institutions offering services such as eWallets because it allows operations to start with a lower capital requirement (€350,000) when compared to a full banking licence (€1 million).

Malta also boasts a number of specialist firms offering services to the industry. From legal, accounting and corporate services to technical security audits and PCI compliance testing, the country has established a strong contingent of professional and technical services providers to meet the holistic requirements of electronic financial institutions. Observers believe that Malta's payment sector is going to flourish in the future with consumers' increased use of mobile phone and NFC payments, and the island is doing its utmost to capture a slice of this global trillion-dollar market. The island's well-respected banking system, and widely praised legislative and regulatory regime, give payment providers the security of knowing they are operating within a world-class system, offering sophisticated methods for online payments.

KEY SECTOR

Shared Services

Malta is a key contender for higher value shared services centres that require different skill sets as the island is broadening its outsourcing offering for middle and back office functions. The growth of Malta's International Finance Centre has encouraged finance and accounting professionals to offer their services as independent outsourcers for companies located in Malta and abroad.

While accounting makes up the lion's share of outsourcing, Malta's Business Process Outsourcing (BPO) industry delivers services in a wide range of industries, including transport, HR and software

services. The largest BPO providers in Malta today are the Swedish company Besedo (specialising in content moderation and media management) and Luqa-based Centrecom, an international call and contact centre. Malta's outsourcing sector now employs thousands of people, and the island is regarded as a leading nearshoring centre for Europe.

With strong data protection legislation and risk-management frameworks, Malta is recognised as a safer location for the retention of customer information than other outsourcing destinations. EU membership, excellent ICT infrastructure, a



pro-business environment and low-cost base all count in Malta's favour. Similarly, well-educated, English-speaking professionals are a further source of strength. In fact, Malta's pool of professionals with degrees in finance or insurance has made the island attractive for the outsourcing of activities that are analytical or skills-intensive. As the economy continues to grow, new opportunities for outsourcing will emerge in areas including R&D, life sciences, IT, aviation and financial services. For international companies looking at setting up shared services centres, Malta offers a gateway

to the European Union, equipped to provide both basic business support and best-of-breed services for knowledge-intensive functions.

While costs may be higher than in Asia, many European companies that outsource work to Malta comment that it offers better all-round value for money: the workforce is highly educated and wages are reasonable, and employee turnover is relatively low, resulting in reduced training costs and better quality of service.

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KEY SECTOR



Intellectual Property

Building on its experience in corporate structuring, Malta's vision is to become a trusted platform for international Intellectual Property (IP) transactions, offering support across the entire IP value chain, including protecting, managing and commercialising ideas and innovations. Malta's legal system protects the full range of IP rights, and the country is a signatory to all major agreements in this field, ensuring the enforceability of IP rights in other countries. IP rights can be filed in, or through, Malta, and a number of international corporations have discovered the benefits of using Malta to set up dedicated companies that can hold and manage their IP rights worldwide.

Specialist service providers and Malta's legal firms offer IP owners assistance in developing IP management strategies, providing guidance through all aspects of IP strategy, protection, exploitation, as well as the enforcement of IP rights. They can conclude comprehensive portfolio reviews, which flag issues such as business critical intellectual assets that should be protected, conduct searches in databases and registers, manage the registration of IP rights in Malta, as well as in other countries, and liaise with the relevant authorities for clients seeking to protect their creations and ideas.

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Arbitration

With businesses increasingly reverting to alternative methods for the resolution of commercial conflicts, Malta is gaining momentum as an arbitral venue due to its geographically convenient location, its sophisticated physical and political infrastructure, as well as its legal framework that is on par with the best international practices. Arbitration, as an alternative to court proceedings, carries efficiency and cost benefits, and disputes can be resolved in a more informal, yet legally sound and confidential environment.

Despite being a small island, Malta has a history of being the venue of international conflict resolution: the country hosted the famous Bush-Gorbachev summit in 1989 that ended the Cold War. Today, global corporations are turning to the island to solve commercial disputes of all kinds within the energy, construction, infrastructure, trade and commodities sectors. It also has expertise in shipping and insurance arbitrations, while disputes between investors and the government of countries in which they invest can also be solved in Malta.



All arbitrations in Malta have to be carried out under the auspices of the Malta Arbitration Centre (MAC). Malta's Arbitration Act is based on the Model Law on International Commercial Arbitration set out by the United Nations Commission on International Trade Law (UNCITRAL). This created a legal framework that gives parties all the necessary flexibility for arbitral proceedings.

Registry fees are lower in Malta than in other arbitration centres, such as London or Paris, which makes the country an ideal location for arbitration of trans-border contracts whose parties wish to avoid the risk of having to litigate in the other party's courts. In addition, the entire process is underpinned by an efficient infrastructure, which is comprised of educated English-speaking professionals who have experience in dealing with international businesses. Given the growing interest in arbitration, Malta is sure to see an increase in the number, size and complexity of international arbitration cases handled over the coming years.



Philanthropy

Once home to one of the first international charity organisations, the Knights of St John, Malta is today being looked at as an emerging platform for impact and social investing. Philanthropy as a form of wealth management begins to enjoy a significantly higher profile in Malta's International Finance Centre due to the fact that the island offers both trusts and foundations as tools for charitable giving. In tandem with the island's asset management sector, the number of service providers able to support international donors with issues such as setting philanthropic objectives, technical advice, operational management and the presentation of strategy initiatives, has grown.

While Malta is still at the beginning of its journey as a philanthropy jurisdiction, it has considerable advantages as a location: the island boasts a high level of know-how in the management of trusts and foundations and offers wealthy investors an onshore alternative of high repute due to its well-regulated, sophisticated EU environment. Malta's Trusts and Trustees Act enables residents

and non-residents alike to set up various types of trusts on the island. Purpose trusts can be created for a charitable or a philanthropic purpose, including vehicles that aid in education, healthcare, society, national heritage, human rights, the environment and even conflict resolution. In addition, foundations, very much like trusts, can be structured to meet each client's specific criteria, including a wide range of charitable approaches.

The island also boasts a large pool of advisers who stand ready to help donors navigate the philanthropic landscape. More than 20 companies are authorised to act as foundation administrators, and a staggering 140 trust service providers operate on the island. They will ensure that structures are fully in line with EU regulations, while providing ancillary services that include strategic planning, asset management and record-keeping in order to further simplify the administrative burden and guarantee the smooth running of the charity.

**KEY SECTOR**

Pensions

Offering a new breed of retirement products, Malta has become a key centre for pension transfers. The island provides the ideal solution for high-net-worth individuals looking for an investment vehicle, international workers planning for retirement and global corporations seeking pension schemes for their staff.

Malta is one of the jurisdictions that meet the requirements set out by the UK tax authorities for Qualifying Recognised Overseas Pension Schemes (QROPS), an overseas pension scheme into which UK private pensions right can be transferred, set out by the UK tax authorities. Schemes established on the island, and regulated by the Malta Financial Services Authority, are eligible for recognition as QROPS. Therefore, pension rights can be transferred into it without a UK tax charge, and Malta has become the main market for UK expats' pensions. Several pension schemes have been established on the island. Together, they are estimated to have

at least 5,000 members. In addition, a retirement scheme licensed in Malta is also eligible as a Qualifying Non-UK Pension Scheme (QNUPS), providing it satisfies the requirements specified in the UK Inheritance Tax Law. Money transferred into these schemes is free from UK inheritance tax, as opposed to QROPS which are subject to inheritance tax in the event of the holder's death.

While Malta has seen the breakthrough in the international pension sector due to its attractiveness for QROPS and QNUPS, it is now aiming to come to similar agreements with other countries. Mobile workers across the European Union are said to account for 5 to 10 per cent of the Union's workforce, and the island sees an opportunity to cater for the pension needs of companies and individuals from EU markets. Across the world, pension provision was long considered from a purely domestic perspective, however barriers related to pensions for mobile workers are slowly being removed.

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Islamic Finance

Malta is increasingly being perceived as a gateway for Islamic finance, a sector which currently sees an annual expansion rate of 15 to 20 per cent and had an estimated value of \$2 trillion as at 2014. The island believes that its finance linkages and close association with traditional markets for Shariah-compliant finance could be a catalyst for Malta to emerge as a new Islamic financial services hub. Located strategically at the centre of the Mediterranean, Malta offers access to 230 million Muslims in Europe and North Africa, providing a massive client base for Islamic finance practitioners. In addition, its extensive network of tax treaties, which includes countries such as Tunisia, Egypt, Morocco, Malaysia, Singapore and the United Arab Emirates, makes the country a springboard into the wider Muslim markets.

Malta's strategy of winning a share of the Islamic finance pie centres on investment funds, banking and the capital markets. The Malta Financial Services Authority (MFSA) has issued guidance notes on how to set up Shariah-compliant funds. Funds which comply with Islamic law can be set up either as Undertakings for Collective Investment

in Transferable Securities (UCITS), as Alternative Investment Funds (AIFs) or as Professional Investor Funds (PIFs), which are non-retail funds targeting the more experienced investor. Ijarah Funds, Commodity Funds and Murabaha Funds, which generally invest in non-conventional asset classes, may only be licensed in Malta as non-retail funds, whilst Shariah-compliant equity funds can be set up as Maltese UCITS schemes or as non-retail alternative funds.

The growth of Islamic finance globally also means there is an increasing demand for new Shariah-compliant business activities. In this climate, Malta is seeking to develop a framework for Islamic banking in Malta while the island's government is also studying the possibility of following in the footsteps of London and Dubai by issuing a Sukuk, an Islamic finance bond.

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Aviation

Malta's aviation sector is taking off as highly respected and well-recognised companies turn to the island for aircraft registration and services. The sector owes its recent success to a new legislative framework that transformed Malta into a competitive location for both private and corporate jets. More than 165 aircraft are now registered in Malta, up from about 80 at the end of 2010. Private aviation companies such as Carree', Comlux, Orion Malta and Vistajet all registered aircraft in the country.

Malta's aircraft registration legislation offers an easy registration procedure for private aircraft and has been designed to accommodate the most demanding structures and trends in aircraft ownership. The country has implemented the Cape Town Convention, now widely recognised as a market standard in aircraft finance transactions. In addition, the Civil Aviation Directorate at Transport Malta provides an attentive, personal service to companies choosing to set up on the island due to the current register size.

The Maltese authorities concentrated their efforts not only on introducing cutting-edge regulations, but also on building the support infrastructure. A major boost for the aviation industry was the inauguration of the new €17 million, 200,000-square metre Safi Aviation Park in 2012. The island is home to a selection of maintenance, repair and overhaul (MRO) providers, such as Lufthansa Technik and SR Technics, and hosts a number of firms catering for everything from crew training to engineering services and communication.

The Government sees significant potential for growth by attracting large aircraft-leasing and charter companies. The regulator has developed a procedure for aircraft leasing, and VAT payments are only due for the time an aircraft is being used in the European Union. With 40 per cent of the world's aircraft being leased today, aircraft leasing proves to offer tremendous opportunities for Malta to position itself as a Mediterranean hub alongside established or emerging centres, such as Dublin and Singapore.

KEY SECTOR

6,667

vessels sail under the Maltese Flag

Maritime

Malta has built up the largest maritime cluster in Europe thanks to its appealing regulatory framework and service culture. The island hosts Europe's largest shipping register, has five per cent of the world's superyacht fleet under its administration, and boasts a legal and regulatory framework that has made it a safe, efficient and profitable location in which to do business.

The success of the sector was founded on the island's well-run international maritime register where high service standards are attracting clients from as far away as Asia and Latin America. Today over 6,600 vessels sail under the Maltese Flag, with 57.9 million tons of shipping at the end of 2014. As only one of two open registers in the EU, registration is available to vessels owned by Maltese and non-Maltese persons, and in practice, any kind of vessel may be registered, including one under construction. The development of a new yacht code has also made the registration of commercial and pleasure yachts, including superyachts (vessels over 24 metres in length), in Malta very attractive. The owners of over 450 superyachts have already chosen to register their boats in Malta. Transport Malta, the regulator of the maritime industry, goes to great lengths to

emphasise that Malta's flag is one of confidence and not convenience. The island's status as an EU member state, its state-of-the-art maritime framework and the excellent safety records of Malta-flagged ships have helped it to be officially classified as a low-risk flag.

With a tradition rooted in shipbuilding and repair, the island has responded to emerging business streams in areas such as ship finance, litigation and, more recently, in maritime security. Due to its growing international finance sector, Malta should see future opportunities arising in banking and insurance related to the maritime industry. Future plans also include the construction of a dedicated maritime park that will host a range of technical and commercial service providers, paving the way for further expansion.

 57.9 million
 gross tonnage (2014)

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Business Culture

Malta's business culture is very similar to that of the United Kingdom, and the Maltese have developed a highly international outlook and are capable of accommodating the expectations and practices of both multinational companies and entrepreneurs. At the same time, meetings are much less formal and business is conducted in a more leisurely manner than in Northern Europe. However, appointments are necessary and should be made one to two weeks in advance. As in most Mediterranean countries, the concept of time is a little more relaxed than in countries to the north. Nevertheless, punctuality is expected and appreciated. There is no specific protocol for the exchange of business cards, but it typically happens when potential business partners meet for the first time. Business attire should be smart, with conservative suits and ties for men, and suits or dresses for women. Work contacts are usually greeted with their title, if they have one, followed by the surname. However, once a relationship has been established, only first names are used.



Language

Most business correspondence is carried out in English, which is one of the country's two official languages, Maltese being the other. It is not usually necessary to have correspondence and company literature translated into Maltese, nor is an interpreter needed for meetings. Laws and regulations are published in both languages. Many Maltese also have a good command of Italian and a sizeable proportion also speak either German or French.



Business Hours

Office hours are generally 8.30 am to 1 pm, and 2 pm to 5.30 pm, Monday to Friday. Some government departments work half days in summer, but many have adapted to ensure offices are manned throughout normal business hours, and the private sector continues to operate normally throughout the year. Factories usually start at 8 am and run to 5 pm. Most banks open from 8 am to 2 pm Monday to Friday, and Saturday until 12 pm. Shops open from 9 am to 7 pm Monday to Saturday. Most retail and commercial shops are closed on Sunday.



FDI Attractions & Incentives

An open economy with a long-established history of trade, Malta has always actively sought foreign direct investment (FDI), both in existing companies and in new ventures. With a well-balanced mix of incentives that support and ensure long-term competitiveness and growth of companies setting up in Malta, the island attracts record levels of foreign investment, amid intensifying global competition. Companies need to apply to Malta Enterprise to determine eligibility, and to access the assistance. Incentives include most of the internationally available investment incentives, such as:

- Cash grants/incentives
- Tax exemptions
- Property assistance / other fiscal incentive
- Training and labour market assistance
- Loan guarantees, cheap loans or finance
- Exemptions from regulation
- Target sectors
- Sector specific incentives

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Contact Agencies

FinanceMalta (www.financemalta.org) is a non-profit public-private initiative set up to promote Malta's international Business & Financial Centre, both within, as well as outside Malta. It brings together, and harnesses, the resources of the industry and government, to ensure Malta maintains a modern and effective legal, regulatory and fiscal framework in which the financial services sector can continue to grow and prosper. FinanceMalta organises regularly information, networking and training sessions. Other finance industry associations in Malta are:

- Malta Association for Retirement Scheme Practitioners (MARSP)
- Malta Bankers' Association (MBA)
- Malta Funds Industry Association (MFIA)
- Malta Insurance Association (MIA)
- Malta Insurance Management Association (MIMA)
- The Institute of Financial Services Practitioners (IFSP)
- Association of Insurance Brokers (AIB)
- Society of Trust and Estate Practitioners (STEP) Malta

Malta Enterprise (www.maltaenterprise.com) is the investment promotion agency and guides companies setting up through the entire process, from coordinating incentives and organising premises, to facilitating contacts with other institutions. Malta also offers a one-stop-shop for local businesses and foreign investors wishing to establish operations there. 'Business First' (www.businessfirst.com.mt), operated by Malta Enterprise, handles over 50 services previously provided by various government departments and entities, including: assistance with company registration, VAT and tax registration, water and electricity applications, staff employment, and visa applications. Companies can contact Business First on their telephone helpline 144.



Financial Support Services

Malta boasts a well-developed financial support infrastructure, and the country's service providers offer access to a full range of banking, insurance and investment products. Five retail banks and more than 20 international commercial and trade banks operate in or from the island. HSBC and Bank of Valletta are the leading retail banks. Internet- and telephone-banking are advanced and most banks offer foreign-currency accounts. Insurance companies provide all types of cover, ranging from personal, health, property, auto and travel to liability and employee protection. Investors can find a number of insurance management companies handling cover for large corporations and providing reinsurance solutions. With some 120 licensed investment services firms, corporations seeking assistance in the management of their assets are spoilt for choice. The country's experienced wealth managers and stockbrokers are well connected and provide access to global capital markets.

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Professional Services

Malta has a strong professional support infrastructure, and the island's service providers are fast building a track record in structuring customised solutions and offering innovative approaches. Attracting growing numbers of international clients, they are well positioned to offer support and strategic guidance to businesses planning to set up on the island. A large number of law firms operate on the island, most being part of international networks such as Lex Mundi and Lexis Nexis and are regularly ranked on Chambers, Martindale-Hubbell or similar. The international business community is strongly supported by an impressive selection of accounting and auditing practitioners, ranging from small boutique practices to the global 'Big Four' accountancy firms. Malta also boasts an array of corporate service providers offering business advisory and back-office support. Trust and fiduciary providers need to be licensed by the Malta Financial Services Authority, and under new legislation, companies offering administrative and management services are also obliged to register with the authority. Professional fees, including legal and accountancy charges, are generally lower than in other Western European locations.



Connectivity

It is the Maltese ability to reach across the cultural and business divide between North Africa, the Middle East and Europe that is helping pave the way for the country's future prosperity. Malta's internal market is relatively small, and the real opportunity lies in using the country as a stepping stone to other markets. Strategically located at the centre of the Mediterranean, between Europe and North Africa, Malta has historically been the link between the two continents. As an EU member state, Malta offers instant access to the EU's massive single market of over 500 million people. Companies can conduct business freely and sell their products in all EU member states and/or establish a business in another EU country. In addition to its close geographical position, Malta also has strong historical and cultural ties with North African and Middle Eastern countries, making it an attractive base for European, American or Asian companies wishing to enter the relatively untapped markets to the south. In addition, Malta is a signatory to some 70 double-taxation treaties, covering most of the world's high-growth markets, facilitating international business and ensuring a smooth trading environment.



Airport & Air links

As an island nation with a heavy dependence on international trade and business, Malta's transport sector is a significant factor in the island's economic development and prosperity. The island is connected by air to almost every major city in Europe and to key destinations in North Africa and the Middle East, most being just a few hours' flight-time away. Cities such as Frankfurt, London and Paris can be reached in less than three hours, while a flight to Rome takes only one hour. Direct flights are available to around 40 cities in Europe. Malta is also increasingly served by low-cost airlines, and carriers such as Ryanair and easyJet are adding new routes. Malta International Airport (MIA), the island's only airport, is centrally located between Luqa and Gudja and can be reached within 20 to 40 minutes from all towns and villages.

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Ports & Shipping

Located uniquely on the main shipping routes, Malta has become a major Mediterranean transshipment hub. It has two main commercial ports: the Port of Valletta, traditionally known as Grand Harbour; and the Malta Freeport, situated at Marsaxlokk Harbour in the south of the island. The latter is one of the largest Freeports in the region, handling intercontinental cargo for distribution throughout the Mediterranean basin. Malta's ports are serviced by many of the world's major shipping lines, and the Freeport is connected to more than 100 ports worldwide. Regular passenger and cargo ferry services to Italy are also available. Malta's logistics providers offer a full

suite of regular and customised services that range from simple duty-free storage to facilitating customs-cleared, last-minute ordering in European markets.



Local Transport

Daily commuting times within Malta are negligible compared to most similar urban-style areas in continental Europe. The island has a network of some 1,500 kilometres of roads, and an intensive programme of repair and upgrading is underway. The public transport system has recently been overhauled and offers connections to all localities in Malta and Gozo.



Utilities

All electrical power needs in Malta are met by Enemalta Corporation. The supply is at 240V, and is reliable. The Water Services Corporation produces and distributes potable water throughout the Maltese Islands. Just over half of this is produced at the Corporation's three reverse-osmosis plants, with the remainder coming from groundwater sources. Electricity tariffs for households and businesses have been reduced by 25 per cent, and water tariffs by 5 per cent, from March 2014 onwards. Petrol, diesel and kerosene are widely available. Malta has a network of independent petrol stations for transport fuels, but others – kerosene and light fuel oil – are delivered to the end-user by licensed distributors. Liquigas (Malta) and Easygas Malta supply LPG in cylinders to domestic consumers and businesses. WasteServ Malta is responsible for waste management. The collection of waste is the responsibility of local councils which engage private contractors to carry out the work – with somewhere between four and six collections a week. Recyclable waste such as plastic, paper and metal is usually collected once a week and can also be disposed of at Bring-in Sites found in every locality.



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Communications

Malta has seen huge public and private-sector investment in ICT over the past 15 years, and today boasts a state-of-the-art infrastructure. GO, Melita and Vodafone are the three main telecoms service providers, while Malta hosts more than 200 IT companies, including international giants such as Cisco, Microsoft and Oracle. The island is internationally connected via four submarine fibre-optic links to mainland Europe, two of which are operated by GO and two by Vodafone and Melita respectively. This system is backed up by two satellite stations. Data centres are operated by the telecoms providers with their own fibre-optic cables, and also by other, smaller telecoms companies. Fixed broadband is available via cable and ADSL, each with national coverage. The main postal provider is MaltaPost. Delivery is efficient and reliable, with a three-day service to most mainland European cities. Local mail is delivered the following working day. All the main international courier services are represented on the island.



Workforce

The exceptional quality, flexibility and work ethic of the Maltese attract international companies to the country. Diligent, highly educated and multilingual, the Maltese workforce is the country's most valuable asset. Most Maltese speak at least three languages, Maltese, English and Italian, and some have French and German as well under their belt. Malta boasts the oldest university in the Commonwealth outside the UK and has a tradition of academic excellence and research. Some 60 per cent of students (18-24-year-olds) continue their education to the third level, with some 85 or more institutions, including the University of Malta and the Malta College of Arts, Science and Technology (MCAST), to choose from.

Employment Regulation

The Employment & Industrial Relations Act governs the conditions of employment, termination of contracts and the organisation of workers and employers. Employment may be

for a fixed or indefinite term, and on a full-time or part-time basis. The length of the probation period is normally six months. The standard working week is 40 hours. Employees in full-time employment are entitled to 24 days of vacation per year. Maternity leave for female employees in full-time employment is 18 weeks. The law also provides for up to three months' unpaid parental leave in the case of birth, adoption or legal custody of a minor. The Employment and Training Corporation (ETC) is responsible for providing a public employment service and managing state-financed vocational training schemes, as well as for processing work permits for non-EU nationals. The island's laws on immigration are in line with the European Union's visa obligations for foreign nationals. While EU and European Economic Areas (EEA) citizens are free to work and reside in Malta, non-EU nationals must apply for and obtain an Employment Permit, with the granting of the licence subject to a labour market test.

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Labour Costs

Malta ranks very favourably as a value-for-money location in which to do business. Salaries are 20 to 30 per cent lower than those in the UK, Germany, France, Belgium, the Netherlands and Luxembourg. When social security costs and other employment taxes are factored in, total labour costs are still competitive when compared to the newer EU member states and significantly lower than those in other established members of the European Union.

Unions

Two major trade unions, the General Workers Union (GWU) and the Malta Workers' Union (UHM), dominate the labour landscape, alongside a number of smaller sector-specific unions. Collective bargaining is common, and agreements reached between employers and unions are binding in law. Labour disputes are usually resolved quickly; strikes and stoppages are rare occurrences.



Office Space

Firms have a wide choice of properties to choose from when looking for office space. From grand period houses to modern units within dedicated business centres, Malta has an attractive and diverse range of commercial properties to offer. Restored 17th century warehouses, modern office blocks, or even just a converted apartment, all these are being used by overseas firms setting up shop in Malta. Sliema and St. Julians are popular locations, with Tigné Point in Sliema and the Portomaso Business Tower in St Julians being prime addresses. Valletta, the capital, is the administrative centre, offering office space in prestigious townhouses or centuries-old palazzos. A number of business centres in different parts of the island provide fully equipped offices that are available on flexible terms, with meeting rooms and a receptionist service as part of the package. A large number of local and international real-estate agents provide sales and letting services and can assist in locating suitable property.

Taxation

Malta offers a highly efficient fiscal regime which avoids double taxation on taxed company profits distributed as dividends. Companies are taxed at a rate of 35 per cent. However, a full imputation system applies to the taxation of dividends, whereby the tax paid by the company is imputed as a credit to the shareholder receiving the dividend. Following the distribution of a dividend, shareholders are also entitled to claim a tax refund of six-seventh of the relevant tax paid in respect of trading income and five-sevenths of the relevant tax paid in the case of passive interest and royalties. The refund is reduced to two-thirds where the distributing company claims double-taxation relief. Malta's tax system has been deemed by the European Commission to be compliant with EU non-discrimination principles and has also gained approval from the OECD. Individuals are charged on their income at progressive tax rates up to a maximum of 35 per cent (for income over €60,000). The top rate of income tax for those who earn less than €60,001 is 29 per cent.

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Expatriate Taxation

To attract highly qualified personnel from abroad, Malta has introduced an incentive scheme targeting foreign executives. Professionals in the financial services, gaming and aviation sectors can benefit from a flat personal income-tax rate of 15 per cent on income up to €5 million. Any income over that figure is tax-free. To qualify for this tax incentive, the employee must earn a minimum of €80,100 per year (basis year 2013), among other criteria. EU nationals can benefit from the reduced tax rate for an unlimited period, EEA and Swiss nationals for a period of five consecutive years and third-country nationals for four consecutive years. Malta is also an attractive place for retirees as well as high-net-worth individuals and their families, with separate programmes allowing to benefit from a reduced tax rate if they relocate to the island.

Double Taxation Treaties

Malta has signed agreements for the avoidance of double taxation with some 70 countries. The tax system also includes Commonwealth relief, unilateral relief and the flat-rate foreign tax credit, thereby ensuring that income arising from overseas is not subject to double taxation, even if there is no double-taxation agreement in force.

Customs & Duties

As an EU member state, Malta falls under the EU's customs union, which enshrines free trade and the absence of customs duties and quotas on trade among members. Consequently, trade with Malta is totally free from customs duties, provided that the country of origin of the goods is one of the other EU member states. When goods are imported from a non-EU country, customs duties are calculated in accordance with the Common Customs Tariff (CCT).



VAT

Value-added tax (VAT) applies to most transactions. The standard rate is 18 per cent with reduced rates for some products and services. Most financial services are not subject to VAT and for clients outside the EU VAT does not apply.

Social Security

Employers are obliged to pay a social security contribution at a rate of 10 per cent of the basic wage paid to their employees. Employees pay another 10 per cent of their basic wages.

Accounting & Auditing

Companies in Malta are required to maintain accounting records in accordance with the Companies Act. Accountancy principles conform to International Financial Reporting Standards (IFRS). Companies are also required to submit accounts, which are audited, and every company incorporated in Malta is required to appoint an independent auditor registered with the local Accountancy Board and holding a certificate to practice. Auditors must follow the International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC).



D I R E C T O R S G U I D E



Tax Returns

The fiscal year is the calendar year. Malta operates a self-assessment tax system. Taxpayers are required to declare their income and calculate their tax, taking into account payments in advance and any other tax credits. The tax payable must be settled at the time that the self-assessment is filed. For individuals, the deadline is 30 June each year. For companies, the tax return date is nine months after the financial year-end (ten months if the return is filed electronically), but not earlier than 31 March of each year. Companies' tax returns must be accompanied by an auditor's certificate. Revenue assessments may be raised when a return is not filed or where the Commissioner of Revenue disagrees with the self-assessment.

Business Structures

Malta offers investors an EU-compliant domicile for business entities or corporate structures. Business may be conducted in a variety of forms: a sole proprietorship, a partnership, a limited liability company (private or public), a branch of a foreign company, a trust, a cooperative, an investment company with variable capital (SICAVs), a protected cell company or an incorporated cell company. Most entrepreneurs opt for the limited liability company. Partnerships are common in the professional services sector, SICAVs are the vehicle of choice for funds, and the protected cell company is common in the insurance sector.

The principal legislation covering companies and partnerships is the Companies Act (1995), modelled on the UK Companies Act and European law. Every company registered in Malta must have a registered office in the country. Companies are required to submit a valid memorandum and articles of association, normally subscribed by at least two persons. Under certain conditions, it is also possible to register single-member companies. Firms are registered with the Registry of Companies which is based at the Malta Financial Services Authority, and the incorporation procedure usually takes one week.



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D I R E C T O R S G U I D E



Living and Working in Malta

Offering an agreeable, Mediterranean lifestyle, Malta's pleasant climate and welcoming people make living on the island an exceptional experience. As an EU nation that forms part of the Schengen area, EU nationals are able to live and work on the island, while foreign residents are encouraged to settle in Malta and benefit from various fiscal advantages. For visitors, Malta's requirements on visas fall in line with EU and Schengen rules. Non-EU citizens can find details about visa-exempt countries and visa application procedures on the website of the Ministry for Justice and Home Affairs (www.homeaffairs.gov.mt). The cost of living in Malta remains one of the lowest in Europe, with groceries, furniture and utilities amongst the cheapest in the EU. Housing is easy to organise, with a wide range of properties available to rent or purchase, from fully furnished apartments to rustic farmhouses, villas with pools, and even palaces, all at competitive prices, usually half the price of similar properties on the UK market. EU nationals are able to access the state educational and health systems, while there are a host of private options in both sectors. Leisure time can be



filled pleasantly, with all popular sports available, gyms and other wellness centres scattered across the island, plenty of opportunity for swimming and practicing water sports such as diving and windsurfing in summer, and a busy nightlife with clubs, bars and restaurants offering trendy and sophisticated evening entertainment for all ages. Shopping is varied and most main towns have a main shopping street, while designer goods can be purchased at relatively low prices in areas such as St Julians and Sliema. The island's cuisine is a delightful mix of Mediterranean flavours and styles, with strong influences from neighbouring Sicily. Driving is on the left, and anyone over the age of 18 and in possession of a valid driving licence is permitted to drive in Malta. Maltese people are friendly and welcoming to foreigners, and the island offers plenty in terms of tradition, culture and diversity, with the religious festas complete with fireworks, band marches and devout processions making a spectacular sight for foreigners to enjoy and participate in.

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Business Traveller Briefing

Visiting Malta, even on a business trip, can be a delightful experience. Modern comforts are served up with impeccable style and welcoming hospitality in Malta's many hotels. Visitors can choose between two- and three-star hotels, or a large range of upmarket ones with four- and five-star status. Global brands such as Hilton, Starwood, Radisson and Kempinski all have a presence. There are also a number of family-run Maltese hotels in addition to exquisite boutique hotels. From most major cities such as London, Frankfurt, Paris, Rome and Istanbul it takes just two to three hours' flying time to reach Malta International Airport

(MIA), the island's only airport. Regular flights are provided by Air Malta, the national airline, as well as other carriers such as Lufthansa, Emirates, Aerosvit, Alitalia, Air France, Austrian Airlines, Scandinavian Airlines, Ryanair, easyJet and Spanair.

Cars can be hired at reasonable rates compared to those in other Western European countries. All the major car rental companies have a presence in Malta. Local firms also offer this service, with or without a chauffeur. Taxis are white and fitted with meters, charging government-controlled prices. You can also agree on a fare before starting the journey.

Taxis at the airport operate on a different system, with set fares that have to be paid at the taxi ticket booth in the arrivals lounge. There are many restaurants for you to enjoy a pleasant Mediterranean evening or a quick business lunch: from smart city restaurants in Baroque palaces to family-run trattoria-style establishments or seafront fish restaurants. Maltese food is served in most restaurants offering Mediterranean cuisine, but in addition there are numerous ethnic restaurants: Italian, French, Chinese and Indian are the most numerous, but you will also find Greek, Turkish, Russian, Thai, Japanese and many others.



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