MALTA vs UK vs IRELAND

MALTA

INCOME TAX (APPLIED TO COMPANY PROFITS)

	2013	2012
Income tax rate	35%	35%

- Dividends received by a Maltese company holding directly 10% or more of the shares in the distributing company located outside Malta are exempt in hand of the Maltese company through the participation exemption rules. This also applies to dividends from partnerships with capital divided into shares.
  The rules also apply to any capital gains which could arise on the transfer of the shares by a Maltese company in another company situated abroad. Other rules apply, but the 10% holding rule is the most significant.

- Upon distribution of a dividend and under the Maltese imputation system of taxation, the shareholder of a Maltese company may claim a tax refund of tax paid and withheld by the distributing company. A tax refund would be due should the share holder's tax liability in Malta be less than the tax withheld by the company on the dividend payment. Non resident and non domiciled share holders are not taxed in Malta on non Maltese source income.

- An tax exemption on certain copyrights similar to the current exemption available in respect of income from patents on inventions is also available. The exemption applies to income arising from copyrights on books, film scripts, music and art.
- A tax credit will be available to Maltese companies in respect of expenditure incurred on the development of educational and other digital games.

TAXATION ON CAPITAL GAINS

The tax refund system available in relation to income tax is also available in relation to capital gains tax on assets located outside Malta, including immovable property located abroad. These can be particularly advantageous since additional deductions for inflation and tax suffered abroad are available. The transfer of shares held by a Maltese company in a foreign companies are often exempt in Malta, due to the participation exemption rules.

VAT

	2013	2012	
Standard rate	18%	18%	
Reduced rate	5%	5%	
Reduced rate (tourism)	7%*	7%*	
Registration threshold (Article 10):	€7,000	€7,000	
Economic activity threshold (Small undertakings - Article 11):		Entry	Exit
		€	€
Supply of goods		35,000	28,000
Supply of services with a relatively low value added		24,000	19,000
Other economic activities		14,000	12,000

TAX RESIDENCE

A company that is incorporated in Malta shall be regarded for the purposes of Income Tax as being resident in Malta. As a result Maltese companies may avail themselves of the benefits under Malta's double taxation treaty network.

AUDIT

Limited liability companies are required to file audited financial statements with their tax return.

STATUTORY OBLIGATIONS

Every company in Malta must file an annual return and a set of audited statutory financial statements with the Maltese Registry of Companies. The annual return is filed annually on the anniversary of the company's incorporation in Malta. The statutory financial statements are filed following their approval in the company's annual general meeting. The time allowed for the laying and approval of financial statements before the general meeting is ten months from the end of the accounting reference period for a private company and seven months for a public company.

A Maltese company whose business is carried out more than ninety percent outside Malta may pay its income tax up to tax eighteen months after the end of the accounting reference period, Such a company may also, upon notifying the Maltese Registry of Companies, submit the financial statements with the registry within eighteen months from the financial year end. This also applies to companies that have passive foreign income such as dividends, royalties, capital gains, interest, rents and any other income derived from investments situated outside Malta.

An advance tax payment is to however be paid within 60 days from the distribution of the relative profits to shareholders, if the income tax payment has not yet been paid by the company. This is referred to as Advance Company Income Tax 'ACIT'. The ACIT will be considered as a provisional tax payment for the company. The tax return is to be filed within nine months from the end of the accounting period.

MALTA vs UK vs IRELAND

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UNITED KINGDOM

CORPORATION TAX

	Year to 31 March Taxable profits	2013/14	2012/13
Small profits rate	up to 300,000	20%	20%
Upper marginal rate	300,001 - 1,500,000	23.75%	25%
Main rate	Over 1,500,001	23%	24%

Close investment-holding companies are always chargeable at full rate. All profit limits are reduced pro rata for associated companies and for accounting periods of less than 12 months.

The main rate of corporation tax decreased to 23% and will go down again to 21 per cent from 1 April 2014. As from 1 April 2015, it will be further reduced and unified with the small profits rate, giving a new unified tax rate of 20%.

TAXATION ON CAPITAL GAINS

A company is chargeable to corporation tax on its chargeable gains. The company determines the gain by deducting from the consideration the cost of acquisition of the asset and also taking into account the applicable indexation allowance. There is a possible exemption from CGT for trading groups under special rules.

VAT

	2013	2012
Standard rate	20%	20%
Reduced rate	5%	5%

Annual turnover limits in last 12 months (or in next 30 days

	From 1 April 2013	Up to 31 March 2012
	£	£
Registration	79,000	77,000
Deregistration	75,000	75,000
Annual accounting turnover limit per annun	1,350,000	1,350,000
Cash accounting turnover limit per annun	1,350,000	1,350,000

The registration thresholds do not apply to Non-established taxable persons (NETPs). From 1st December 2012, NETPs must register for VAT in the UK and account for any UK VAT to HMRC, if they make any taxable supplies in the UK. An NETP is any person who is not normally resident in the UK, does not have a UK establishment and, in the case of a company, is not incorporated in the UK.

TAX RESIDENCE

A company that is incorporated in the United Kingdom shall be regarded for tax purposes as resident there. However, in order for a company to avail itself of the double taxation treaties benefits, it must demonstrate that it is managed and controlled in the United Kingdom.

AUDIT EXEMPTIONS

To qualify for total audit exemption, a company / LLP which has an accounting period endin(before 1 October 2012 must:

- qualify as small (not all 'small' companies / LLPs qualify for an audit exemption, vide threshold criteria underneath); and
- has a turnover of not more than £6.5 million; anc
- has a balance sheet total of not more than £3.26 millior

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- has a balance sheet total of not more than £3.26 millior

At least two of the following conditions must be met for a company / LLP to be treated as small:

- the balance sheet total must be £3.26 million or less:
- the average number of employees must be 50 or fewer

A company which is a group company and which has an accounting period ending before 1 October 2012 is only entitled to audit exemption if the following conditions are met

- the group qualifies as a small group in relation to the financial year; an
- the group was not at any time in the year an 'ineligible' group; an
- the group's aggregate turnover in the year is not more than £6.5 million net; an
- the group's aggregate balance sheet total for that year is not more than £3.26 million net

A company which is a group company and which has an accounting period ending on or after 1 October 2012 is only entitled to audit exemption if the following conditions are met

- the group qualifies as a small group in relation to the financial year; an
- the group was not at any time in the year an 'ineligible' group

STATUTORY OBLIGATIONS

All private and public limited companies and limited liability partnerships must annually file a set of financial statements and an annual return with Companies House. Medium-sized and small companies may opt to prepare and file 'abbreviated accounts'. Changes to the filing rules were brought about by the Companies Act 2006 with the following main provisions:

The time allowed for delivering accounts to Companies House is 9 months from the accounting year end for private companies and 6 months from the accounting year end for public companies.

The late filing penalties will be doubled for accounts filed late in two subsequent years

Companies House is sending notifications of removal of companies from its register immediately following failure to deliver the financial statements or the annual return by the due date.

For most companies, the payment of corporation tax is due 9 calendar months and 1 day after the end of the accounting year and a corporation tax return filed within 12 months from the same accounting year end.

MALTA vs UK vs IRELAND

IRELAND

CORPORATION TAX

	2013	2012
Trading income	12.5%	12.5%
Non-trading income	25%	25%

In order to benefit from the rate of 12.5%, the trading income has to be managed in Ireland.

A start up company that is not a service company or a company whose income is taxed at 25% can get a 3 year corporation tax exemption. The exemption is limited to €40,000 per annum. A marginal relief can be obtained if the charge is between €40,000 and €60,000. In practical terms, this means that a company that satisfies the conditions of a start-up company is tax exempt on its first €320,000 of taxable profit. The three year start up exemption was extended to new trades which commence in the years 2012, 2013 and 2014.

From 1 January 2011, the relief is linked to the amount of employer's PRSI paid by a company, subject to a maximum of €5,000 per employee, and an overall limit of €40,000. The relief does not apply to trades carried on by associated companies.

TAXATION ON CAPITAL GAINS

A company is chargeable to corporation tax on its chargeable gains. The company determines the gain by deducting from the consideration the cost of acquisition of the asset and also taking into account the applicable indexation allowance.

VAT

	2013	2012
Standard rate	23%	23%*[1]
Reduced rate	13.5%	13.5%
Flat rate (farmers)	4.8%	5.2%
Livestock rate	4.8%	4.8%
Tourism rate	9%*	9%*

Annual turnover registration limits:

1. € 75,000 - Businesses which supply goods (in the case of goods and services, where not less than 90% of the annual turnover is from the supply of goods);
2. € 37,500 - Other businesses, including those supplying services
3. € 41,000 - Intra-Community acquisitions of goods for business purposes by a person in the State
4. € 37,500 - Distance sales of goods by a foreign trader to non-registered customers in the State
5. NIL - Traders not established in the State but supplying goods and services in Ireland
6. NIL - Receipt of services set out in the Fourth Schedule for business purposes by a person in the State

A taxable person established in the State is not required to register for VAT if his or her turnover does not reach the appropriate thresholds above. However, they may opt to register for VAT.

Exempt activities: Financial, educational, medical, dental

Activities taxed at 0%: Exports, food, books, children's clothes

* As from 1 July 2011 until 31 December 2013, a reduced VAT rate of 9% is applicable on certain goods and services, mainly related to tourism. As from 1 January 2012, the reduced rate was extended to include admissions to 'open farms' (historic houses and gardens).

TAX RESIDENCE

A company that is incorporated in Ireland shall be regarded for tax purposes as resident there. If an Irish company is managed and controlled by an Irish resident director, the company may take advantage of the benefits available under Ireland's double taxation treaty network.

AUDIT EXEMPTIONS

The conditions to be satisfied before a company will be able to claim the exemption from the requirement to have its accounts audited are set out below:

- Turnover of the company must not exceed €8.8 million (applicable to financial years which end on or after 07/08/2012, otherwise €7.3 million);
- Gross assets must not exceed €4.4 million (applicable to financial years which end on or after 07/08/2012, otherwise €3.65 million);
- Average number of employees not exceeding 50;
- The company must not be a parent company or a subsidiary company;
- The company must not come within one of 19 classes of companies listed in the Second Schedule of the 1999 Act;
- The company's annual return must be filed on time.

All the conditions must be satisfied in respect of the current financial year and also in the preceding financial year.

STATUTORY OBLIGATIONS

Companies registered with the Company Registration Office (CRO) are required to file accounts with their annual return as per Section 7 of the Companies (Amendment) Act 1986. This includes both public and private limited companies. This means that the annual return and accounts must be delivered to the CRO by not later than 28 days after the company's Annual Return Date, or where the return has been made up to an earlier date, within 28 days of that earlier date.

An Annual Return Date (ARD) of a company is the latest date to which an annual return must be made up. Every company in existence on 1 March 2002 was assigned its own ARD by law. New companies incorporated on or after 1 March 2002 have an ARD triggered by their date of incorporation.

A company must submit a corporation tax computation within nine months of the end of the accounting period to which the return relates. Under the 'Pay & File' system, a company must compute and pay preliminary tax by not later than the 21st day of the month preceding the end of the accounting period and pay any balance of tax due when lodging its return, i.e. within nine months of the end of the accounting period.

Source: Portman International

PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.

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