

Examples of how the full imputation system is applied to different sources of income and the tax refund mechanism applicable in Malta upon a distribution from a company to its shareholders.

	Trading Income	Passive Income			
		Dividend income qualifying for Participation exemption	Dividend income with no PE but claims double tax relief	Dividend income with no PE but claims FRFTC	Passive interest and royalties
Company Profit before tax	100,000	100,000	100,000	100,000	100,000
Foreign tax suffered	-	-	10,000	-	-
Grossed up for FRFTC	-	-	-	25,000	-
Total chargeable income	100,000	100,000	110,000	125,000	100,000
Tax thereon at 35%	35,000	-	38,500	43,750	35,000
Credit for foreign tax via Double tax Treaty	-	-	(10,000)	-	-
Credit for FRFTC	-	-	-	(25,000)	-
Tax payable by distributing company	35,000	-	28,500	18,750	35,000
Refund of company tax to shareholders	(30,000)	-	(25,667)	(12,500)	(25,000)
Net tax suffered in Malta after shareholder refund	5,000	-	2,833	6,250	10,000
Net Effective Malta Tax rate	5%	0%	2.83%	6.25%	10%
Refund available to shareholders	6/7ths	Full	2/3rds	2/3rds	5/7ths