



OPPORTUNITY KNOCKS
MALTA

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INTRODUCTION

A resilient nation that is constantly reinventing itself, Malta is a dynamic and thriving independent state within the EU. As a member of the Commonwealth, **Malta enjoys close ties with the United Kingdom** and in fact, English is the Official Language, together with Maltese, and the nation's commercial code is based on Anglo-Saxon, common law principles.

Although Malta boasts a rich culture, natural beauty and sunny, temperate climate, it has few natural resources and has continuously differentiated its economy from one initially dependant on tourism to a mature economy built on three principle pillars - tourism, financial services and light manufacturing. In recent years Malta has looked beyond these sectors and has progressively begun to implement a policy to make the country **one of the 'go-to' destinations for the R & D, tech, life sciences and innovation industries**.

Several key infrastructural projects have upgraded Malta's IT and telecoms platforms, leading Malta to have **one of the highest levels of IT literacy and mobile telephony penetration within the EU**. Malta's size, makes it ideal as a test bed for tech companies who are looking to introduce and test new technologies. This increased focus on tech-driven solutions across multiple industry sectors has led to the establishment of the Malta Life Sciences Park, a high-end centre for R & D in the bio and life sciences sector, as well as a number of technology and incubator parks. These **attract tech companies from across the world to run their R & D programmes and benefit from generous subsidies, grants and fiscal incentives** when relocating in part, or in full, to Malta.

Furthermore, through its agencies Malta's government can provide financing or funding for qualifying projects, as well as national opportunities for larger scale funding from the EU, particularly on projects that bring together participants from different member states.



MALTA: THE IDEAL BUSINESS & LIFESTYLE COMBINATION

Small in size, big in stature. Recognized for its pro-business attitude, solid infrastructure and modest costs of doing business, Malta is a country of choice for both entrepreneurs and multinational companies to do business and to enjoy an enviable Mediterranean lifestyle.

- **Full member of the European Union and the Commonwealth.** Malta offers passporting facilities to all other EU/EEA jurisdictions and a competitive framework for re-domiciliation and cross border mergers.
- **Most financial, fiscal and commercial legislation is based on British laws.** The Maltese Government encourages free enterprise with no restrictions on foreign ownership of business and repatriation of capital and income.
- **All products exported to the EU have full tariff free access.** Malta also benefits from trade agreements with an extensive network of non-member countries and trading blocs and there are wide ranging fiscal incentive packages available.
- **Stable, top performing European economy with a highly educated, English speaking workforce.**

LATEST ECONOMIC INDICATORS:

The fastest growing economy in Europe with a strong focus on technology, finance, tourism and manufacturing.

2019 Pre-Covid figures:

Nominal GDP Growth	6.8%
Real GDP Growth	4.4%
Per capita GDP	€27,375
HICP Inflation	1.8%
Unemployment Rate	3.4%

After the coronavirus-induced slump in 2020, economic activity is expected to rebound on the back of gradually recovering domestic and foreign demand and recovery in the all-important tourism sector. In the government's recent presentation of the 2021 budget, a fiscal deficit of 5,9% of GDP is envisioned. The government's sound fiscal management has enabled it to extend relief spending, notably on wage supplements into the New Year.

From a personal perspective, 300 days of sunshine and the lure of the Mediterranean Sea are not all that Malta has to offer from a lifestyle point of view:

- **Reliable essential services** including excellent healthcare facilities and an education system aligned with the British model.
- **A rich cultural heritage** and a vibrant and cosmopolitan international community with over 20% of the population made up of expats.
- **Highly qualified persons rules incentive** with an attractive tax rate of 15% aimed at attracting highly qualified persons or incentivising British companies to transfer employees to an operation in Malta.
- **Proximity to mainland Europe and just 3 hours from the UK.**



FISCAL INCENTIVES & TAXATION

FISCAL INCENTIVES

The Maltese Government actively incentivises Foreign Direct Investment towards Malta.

Malta Enterprise is tasked with attracting new foreign direct investment as well as facilitating the growth of existing operations. It provides wide-ranging assistance purposely designed to attract Foreign Direct Investment to Malta.

Assistance includes pre-investment fact finding visits in order to acquaint potential investors with the realities of operating out of Malta.

Initially, Malta Enterprise assists with making the right introductions, from private sector entities with potential for synergies, to official entities such as regulators or constituted bodies.

All this allows the prospective investor to obtain the clearest possible picture which will assist in the drawing up of a viable business plan.

Should a promoter wish to take things forward, the following measures may be available:

- **Allocation of industrial space;**
- **Access to finance such as soft loans, loan interest subsidies and loan guarantees;**
- **Investment tax credits based on investment in either plant and machinery or employment figures;**
- **A wide range of bespoke schemes designed to assist in a company's export activities, research and development and so forth.**

THE LOCAL TAX REGIME

Malta's transparent, fully onshore, yet remarkably competitive tax system is undoubtedly an important factor in attracting investors to the country. Malta's tax regime conforms with European Union legislation, **backed up by over 70 Double Taxation agreements and allows for corporate tax rates as low as 5%**, is adding significant value to any foreign shareholders of Malta-based operations.

Maltese tax law **exempts royalty income derived from patents, copyright and trademarks** with respect to activities leading to an invention, subject to the invention being documented by Malta Enterprise.

Malta also recently introduced the **Patent Box Regime, which allows for an additional deduction amounting to approximately 95% of qualifying income derived from 'qualifying intellectual property'**, substantially reducing the tax base in Malta.

This is strengthened by the presence of a highly professional financial services sector and a strong regulator which ensures the provision of high-quality advice in matters pertaining to international tax systems.

A pool of highly qualified and experienced professional services organisations and tax practitioners that promoters have access to sound advice with regards to legal, administrative and corporate affairs



EU FUNDING FOR MALTA'S BUSINESS SECTOR

Between 2014 and 2020, the Maltese government allocated €51 million worth of European Structural and Investment Funds (ESIF) to Malta-based businesses, targeting research and innovation, resilience and growth.

Malta has now secured €2.25 billion for the 2021-2027 financial cycle and is committed to maintaining the successful business-oriented funding programme.

A rolling programme of support schemes is offered to all Malta-based enterprises under an umbrella '**Business Enhance**' initiative that covers the following investment:

1. **Research, Development and Innovation Support**
2. **E-Commerce and Digitisation**
3. **Start-up Investment**
4. **SME Growth / Diversification / Internationalisation / Consultancy Services**



MALTA'S INNOVATION SECTORS & INCENTIVES

Driven by a strategic policy agenda and an effective support framework, growth in Malta's ICT sector has been fast, strong, and robust.

The industry adapted quickly to the growth of the iGaming and eCommerce industries and established a distinct niche beyond its previous support role to other industries. This has been consolidated more recently by a growing regional profile in specialised software development, biotech, fintech, data analytics and AI attracting many international names to the island, including HP, Microsoft and Cisco.

MALTA'S ICT INDUSTRY 2019: KEY INDICATORS

- **10% GDP contribution**
- **10,000 FTEs**
- **350+ companies**

A key factor in Malta's success has been a decisive departure from generalised products and services towards specialisation in emerging or fast-growing IT segments actively supported by the Government of Malta.

Access to quality commercial space

Through the assistance of Malta Industrial Parks, an agency responsible for managing over 4 million square metres of government land.

KEY FEATURES OF MALTA ENTERPRISE SUPPORT SCHEMES:

- **Access to Finance** through Soft Loans of between 33% and 75% of the cost of plant and equipment at a reduced rate of interest; Loan Subsidies; and Loan Guarantees for up to 75% of bank loans to finance company business assets.
- **Investment Aid through tax credits** on an initial investment project, calculated as a percentage of expenditure in tangible and intangible assets or wage costs for the first 24 months.

BUSINESS DEVELOPMENT AND CONTINUITY SCHEME

The scheme, consisting of either a tax credit or cash grant, is intended to facilitate the initial development phase of enterprises first establishing operations in Malta.

- **Relocation of key personnel and tangible assets**
- **Payroll costs**
- **Rental of real estate**
- **Services directly related to the business operations**
- **Rights and licenses**
- **Utility costs**

RESEARCH AND DEVELOPMENT SCHEMES

Qualifying Employment in Innovation and Creativity (Personal Tax): This facilitates employment of non-residents in key roles by temporarily easing the tax expenses incurred by such persons through a fiscal incentive.

R&D Feasibility Studies: This supports companies carrying out R&D feasibility studies in preparation for major investment projects.



HOW CAN ARQ HELP?

ARQ is a professional services organisation based in Malta with a branch in Sri Lanka. We provide a wide range of corporate and advisory services to local and international clients operating within different industry sectors.

At ARQ Group, we take a 360 degree view. ARQ is an integration of professionals from different disciplines – lawyers, auditors, accountants, tax advisors, compliance specialists, IT specialists, financial advisors and economists – working closely together in a synchronised system to deliver innovative solutions.

We have built a strong reputation based on our expertise and service delivery that drives our clients' growth and success.

We are able to assist any promoter interested in relocating to Malta through the whole life cycle, from initial scoping and the preparation of feasibility studies and business plans, liaising with competent authorities, to securing access to finance in support of your growth in Malta.

BESPOKE SERVICES FROM ARQ GROUP INCLUDE:

- **Company Incorporation and Administration Services**
- **Accounting & Payroll Services**
- **VAT and Tax Compliance**
- **Tax Advisory**
- **Transaction, Economic & Business Advisory**
- **Risk & Compliance Advisory**
- **Formation of Trusts and Foundations**
- **Residence Formalities**
- **Liaison with Competent Authority and support in relation to any Operating License, Grant or Funding Application**
- **Regulatory Support with MFSA (Financial Services) & MGA (Gaming)**
- **Resource Outsourcing - Marketing & IT Services, Website Development, Property & Staffing Solutions**

GET IN TOUCH



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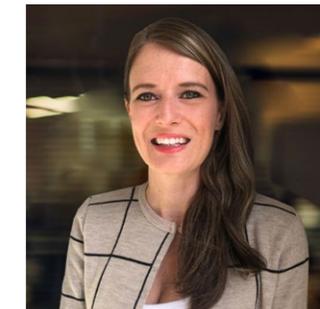
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