



Alter Domus

MALTA NEWSLETTER

OCTOBER 2019



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Dear Friends,

With great pleasure we present to you the third newsletter of 2019. This edition includes a range of updates on Malta's financial services industry. From the new patent box regime to the latest consolidation rules for income taxes, there are several advantageous changes that have come to light in recent months. We've also observed the increased use of Malta as a jurisdiction for aircraft registration, most notably by the recent acquisition of Malta Air by Ryanair.

In September, the Malta and Cyprus offices held a joint event in London to present the opportunities found in each of the two jurisdictions. It was wonderful to see so many new and familiar faces together in one exclusive venue.

On the global front, Alter Domus has experienced a whirlwind quarter whereby we welcomed three new members to the Group Executive Board, including our new CCO, CFO, and CHRO. In October we opened a brand new office in Japan, and with it, welcomed a new country executive. These new appointments have helped to bolster our senior leadership around the world.

We hope that you enjoy this newsletter and as always, we welcome your feedback.



Chris Casapinta
Country Executive, Malta

MALTA UPDATE

MALTA'S NEW PATENT BOX REGIME

In August, Legal Notice 208 of 2019 was published, introducing the patent box regime, creating incentives for taxpayers involved in the development and use of intangible assets.

The Maltese Patent Box Rules allow taxpayers actively involved in the development and exploitation of intellectual property ("IP") to opt for the application of special rules on calculating deductions ("Patent Box Deduction").

The deduction is calculated based on the following formula:

95% x (Qualifying IP Expenditure divided by Total IP Expenditure x Income/Gains derived from Qualifying IP)

"Total IP Expenditure" includes all expenditures directly incurred in the acquisition, creation, development, improvement or protection of the qualifying IP. "Qualifying IP Expenditure" is equivalent to "Total IP Expenditures" excluding certain types of expenses, particularly acquisition costs of IP and costs paid to related parties for the development of qualifying IP.

Only income/expenses from IP which meet the definition of "Qualifying IP" are eligible for the Patent Box Deduction. Qualifying IP generally comprises the following:

- Patent(s), including patents pending issuance/extension;
- Non-patent IP protected by legislation (including those related to plant and genetic materials and plant/crop protection products);
- Orphan drug designations, utility models and software protected by copyright;
- Intellectual property assets that are non-obvious, useful, novel and that have features similar to those of patents. Only those holders who are regarded as "small entities" (as defined in the Rules) are eligible to use such IP for the purpose of the Patent Box Deduction.

It's important to note that marketing-related IP assets including brands, trademarks and trade names are not considered "Qualifying IP", and thus fall outside the scope of the new rules.

The new Patent Box Regime rules require a direct link between the benefits derived from favourable taxation and actual R&D activities. Only taxpayers engaged in the development of IP (either themselves or through independent subcontractors) may benefit from the Patent Box Deduction.



ECONOMIC HIGHLIGHTS

The Maltese economy continues to show significant growth with experts predicting a fifth significant surplus in 2020.

From January to June 2019, the Maltese economy grew by 4.7%. The main drivers of growth are expected to remain financial services, gaming and tourism sectors. The employment situation also remains robust with more than 90% of new jobs created in the private sector. Employment is expected to grow by 4.1% in 2020 and unemployment rates are forecasted to stabilize from their current rate of 3.3% (August 2019) to 3.5% next year. Public debt stands around 45.8% of GDP and is expected to continue dropping to 40.4% in 2020 with inflation projected at 1.6%.

Fiscal evasion in Malta was reduced by 8% over the course of one year. Malta is now ranked fourth amongst EU Member States in terms of lowest VAT evasion. In an effort to further reduce tax evasion, starting next year, the purchase of property, cars, boats and yachts, diamonds, precious stones and works of art work by means of cash payments exceeding €10,000 will no longer be permitted. Finally, a new agency, the “Financial Organised Crimes Agency,” will be set up as part of the effort to combat money laundering and terrorism financing.



NEW CONSOLIDATION RULES

Earlier this year, Malta introduced fiscal unity rules that enable related Maltese and foreign companies to form part of a tax group for Maltese income tax purposes.

Under the new legislation, groups of companies may elect to be treated as a single fiscal unit. The chargeable income of the group would then be taxable only at the parent entity—or principal taxpayer—level.

This fiscal unity creates a cash flow advantage for groups of companies when compared to the current operation of the partial shareholder tax refunds. Under the new rules, the fiscal unit may apply the lower effective income tax rate when calculating its tax liability, rather than applying and paying income tax at the 35% rate and subsequently applying for a partial tax refund when a dividend is paid to shareholders. The lower effective tax rate is therefore achieved without the need for a dividend distribution.

The application of this tax consolidation is subject to the conditions and requirements set out in the legal notice (L.N. 110 of 2019).

The main requirements are that the parent entity must hold at least 95% of two of the following rights: voting rights, profits available for distribution, or assets available for distribution upon winding up. Additionally, the accounting periods of all members in the group must begin and end on the same date. These new rules will come into force from the year of assessment 2020 (basis year 2019).

Alter Domus helps businesses determine if they are eligible for the consolidated group scheme, prepare their consolidated profit and loss accounts and consolidated balance sheets, and file relevant tax returns.

MALTA PRODUCTS

AVIATION REGISTRATION

Andrea Debattista, Senior Manager, discusses the growing appeal of Malta's aviation sector.

What sets Malta apart from other jurisdictions when it comes to registering aircraft?

The Aircraft Registration Act (ARA) came into force in Malta in 2010, and since then the island has grown into an EU hub for the registration, leasing and maintenance of aircraft. Over the past nine years, aircraft registrations have grown almost fivefold to approximately 350 today. This rapid growth has been accompanied by the placing of aircraft maintenance centers in Malta by industry-leading firms such as Lufthansa Technik and Maleth-Aero AOC.

Its excellent geographic location and legislative structure are all favourable to individuals or companies looking to register their aircraft in an EU member state. We are currently seeing new registration every week or so - a trend that has continued since 2015 and which shows no signs of abating. The Malta aircraft register is subject to EASA regulations, so its operators have to comply with some of the highest levels of regulation in the world. Malta has a FAA Category 1 rating, so owners of private and commercial jet know that their aircraft are maintained to the strictest standards of safety and security.

News of the acquisition of Malta Air by Ryanair has prompted interest in using Malta as a hub for aircraft. Do you expect to see more such large players following suit in the future?

There is every reason to believe that other carriers will see the advantages that Malta has to offer and follow Ryanair's example. The taxation system in place for the staff of airlines is attractive, and the legislative framework is robust.

Airplanes registered in Malta can be based and operated anywhere in the world. Even aircraft that are currently under construction or unserviceable can be added to the registry. And as a further advantage, no duty is liable on civil aircraft imported into Malta, and the aircraft themselves are not subject to stamp duty.

What steps is the Maltese government taking to promote Malta as an ideal country for aircraft registration?

Malta was one of the first countries in the European Union to ratify the Cape Town treaty on the mobility of aircraft and aircraft engines, and the Maltese government has also taken a very proactive approach to ensure that Malta is a highly attractive location for aircraft registration. Malta has also long had many double-tax treaties with countries such as the United States, UAE and Switzerland.

With regards to tax collection, Maltese legislation provides strong refund contributions on both a corporate and an individual level. Different administration positions in the Aviation business can choose a tax rate of simply 15%, and all-out Maltese assessment exclusion is accessible on incidental advantages received by non-inhabitant workers for private utilization of an airplane.

At an organizational level, profit attribution takes out financial twofold tax collection of individual investors at the profit arrange. The advantage is that investors can guarantee back the full charge on profits paid by the organization, which means they don't face any additional expense spillages.

MALTA PRODUCTS

AVIATION REGISTRATION

The minimum amount of years over which aircraft assets can be depreciated has been reduced in the past years. As a result, the Company will be taxed on reduced charged revenues as of 2018 by increasing allowable deductions for wear and tear.

What can Alter Domus Malta do to assist those looking to register aircraft in Malta?

Alter Domus can offer a full range of fund and special purpose vehicle ('SPV') administration for aircraft registrants. Some of the principal elements of this service provision are:

- Consolidation and investor reporting
- Corporate services for holding companies / leasing vehicles
- Leasing companies – integration of lessee data and reporting
- Assistance in setting up and implementing companies and funds
- Liquidation of companies and funds
- Transfer pricing analysis and documentation
- Tax compliance
- Compliance and regulatory reporting
- Payroll, charter income reconciliations and monitoring, aircraft registration

Alter Domus follows a four-tier model for its aviation servicing offering, consisting of cash flow management, which covers the areas of treasury management, bank account monitoring and management, bank reconciliation, waterfall, dividend and distributions, drawdown monitoring, project management, lease administration and core

services; project management, which covers the acknowledgement, understanding and review of transactions, the setting of timelines, agreeing on details, ongoing review of leases, and quarterly or monthly operational reviews; lease administration, which involves a software module, lease rental invoice preparation, covenant monitoring, lease portfolio reporting and calculation of maintenance reserves. And finally, the core services, upon which Alter Domus builds all its offerings in Malta, namely multi-currency accounting in major GAAP including IFRS, IRR and carried interest calculations, equalization provisions, drawdown and distribution letters production, impairment test and valuation, tax compliance, consolidation, periodic financial reporting and cash flow statements.

How do you see the aircraft registration landscape in Malta developing in the coming years?

All of the conditions are in place to ensure that Malta remains a highly attractive location for aircraft registration in the coming years. The uncertainty surrounding the United Kingdom's exit from the European Union will also almost certainly play in Malta's favour, as aircraft operators search for a robust, EU-based jurisdiction for their investments. Malta also offers many fundamental advantages, not least the high standard of spoken and written English on the Island, which would make Malta one of only two countries in the European Union where English is an official language in the wake of Brexit. The high number of talented workers and short relative distances to important administrative centers are selling points of Malta that other jurisdictions simply cannot offer.

MALTA AFTER HOURS

MFSA WORKSHOP ON FINTECH REGULATIONS

On July 30, Raffaella Busuttill, Head of Operations Malta, attended FinanceMalta and MFSA's workshop entitled "Pillar 1 – Regulatory Sandbox and Other Strategic Objectives: Briefing and Consultation." The event took place at the Corinthia Palace Hotel in Attard and attracted collaborators and stakeholders from finance, law and technology to share their views. The event's objective was to provide an in-depth overview of the consultation documentation and engage the audience and stakeholders for feedback.

Earlier in the month, MFSA launched a public consultation on the first pillar of its six-pillar Fintech Strategy. One of the pillars, Regulations, includes the creation of a testing-ground known as the Regulatory Sandbox. The scheme allows financial service companies to test out Malta as a hub, almost as if in a controlled laboratory setting, to explore their regulatory and commercial projects with actual financial consumers.

Raffaella came away from the event with the following insights: "The regulatory sandbox is a very interesting and innovative development that the MFSA is embarking on. This framework enables the exploration and development of business ideas from both the operative as well as the regulatory perspective simultaneously, hence positioning Malta as an attractive financial services domicile. This is also an opportunity for Alter Domus as a fund administrator and corporate service provider, whereby we can potentially support clients in putting new business models or novel financial products to the test."



MALTA AFTER HOURS

MALTA & CYPRUS DINNER EVENT



On September 19, Alter Domus hosted its Malta & Cyprus Event in London. The purpose of the event was twofold; it was held to show appreciation for existing clients and business partners, as well as to present Malta and Cyprus as viable jurisdictions for corporate and fund structures.

Attendees were presented with information on both jurisdictions' particular areas of expertise and products which may not exist elsewhere, such as trusts, foundations, shipping and aviation. Alter Domus' Chris Casapinta, Przemyslaw Koger, Evdokia Stavraki-Stephanou, George Karatzias and Antonis Anastasiou all attended the insightful event.



Chris Casapinta, Country Executive Malta, explained "This was a very unique opportunity for ourselves, our clients, and our business partners. First and foremost, we wanted to thank them for giving us their trust and for their ongoing partnership. At the same time, we wanted to provide them with information about two highly advantageous jurisdictions: Malta and Cyprus. Between the insightful information, wonderful meal and fantastic company, it was a night we won't soon forget!"

ALTER DOMUS UPDATE

NEW OFFICE & COUNTRY EXECUTIVE



Scott Reynolds
Country Executive Japan

On October 1, Alter Domus opened a new office in Japan, led by Scott Reynolds, Country Executive Japan. The Japan team will work closely with our long-established Alter Domus Hong Kong, China, Australia and Singapore offices to expand and consolidate our reach in the APAC region.

To oversee this important new expansion, Scott Reynolds will be responsible for Alter Domus' activities in Japan and report directly to the Regional Executive Asia Pacific, Alexander Traub. Scott brings with him more than 25 years of accounting and finance experience across diverse industries and several countries, including Japan, the UK and Australia.



ALTER DOMUS UPDATE

NEW GROUP EXECUTIVE BOARD MEMBERS

On August 1, Lisa Crawley was officially appointed Chief Operating Officer of the Alter Domus Group. In her new role, Lisa is responsible for Alter Domus' operations across the globe, leveraging her extensive experience to benefit both clients and colleagues.

Before joining Alter Domus, Lisa served as Director of Business Support at Worldpay in the UK for seven years where she designed and established a customer-centric, value-driven center of excellence supporting several million payments a day, via 300 payment methods in 126 currencies across 146 countries.



Lisa Crawley
Chief Operating Officer

On September 6, Joanne Ferris was named Chief Human Resources Officer. Joanne will be responsible for Alter Domus' Human Resources departments across the globe and report directly to Chief Executive Officer, Aidan Connolly.

Joanne's career began with twenty years in the banking sector before making the transition to Human Resources. She has served as the Interim Group HR Director for easyJet, Group Director for People, Culture and Communications at Primark, and Head of Human Resources, Customers and Distribution at Allied Irish Banks. Originally from Australia, Joanne is a graduate from the University of New South Wales and the University of Sydney in Mathematics, Science and Psychology.



Joanne Ferris
Chief Human
Resources Officer

On September 16, Andrew Cherry was appointed Chief Financial Officer of the Alter Domus Group. He will report directly to Chief Executive Officer, Aidan Connolly.

Andrew has more than 20 years of CFO experience, spanning Financial Services, Technology, Real Estate, Hospitality and Manufacturing. He has spent eight years at PE-backed companies, eight years at listed companies and four years in private companies. He specializes in high growth situations and has lived and worked in the UK, Germany, USA, Jamaica, Malaysia, Venezuela and Spain.



Andrew Cherry
Chief Financial
Officer

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AMERICAS

- Cayman Islands
- United States:
 - Chicago (IL)
 - New York (NY)
 - Darien (CT)
 - Austin (TX)
 - Indianapolis (IN)
 - Los Angeles (CA)
- Canada
- Latin America

EMEA

- Belgium
- Cyprus
- France
- Germany
- Guernsey
- Ireland
- Jersey
- Luxembourg
- Malta
- Mauritius
- Spain
- The Netherlands
- United Kingdom

ASIA-PACIFIC

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- China
- Hong Kong
- Japan
- Singapore
- India

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