



Tax Agenda Malta

February 2025



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No.

Fact

Action

Malta will not be introducing any component of Pillar Two in 2024

The Finance Minister has announced that, in 2024, Malta will not be introducing any component of the Organization for Economic Co-operation and Development (OECD) Pillar Two Initiative. The Minister added that Malta will be applying the derogation afforded by Council Directive (EU) 2022/2523 of 14 December 2022 – more commonly known as the Minimum Tax Directive – and therefore will not be introducing the Income Inclusion Rule (IIR) or Undertaxed Profits Rule (UTPR) in 2024. Similarly, Malta will not be introducing a qualified domestic top-up tax (QDTT) in 2024.

MNEs in scope of Pillar 2 Rules should assess the implications of this announcement.

1

The Minister said that Malta will be following global developments closely and will make other decisions when the need arises. No major changes to the existing tax system are expected and therefore the existing tax system (the full imputation system especially) will continue to apply. Meanwhile, work on creating grants and Qualified Refundable Tax Credits compatible with rules imposed by the European Union (EU) and the OECD continues. The Minister said that while, in the transitory phase, an increase in the tax burden of certain companies may not be entirely excluded, the Government of Malta will ensure that Malta remains attractive to foreign investors.



Tax treatment vis-a-vis intellectual property

Any expenditure of a capital nature incurred on Intellectual Property or Intellectual Property Rights may, at the option of the person that has incurred such expenditure, be deducted in full in terms of article 14(1)(m) of the Income Tax Act (Cap. 123 Laws of Malta) in the year that the said expenditure has been incurred or in the year in which the Intellectual Property or Intellectual Property Rights are first used or employed in producing the income.

Impact of accelerated amortization on Intellectual Property should be assessed by MNEs with presence in Malta or by MNEs exploring the use of Malta in their business operations.

2

With respect to expenditure of a capital nature on Intellectual Property and Intellectual Property Rights that was incurred before the period covered by the year of assessment 2024, any deductions that were yet unclaimed as at the year of assessment 2023, may be claimed in full in the year of assessment 2024. Thus, if, for example, Intellectual Property was acquired in the year of assessment 2023 and a 33.33% deduction of the expense was claimed in that year of assessment, the person can claim the remaining 66.67% in the year of assessment 2024.

The accelerated deductions being notified above may only be claimed against income produced through the use or employment of the Intellectual Property or Intellectual Property Rights.



Use text boxes above the timeline to plan your actions for coming months

No.	Fact	Action
3	<p>Maltese Non-Domiciled Company</p> <p>A company which is incorporated outside Malta but is managed and controlled in Malta is treated as a Maltese resident company (non-Dom Co). A non-Dom Co would not be taxed on Foreign source capital gains and Foreign source (passive) royalty income that is not received in Malta. A non-Dom Co may be eligible to use the Maltese refundable tax credit system with the potential to reduce the effective tax rate to 5%, on income which is subject to tax in Malta.</p>	<p>MNEs especially with intellectual property may assess the implications of Maltese Non-Domiciled companies.</p> <p>● ● □</p>
4	<p>Notional Interest Deduction</p> <p>A company registered in Malta may claim a "notional interest deduction" (NID) in determining its chargeable income. NID may be claimed against taxable income arising from assets (including income arising from IP) which are financed by risk capital. The NID which may be claimed is determined by reference to the company's risk capital, that is, its equity, reserves and non-interest-bearing loans. The maximum NID that may be claimed in any particular year is capped to 90% of the Maltese registered company's chargeable income. Additional considerations are envisaged.</p>	<p>Applicable for accounting periods commencing in 2017 onwards.</p> <p>MNEs with NID carry forward attributes on their books should assess the Pillar 2 implications and opportunities related to such balances.</p> <p>● ● □</p>
5	<p>Incentives for the Audio-Visual Industry</p> <p>The government of Malta has recently boosted the cash rebates for filmmakers. Productions which satisfy a cultural test can benefit from a rebate up to 40% of eligible expenditure. A feature film, television film or a television series or mini-series, animation, creative documentary, transmedia and cross-media productions are all eligible for the incentives, provided that they are all or partially produced in Malta. Apart from the cash rebate such productions can also benefit from, amongst other, the Maltese Refundable Tax Credit System and Fiscal Consolidation which both have the potential to bring the effective tax rate on income arising in Malta to 5%. In addition, reduced personal income tax rates apply on personnel involved in such productions.</p>	<p>MNEs involved in audio visual industry can explore eligibility for the Maltese cash rebate system for filmmakers.</p> <p>● ● □</p>

No.	Fact	Action
6	<p>Introduction of transfer pricing regulations</p> <p>On 18 November 2022, Malta implemented transfer pricing (TP) rules into domestic law. The TP rules will be applicable to cross-border arrangements entered into by companies which are not SMEs (Small & Medium-Sized Enterprises) with "associated enterprises". The TP rules include two de minimis thresholds: (1) an aggregate value of EUR6m for arrangements of a revenue nature in the year preceding the year of assessment; and (2) EUR 20 m for arrangements of a capital nature in the year preceding the year of assessment. This means that when the arrangement does not fall under thresholds, and unless elected otherwise by the taxpayer, the TP rules should not apply.</p> <p>As for the attribution of profits to PEs, Malta will follow the authorized OECD approach and will treat a PE as if it were a separate enterprise engaged in the same or similar activities under the same or similar conditions.</p>	<p>The transfer pricing rules will apply vis-a-vis any relevant arrangement entered into force on or after 1 January 2024 and any relevant arrangement entered into force before the said date which is materially altered thereafter.</p> <p>● ● □</p>
7	<p>Enactment of Council Directive (EU) 2021/514 amending Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC 7) into local legislation by virtue of Legal Notice 8 of 2023</p> <p>The new rules introduce a reporting obligation for digital platforms inside and outside the EU and an automatic exchange of information between Member States' tax administrations on revenues generated by sellers on these platforms as of 1 January 2023. Besides introducing this new reporting obligation for digital platforms, a number of generic changes to the DAC not limited to digital platforms were also introduced, including a legal framework for the conduct of joint audits between two or more Member States as of 1 January 2024.</p>	<p>Businesses making use of digital platforms need to review the new reporting obligations resulting from the enactment of DAC 7 into Maltese legislation.</p> <p>● ● □</p>
8	<p>Fiscal unity</p> <p>Maltese incorporated companies are subject to taxation on a worldwide basis. Having said that, shareholders are eligible for the Maltese Refundable Tax Credit System once the taxed income is distributed as a dividend. Through such system it may be possible for the effective tax rate to be 5%. With Fiscal unity which was introduced in 2019, it is now possible to expedite the mechanism above by eliminating the current process of paying the full amount of taxation and then claiming the refund at a later date and merely have the tax due paid at the rate of 5% in the first place.</p>	<p>Effective for accounting periods commencing in calendar year 2019.</p> <p>MNEs should analyze whether they are eligible for the Maltese refundable tax credit system and whether fiscal unity should be explored.</p> <p>● ● □</p>
9	<p>Maltese Tonnage Tax Regime</p> <p>Malta also has a long history when it comes to shipping and maritime activity. In 2018 the EU approved the tonnage tax regime for the next 10 years. Under the Maltese Tonnage Tax Regime, eligible shipping companies would need to pay a tonnage tax and at the same time benefit from an exemption from income tax on their shipping activity. This regime should not be affected by the BEPS Pillar 2 changes due a specific exemption that applies to shipping activities.</p>	<p>Effective for accounting periods commencing in calendar year 2018.</p> <p>MNEs involved in shipping and related activities can explore eligibility for the Maltese Tonnage Tax Regime especially those which would like to diversify their fleet's country of registration.</p> <p>● ● □</p>

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