

**A: CREDAL Ethos & Expertise**  
**B: Malta International Service Base**  
**C: Corporate Solution Methodology**  
**D: Tax Credit & Refund Notes**

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*International Business Development*

*via*

*Strategic Malta Support*

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## Part A

### I. CREDAL FORM & FUNCTION

CREDAL network is an **Advisor-Trustee-Investor** organization formed by international specialists in 1984, to focus on value generation via Clarity & Integrity in Communication, Structure, and Delivery. Our strategic support for business development, corporate consolidation and/or expansion, is based upon

- a) Individual, Project and Corporate **Due diligence**
- b) **Risk Management** & Asset - Protection - Commercialization
- c) Value generation via Tailored **Operational Systems** and international partner matching.

#### 1.1 Integration of Multidisciplinary Teams

Headquartered in Malta, the organization's core competence of Entrusted-Business-Development is supported by specialist teams ;

- Advocates CREDAL (Legal & Tax *Advisory*)
- ALLSECURE International Ltd. (E-commerce & Gateway - *Systems & Support*)
- IMM Intl Management & Marketing (Strategy & Partner Search - *Transaction Implementation*)
- CREDALTRUST Management Ltd. (Corporate & Trust Admin - *Accounting & Banking*)
- CREDAL network affiliations: **GGI** - Geneva Group International - *Global Advisory*  
**STEP** - Society of Trust & Estate Practitioners - *Global Advisory*

This unique blend of established professional expertise, entrepreneurial support and international development capacities is the CREDAL Strategic Partnership approach, designed to secure new international business synergies, according to specific client individual circumstances and objectives.

#### 1.2 Personal Responsibility & Global Support

In May 2004 CREDAL secured exclusive representation in Malta of **Geneva Group International**, a global association of independent law, audit and consulting firms focused on owner-managed businesses, tax structuring and private wealth management. The strength of our network remains the **integration of international and local expertise & business support** enabling clients to benefit from established relationships and proven capacities. The **CREDAL-Business-Development-Model** incorporates:

- (1) Malta's Mediterranean brokering heritage and civil law comparative approach / versatility.
- (2) UK-modeled Corporate Tax, Trust legislation, Accounting systems and Audit standards.
- (3) Geo-strategic location, pro-active EU gearing / Euro-bridge to Mid-East & North Africa.
- (4) Global network of established clients, and associates – [www.GGI.com](http://www.GGI.com)

#### 1.3 Trusteeship Approach

Our primary strength is the CREDAL **Trusteeship Approach** to analysis, servicing and enhancing client assets; opportunities and projects, with a sense of **personal responsibility** for careful structuring within the parameters of the EU Code of good business conduct, international accounting standards and compliance obligations of the Malta Financial Services Authority ([www.mfsa.com.mt](http://www.mfsa.com.mt)). This approach plus the elements outlined hereunder, combine to form a unique private international architecture of expertise & private equity networking involving entrepreneurial and professional support from experienced experts in every major capital.

#### 1.4 Solutions Driven - *International Culture*

CREDAL's advisory team has evolved as an integral component of CREDAL network, securing a multidisciplinary approach as our core competence of entrusted Business Development. Managed by lawyers with experience from Clifford Chance (London), and Sherman Sterling (New York) our team has experience in structuring client investments, assets, and projects all over the world, in collaboration with leading law firms in primarily in Europe. This international expertise has enhanced our primary strengths of Corporate and Tax law and Financial services, whilst developing a niche role as client advisor in selecting and managing the most appropriate additional legal, audit or other technical experts required, on a local or international level.

Evolved from a trusteeship culture, the CREDAL team continues to service clients with the same level of comprehensive attention inherent in professional trustees. A second characteristic inherited from trusteeship, is our development of Due-Diligence & Compliance as a primary strength, as a result of more than 10 years experience in managing acquisitions, IP status, Project Finance, Real Estate Securitization, IPO preparation, Transaction escrow, and drafting of consortium and franchise contracts.

#### 1.5 Areas of Expertise

Company & Personal Taxation / Trusts & Foundations  
 International Legal & Tax Due diligence / Investment Trusteeship  
 Corporate & Project Finance / Private Equity & IPO Gearing  
 Malta residence & Yacht Registration / IP & VAT Administration

#### 1.6 CREDAL Value & Client Expectations Management

Given our core competence as Business Development Trustees, we focus on three types of solutions;

- A) **CORPORATE Management Solution;** medium to long term solutions for clients planning to build an international Company, in commerce, finance, shipping, ICT, managed and serviced on a day to day basis from Malta for all its Legal, Administrative, Banking, Accounting, E-com, Operations support, including engaging and training personnel, equipping and staffing offices and professional advisory ; (**CTM** Corporate MANAGEMENT Model – described hereunder).
- B) **TRANSACTION Management Solution;** short to medium term solutions for transactions such as Asset & IP transfers, Take-overs, Risk Mitigation, or Investment Financing, requiring primarily due diligence and multidisciplinary support involving several jurisdictions for which CREDAL accepts responsibility for selecting and monitoring to ensure delivery as per agreed terms ; (**IMM** Transaction AGENCY Model – based upon client / advisor discussions).
- C) **EU DIVIDEND Solution;** establishment, domiciliation and management of a Malta company to act as the Parent of an EU (or Swiss) Company, and receive dividends accordingly; (**DIVIDEND** Model – described hereunder ).

In each case, the strength of CREDAL involvement is our culture of personal attention and responsibility. Whether opting for a Permanent-Establishment solution or Single-Transaction support, or Dividend-Management certainty, CREDAL takes responsibility for comprehensive Due diligence, Design and Delivery.

## Part B

### II. MALTESE EVOLUTION AS A STRATEGIC INTERNATIONAL SERVICE BASE

Malta has recently been ranked fifth by London's 'Global Financial Services Index' of the Top Financial Centers where organizations may open new operations in the next two to three years. Such international industry endorsement, coupled with the island's 2007 GDP growth rate of 3.8% herald a European Union renaissance of the islands millennial tradition as a maritime, trading and strategic outpost. Fast learning and expert at niche marketing from aviation services to super-yacht care, the island is exploiting its intermediary role between the Middle East and EU and Africa, functioning as a neutral venue of choice for joint-venturing, corporate domiciling and even most recently housing Islamic investment funds.

#### 2.1 From Maritime infrastructure to International Corporate Malta

Malta's evolution from International Maritime Registry launched in 1973 to its current status of 6<sup>th</sup> largest fleet in the world (and one of only four flags to attain the highest quality ranking in 2006 following Paris Memorandum Port State Inspections) to today's diverse and solid Financial Services Centre, is evidenced by the fact that the Financial Services industry today accounts for 12% of GDP. Following 2004 European Union membership, the number of blue chip companies, banks and international entrepreneurs settling down in Malta has reached almost 250 new company registrations per month, expected to grow to 25% by 2015, especially following this year's smooth transition to the Euro.

#### 2.2 Unique Legislative Infrastructure

Malta's distinctive blending of Civil law principles and UK statute, into a well balanced and pragmatic body of law with clear international application, has provided a world class platform attracting high net worth individuals to reallocate, owner/managers to build new business, and multinationals using Malta for group treasury, pension fund administration, and captive insurance. Moreover all Maltese legislation is published in the island's official languages; Maltese and English, facilitating international application of the legal system, making Malta a reliable and cost-efficient jurisdiction of choice as the proper law for an international contract or arbitration, dispute resolution, retirement and corporate tax residence, and investment funds, VAT management, trusts, yachts, ships, and aircraft.

#### 2.3 Europe's Leading Corporate Residence

Cognizant of its geo-strategic value, quality British Banking heritage, and European character Malta never targeted the 'volume' market in any international services field. In fact since its financial services launch in 1988 (via the Malta International Business Activity Act), there has been a deliberate consistent institutional and industry joint-focus on substance based solutions and products. The cautious Regulation-oriented approach has been blessed by unparalleled political and professional consensus across the board, and stringent due diligence secured by a service culture of personal liability for corporate obligations to the authorities and standard full disclosure to banks. This culture of professional responsibility has functioned both as quality filter attracting serious clients over brass-plate volume/risk, and simultaneously keeping the industry on its toes at all levels, growing in sophistication as bridging finance to experts and projects all over the world. The careful but solid strategy has paid off, so that Malta and its smaller yet greener (and less overdeveloped) sister island Gozo, today host an established community of international traders, steadily expanding as more international operations are 'settle down' into a Maltese personal or corporate home, primarily using Maltese solution driven legislation and human resources infrastructure to add value to their operations.

## **2.4 EU Integration & Legislative Sophistication**

Malta has implemented all major EU legislation – most notably the Parent Subsidiary, Royalties and Mergers Directive. Companies incorporated in Malta are considered to be ordinarily resident and domiciled in Malta and are consequently subject to tax on their world-wide income and capital gains of 35%. As the EU's only full imputation system, shareholders of a Malta company are entitled to a credit for the company tax paid on distributed profits thus qualifying for a refund when the credit exceeds their tax liability. It is essential to bear in mind that rather than being a specific tax regime, this is the uniform standard now applicable to every Malta company and its shareholders.

## **2.5 Malta Corporate Business Support**

Whilst more expensive (and more demanding in terms of compliance, audit and anti-money laundering) than non EU Financial Centers, it is fair to say that Malta is considerably less costly and stressful than the EU's finance capitals. Although lacking a class of resident investment bankers, fund managers and venture capitalists, Malta is upping its game, steadily assimilating international expertise as several start up and back office operations and funds of the nineties, mushroom into more ambitious scale and diversity, attested to by the increasing presence of mega yachts, dignitaries and celebrities looking for the island's privacy, housing bank call centers servicing high net worth clients, homegrown software companies winning international tenders, and oversubscription of property funds for luxury developments in Malta, Gozo, CEE and Dubai.

Whereas most EU Regulators and tax authorities are typically difficult to access, their Maltese counterparts see themselves as part of the solution, and have settled into the role of 'recommending best way forward' to new clients at the outset with a 'prevention is better than cure' attitude providing the all important clarity for investors to focus accordingly. Be it lifestyle or business, a Malta solution is most interesting because of the peace of mind emanating from its reliable delivery components, well regulated, user-friendly EU regime. From a practitioner's perspective, this confidence is built upon two rails; that of 'Proactive-industry-sight', and Versatile-people-systems. Typically crystallizing a savvy balance of Regulation and Market suitability, Malta has produced cutting edge regimes offering just the right mix of structure and flexibility, powered by a distinct British-Mediterranean methodology of comparative analysis and creativity. This is Malta's strategic value; a multidimensional risk management and business structuring capacity that is fortified by best practice, international legal and accounting standards.

## **2.6 Summary - Unique Business Development Platform**

In deciding whether or not to use Malta, a client should view the CREDAL-Malta solution as the engaging of an office & team functioning as a Joint-Venture-Service-Partner with established Malta and CREDAL capacities. In all cases one must carefully plan BOTH the Business AND Private aspects of the solution, secured by :

- a) Client acceptance to pay full home tax on any funds received as income.
- b) Clarity and integrity of all documents / contracts / transaction data.
- c) Payment of Malta Tax (35% on profits, refunded to shareholder according to income type).
- d) Relationship building via personal meetings with the Corporate and Private banks involved.
- e) Individual strategy of tax deferral via accumulated & indirect benefit.

A Malta company remains Europe's most advantageous corporate solution, providing excellent results since 1995 via its Tax Credit & Refund system. Enjoying full European Union endorsement, and producing excellent tax savings, the Malta model can best be exploited when the Malta company adds clear economic value to the business model. One should therefore plan a Malta corporate solution not as an alternative to an offshore company, but as a fully regulated / user friendly EU company, conforming to international accounting, legal and anti-laundering standards.

## Part C

### III. INTERNATIONAL BUSINESS MANAGEMENT – CORPORATE MODEL

To fully appreciate the potential of the solution, it is essential that the client understands the introduction to Malta and Credal, as well as the detailed explanation of the Maltese unique system of Tax accounting in Part D, since these form an essential part of the substance building and actual economic justification for involving a Malta company as the structure for international business.

#### 3.1 Typical Client Profile

International Clients seeking to build current business to a new level of integrated support via a Maltese platform, or bring 'Offshore Business' onshore, in such a way that primarily respects Client tax history and business realities and priorities, partnering with CREDAL's local and international capacities and expertise to create new value in full compliance with international accounting standards and Client audit review.

#### 3.2 Current Malta Multinational Models

HSBC Call Centre, BMW Global Finance, Lufthansa Technik Services, Fidelity Fund Management, Siemens Captive Insurance, Vodafone Global Pension Fund, PUMA Sales.

#### 3.3 Individual Solution Components

Two Malta companies, owned directly by the Client company which shall have the option of ;

- A) RECEIVING dividends from its Malta subsidiary (Co 1)  
and possibly suffering local receipt tax according to tax specifics
- B) MAINTAINING tax refunds in Malta (Co2), to reinvest into projects or other companies,  
OR indirectly back into Client jurisdiction as finance security or group treasury  
according to the optimal banking, tax and strategic priorities and circumstances of the client.
- C) Holding part or all the shares in an Offshore company.

#### 3.4 International & Malta Taxation

Naturally any taxes incurred by the event on location shall depend on the place of supply, and can only be determined once the activity details are specified. Given Malta's double tax treaty network of 50 treaties, a Maltese company is an extremely versatile 'trading' base. As per attached Tax notes, all Malta companies are subject to 35% tax, followed within 2 months by a Tax Refund to shareholder of 30% (trading), (25% Passive Income), 35% (holding), thus resulting in a net effective Malta tax of 5%, 10% and 0%. Of course it is always important to research local best practices to manage any risk of permanent establishment treatment.

#### 3.5 Integration of International Banks, Auditors & Client Advisors / Resources

As part of our risk management strategy, we firmly believe that a solution is only as good as its approval by bankers and independent auditors, which is why apart from our own established service partners including major as well as small banks and audit firms, we are keen to involve client's existing established relationship and experts as part of the design as well as implementation process.

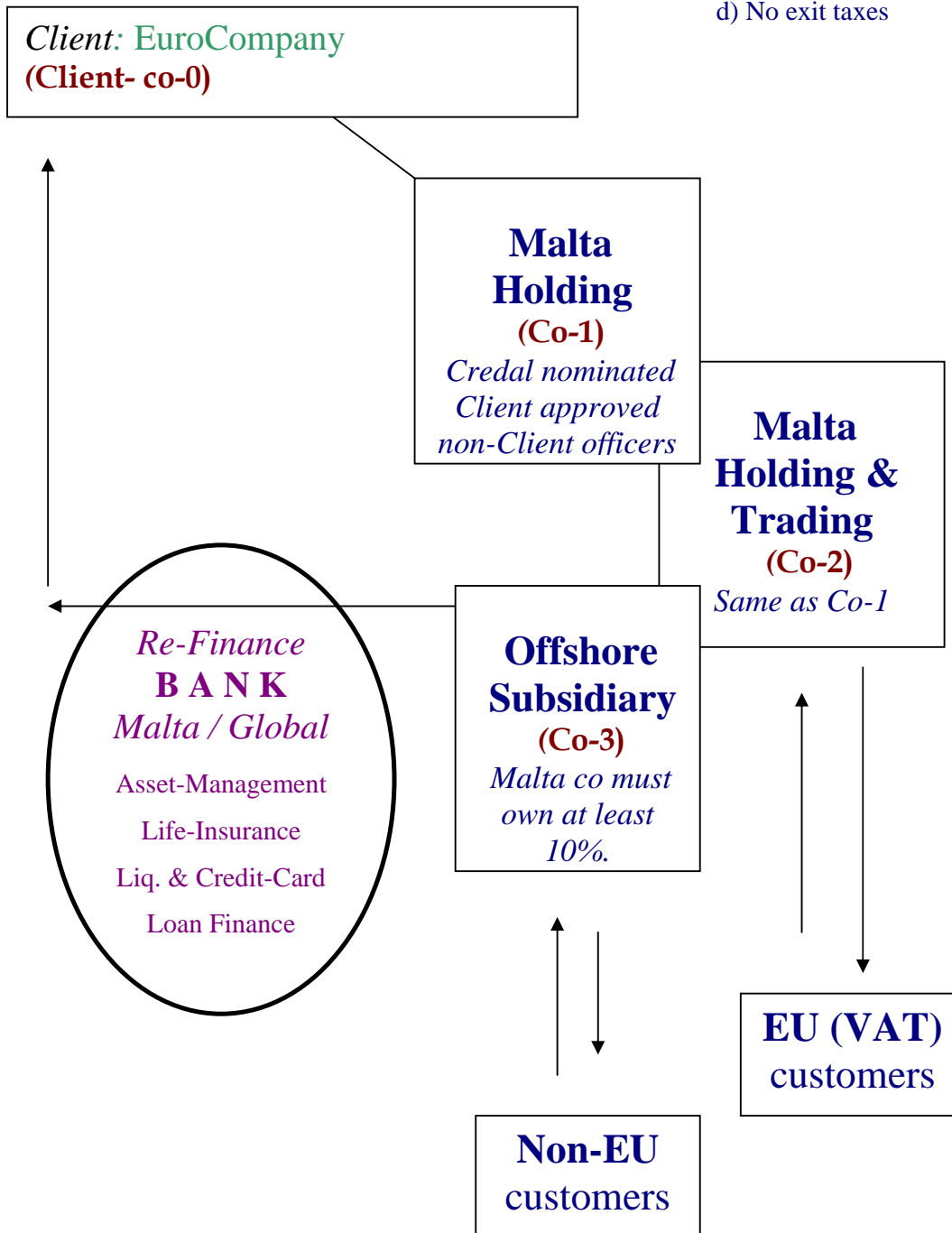
**3.6 International Business Solution Plan**

(i) Client Local Tax

- a) on Company Profits ...
- b) on Personal receipt of dividends ...

(ii) Malta Tax (Post Refund)

- a) 5% on Trading Profits
- b) 0% on Dividend Income
- c) 10% on all else
- d) No exit taxes



**Part D****IV. NOTES ON THE MALTA ADVANCED COMPANY INCOME TAX (ACIT) SYSTEM****4.1 Introduction to Malta's Tax Imputation System**

Companies registered in Malta are subject to income tax on chargeable income at 35%. Malta's full imputation system of taxation, provides that any income tax paid is CREDITED in full to the shareholder on distribution of profits, avoiding double taxation of corporate profits. Tax is then refunded to produce effective tax rates of 5% for trading activity, 0% for dividends, and 10% on all other income. Malta's imputation system has been utilised since 1948 and is fully compliant with EU directives and ECJ case law, granting same conditions and benefits to resident and non-resident shareholders alike.

**4.2 Malta Tax Payment & Refund Timing**

Income tax is paid in the same currency as the Company's share capital, which is also the currency in which the company prepares and submits its audited financial statements. A tax refund must be paid by the Inland Revenue Department within 14 days from the end of the month in which it falls due. A tax refund falls due when the company's audited financial statements (showing the dividend distribution) and a complete and correct income tax return are submitted to the tax authorities, plus tax liability is paid in full and an application for refund on the prescribed form, and dividend certificate are submitted in Malta.

**4.3 Advance Revenue Ruling**

Certainty can be sought on important aspects through the request of an Advance Revenue Ruling from the International Tax Unit of the Inland Revenue Department. Such ruling is valid for a period of 5 years and is renewable for a further five-year period. The ruling is not mandatory however it not only confirms the tax authorities' interpretation but also serves to preserve the same tax treatment for two years should there be a change in legislation which may affect the company or its tax treatment.

**4.4 Significant Malta Benefits**

- Malta does not levy any withholding taxes;
  - Malta has no thin capitalization rules or debt-to-equity ratios;
  - Malta has no specific transfer pricing rules;
  - Malta has no capital duty and wealth taxes;
  - No stamp duties on share transfers in companies owned by non-residents;
  - Non-residents are exempt from any capital gains on certain shares transfers;
  - Extensive treaty network with 51 treaties in force and 9 pending.
  - Malta is an ideal place to max the EU's Parent-Subsidiary Directive and the Interest and Royalties Directive;
- Eurozone status since January 2008
  - Malta's financial services legislation and tax laws are compliant with EU directives.
  - Malta has strong and effective Prevention of Money Laundering Laws and Regulations;
  - Malta's legislation offers unparalleled Financial Services Regulator accessibility.



#### **4.5 Definition of a Participating Holding**

Where the shares in a company not resident in Malta are held for the furtherance of the business and exceed more than a 10% stake or controlling equivalent, then such holding should not be held as trading stock for the purpose of a trade, but as a qualified Participating Holding. Alternatively a Participating holding is achieved where, a Maltese company invests a minimum of Euros 1.2 Million in a company not resident in Malta, provided that such holding is held for an uninterrupted period of at least 183 days.

#### **4.6 Participating Holdings Acquired Before 1<sup>st</sup> January 2007**

The income derived from a Participating Holding, or from the disposal of such holding, acquired before 1<sup>st</sup> January 2007, may be excluded from the tax return as a result of which such income will be exempt from tax – thus qualifying as a Participation Exemption. Where the company elects to include such income in its tax return, the shareholders may still apply for a full refund of the Malta tax paid.

#### **4.7 Exemption of a Participating Holding**

According to the amended Article 12.1(u) of the Malta Income Tax Act, a participating EXEMPTION is intended to exempt dividends derived from Participating Holdings and gains derived from the disposal of such holdings, from the ordinary application of the payment of 35% tax and application for refund due to shareholder 2 months thereafter.

#### **4.8 Qualification for a Participation Exemption**

Once a dividend is issued from a Participating Holding, then to qualify as a Participating Exemption, the Non-Malta-Resident company in which the Participating Holding is held must satisfy

ANY 1 of the following three conditions:

- The Non-Malta-Resident Company is RESIDENT or incorporated in an EU country OR
- Is subject to any FOREIGN TAX at a rate of at least 15%, OR
- Less than 50% of its INCOME must be derived from passive interest or royalties

If all of the above three conditions are NOT satisfied, then the following two conditions must be satisfied:

- The Participating Holding must not derive more than 50% of its income from a portfolio investment;

AND

- The body of persons is not resident in Malta (PH) OR its passive interest and royalties have been subject to a foreign tax rate not less 5%.

#### **4.9 Refund Notes**

- The above conditions also cover applying for a full refund under Article 48 (4)(b).
- A Participating Holding acquired after January 2007 may qualify for a Participation Exemption subject to all the above conditions where the company elects to include such income in its tax return, its shareholders may still apply for a full refund of the Malta tax paid if conditions are met.
- For a Participating Holding not qualifying as a Participation Exemption, the shareholders become entitled to claim a refund of 6/7 of the Malta tax paid.

**V. MALTA TAXATION OF INCOME**

The following table illustrates and summarizes the tax treatment and possibilities for companies having passive or trading income and the tax refunds available to shareholders:

	<b>PASSIVE Income</b>				<b>TRADING Income</b>
	Having PH	Having PH Claims FRFTC	No PH Claims FRFTC	Passive Interest & Royalties	
<b>Company</b>	Eur	Eur	Eur	Eur	Eur
Profit before tax	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
FRFTC Gross-up	-	250	250	-	
	1,000.00	1,250.00	1,250.00	1,000.00	1,000.00
Tax thereon at 35%	350.00	437.50	437.50	350.00	350.00
FRFTC	-	250.00	250.00	-	-
Tax payable	350.00	187.00	187.00	350.00	350.00
<b>Shareholder</b>					
Gross dividend received by shareholder	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Tax charged thereon at 35%	350.00	350.00	350.00	350.00	350.00
Credit for tax at source paid by company	350.00	350.00	350.00	350.00	350.00
	Full	Full	2/3rds	5/7ths	6/7ths
Refund of Company Tax to Shareholders	350.00	187.00	125.00	250.00	300.00
<b>Effective Tax Rate</b>	<b>0%</b>	<b>0%</b>	<b>6.25%</b>	<b>10%</b>	<b>5%</b>

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