

Malta Tax Incentives

The Maltese jurisdiction operates the full imputation system of taxation allowing any tax paid on taxable income to be available as a credit in the hands of the recipient should the income be subject to further transfers. A number of other incentives, fully aligned with GECD principles as well as EU directives, are aimed towards attracting Foreign Direct Investment to the island and at the same time continue in the development and attractiveness of Malta as a financial services centre.

Tax Refund System

The standard corporate rate of tax in Malta is 35% of the taxable income. Shareholders receiving distributions from a Malta Company are entitled to claim a refund of the Malta tax. Tax refunds also apply where a Company operates through an overseas branch in Malta.

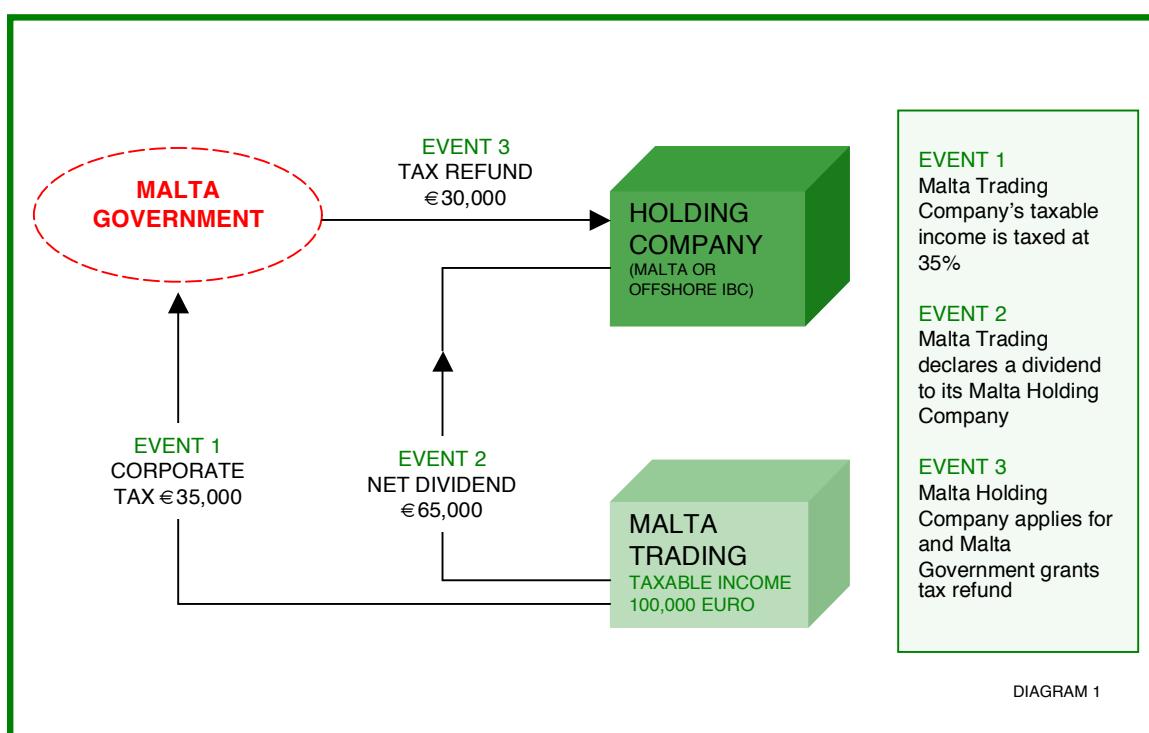
The refunds available are:

6/7 Refund: applies to taxable income sourced from trading activities. The effective rate of tax works out at 5%.

5/7 Refund: applies to income derived from passive interest and royalties. The effective rate of tax works out at 10%.

2/3 Refund: available where the Company has claimed double taxation relief. The refund depends on the type of relief availed of and is limited to the tax paid in Malta.

100% Refund: applies to dividends and capital gains derived from a Participating Holding



Double Taxation Relief

Malta does not impose any exit tax on outgoing dividends, interest and royalties regardless of the tax residence and status of the recipient. However, income received in Malta from foreign sources may be subject to foreign taxes. Malta has an extensive treaty network to mitigate the incidence of double taxation and also other forms of relief including Unilateral Relief and Flat Rate Foreign Tax Credit (FRFTC).

Participation Exemption

Dividends and Capital Gains derived from Shares held under a Participating Holding are Exempt from Malta Tax, at the option of the taxpayer.

A 10% holding in a non-resident company held by a Malta resident entity may qualify as a "participating holding". In the case where the shares held are less than the 10% threshold, such holding may still qualify as a "participating holding" if the Malta Company:

- Is entitled at its option to purchase or has the first right of the refusal on a disposal of the balance of the equity share of the foreign company; or
- Is entitled to be represented on the Board of Directors of the foreign company; or
- Holds a shareholding exceeding €1,165,000 or equivalent for an uninterrupted period of 183 days; or
- Holds equity shares in the foreign company for the furtherance of the business of the Maltese company (not trading stock)

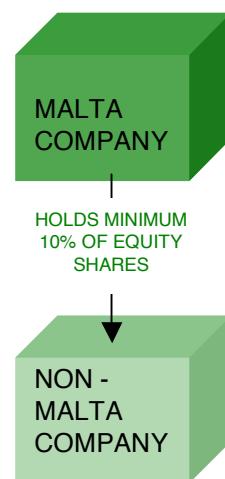


DIAGRAM 2

Income Tax and Duty exemptions on transfer of shares

Any gains or profits accruing to or derived by any person not resident in Malta on the transfer of any shares in a Company shall be exempt from tax, provided that such Company does not own property in Malta. Furthermore, acquisitions or disposals for any reason whatsoever of marketable securities by persons who are not resident in Malta shall be exempt from Duty. Marketable Securities included any shares, stocks, debentures, bonds and any interest in any Company or corporation and any document representing the same.

Other important benefits:

- **Tax exemptions** on interest, discount, premium or royalties accruing to or derived by any person not resident in Malta.
- **Low rates of tax** for Permanent Residence Scheme permit holders.
- **No Exit Taxes** on repatriation of funds outside Malta.
- **No Transfer Pricing** rules.
- **Redomiciliation of Companies** into and out of Malta without the need of winding up.