

## INCORPORATION OF A LIMITED LIABILITY COMPANY IN MALTA

### A. Who can set up a company in Malta?

In principle any person, whether corporate or individual, may incorporate a company in Malta.

### B. What are the benefits of setting up a company in Malta?

#### **Tax refund system:**

Malta is well-known as one of the EU states with the lowest net effective tax rates. A company in Malta pays 35% tax on its profits. However, the Malta Taxation Refund System entitles shareholders to claim back a portion (typically 6/7ths) of tax paid in Malta after a distribution of dividends thereto thus resulting in a Net Effective Tax Rate of 5%. A 5/7ths, 2/3rds or 100% refund may also apply in different circumstances.

**Double Taxation Treaties:** Malta has signed over 70 Double Taxation Treaties.

**Other Tax Benefits:** Malta has no wealth, capital, or inheritance taxes as well as no withholding taxes on the distribution of dividends, interests, and royalties to non-resident shareholders. Another significant advantage of Maltese companies is the availability of an effective participation exemption in connection with income derived from foreign subsidiaries.

**Low Incorporation and Maintenance Costs:** The minimum share capital to open a company in Malta is €1.165, 20% of which should be paid up, with a total of €245 to be deposited.

**Strategically located:** The Republic of Malta is centrally located in the Mediterranean Sea, a couple of hours flight from major capitals of both Europe and Northern Africa.

**Quality workforce:** The Cost of living in Malta is on average 18% cheaper compared to its EU counterparts. Most importantly, the standard of education in Malta is world-class, making Malta an excellent spot to find a good team.

**Multicultural and Multilingual:** Malta's official languages are English and Maltese with English being the main language of business. This makes business with the rest of the world a much easier task. Moreover, the country is culturally diverse, attracting foreigners from all over the world providing a multilingual workforce.

**Visa-Free Zone:** Since Malta is a member state of the Schengen Area there are no travel restrictions between Malta and the remaining countries that fall within the Zone.

**Climate:** Malta boasts of a great climate, being blessed with 300 days of sunshine and only a few rain showers.

### C. How to open a company in Malta

**Choose a Company type**

There are four different types of company you can choose from when setting up in Malta:

1. Limited Liability Company. This is the most common type, and it can be:
  - Private, if it limits the number of members to fifty, and it prohibits any invitation to the public to subscribe for any of its shares or debentures. Some private companies may qualify for certain benefits if they meet specific criteria that enables them to list themselves as Private Exempt Companies.
  - Public, if it does not qualify as a private company and publicly offers shares or debentures.
2. General Partnership are best suited for medium-to-small sized businesses and can be:
  - 'En Nom Collectif', which refers to a partnership between two or more partners, one of which must be either an individual or a corporate body.
  - 'En Commandite', also known as Limited Partnership, where members hold limited liability over the company.
3. Single Proprietorship or Single Member Company, an enterprise held in ownership by one person. This can happen either at the time of incorporation or through the acquisition of all shares by one person only.
4. Overseas Companies, having a corporate body outside of Malta with a branch located in Malta

#### **Choose the name**

The Company name must not be a copy of a previously incorporated enterprise and must not contain specific words which may be deemed to be offensive. Besides this, a company name must not misrepresent the nature of the enterprise. In some particular cases, you must be able to show evidence that you are allowed to use certain words as part of the company name such as the word "Bank" or "Insurance".

#### **Have the necessary documentation drafted**

Once the Company type and name have been established, a few documents must be prepared and submitted to the Registrar of Companies Association of Malta. First and foremost, the Memorandum and Articles of Associations. The Memorandum is a document that contains important and relevant information such as:

- The type of company;
- Complete identification of its subscribers be it persons or corporate body;
- The company name;
- The company's registered office in Malta;
- The objectives of the company and the main trading activity;
- The number of directors and their identifications;
- The amount of share capital, its division into shares, the number of which taken by each subscriber, and the rights attached to each class of share;

- The name and residence of the first company secretary;
- Identification of each shareholder, director, legal and judicial representatives, and company secretary.
- If fixed, the period of duration of the company;

The Articles of Association, on the other hand, are documents that outline the internal regulations of the Company. If this document is not registered, it will automatically be implied that the company has adopted the model articles found in the 'First Schedule' to the Companies Act.

If you are registering a new company and any of its shareholders is a corporate entity, an additional document known as Form BO1 must be annexed with the rest of the documentation. This form contains information on the identification of the company's ultimate beneficial owners.

Evidence of paid-up share capital should also be produced and can be submitted in the form of just a bank deposit advice.

A registration fee will also have to be paid – the amount depends on the company's authorised share capital.

Additional supporting documents may also be requested at the Registrar's discretion.

#### **Obtain the Certificate of Registration**

In the case that all the necessary documentation is accepted by the Registrar, a Certificate of Registration will be issued. This certificate proves that the company has come into existence and is authorised to conduct business starting from the date of issuing of said certificate.

#### **D. Incorporation timing and costs**

The time required for incorporation of a company in Malta depends on the type of company being registered. Provided incorporation and due diligence documentation is satisfactory, the process usually takes between 5-10 days.

For the incorporation of a company, fees and expenses typically range between EUR 2,500 and EUR 3,000.

Reference contact in Malta

**Silvio Cilia**

[silvio@corriericilia.com](mailto:silvio@corriericilia.com)

+356 99404379

