

Malta Participating Entities

The general information detailed below outlines briefly the compliance and regulations of Malta companies. This FACT sheet is not meant to be an exhaustive list but merely to give a general overview of the Compliance environment. It is advisable that more information is obtained from FACT Group and not to rely entirely on this FACT sheet.

What is a Participating Holding (PH)?

A participation in another company shall constitute a participating holding when:

1. A Maltese company holds directly at least 10% of the equity of a company entitling it to at least 10% of any two of the following:
 - Right to vote;
 - Profits available for distribution
 - Assets available for distribution on a winding up
2. A Maltese company is a shareholder in a company and has the option to acquire all the remaining shares in that company
3. A Maltese company is a shareholder in a company and is entitled to first refusal in the event of proposed disposal, redemption or cancellation of the remaining shares in that company
4. A Maltese company is a shareholder in a company and is entitled to sit or to appoint a person to sit on the Board of that company as director
5. A Maltese company holds an investment amounting to a least EUR 1,164,000 for an uninterrupted period of not less than 183 days.
6. A Maltese company holds shares in a company for the furtherance of the business of the Maltese company and the holding is not held for trading purposes

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Anti-abuse provisions vis-à-vis participation exemption

Dividends received from participating holdings must satisfy one of the following conditions:

1. PH is resident or incorporated in a country which forms part of the EU or;
2. PH is subject to any foreign tax of at least 15%
3. PH does not have more than 50% of its income derived from passive interest or royalties

If none of the above conditions are satisfied then both conditions must be satisfied:

1. The equity holding by the MHC in the body of persons not resident in Malta is not a portfolio investment and for this purpose the holding of shares by the MHC in a body of persons not resident in Malta which derives more than 50% of its income from portfolio investments shall be deemed to be a portfolio investment and;
2. the body of persons not resident in Malta or its passive interest or royalties have been subject to any foreign tax of at least 5%

This exemption shall also apply to gains or profits resulting from the transfer of PH in companies resident in Malta.

Additional information regarding holding companies, incorporation of holding companies and other tax benefits offered by Malta can be found on our <http://www.factgroup.net/fact-sheets/business> link on our website www.factgroup.net.