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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

With a GDP per capita of USD 31,580 (IMF, 2021), the Maltese consumer is now among the wealthiest in the Mediterranean (after Italy and Spain). The population is growing marginally (0.75% in 2021) and the median age was 42.3 years old in 2020 (CIA World Factbook's estimations).

Most of the population live in cities (94.7% urbanisation rate in 2020 - CIA World Factbook) and there are no significant income inequalities among different regions or social groups with Malta having one of the lowest Gini index scores in the world (28 out of 100 in 2019 - Eurostat, latest data available).

Consumer Behaviour

Malta has a more vibrant consumer market than the regional average. All markets perform better than the EU average (meat, non-prescription medicine, fruit and vegetables in particular), except for books, magazines and newspapers, and entertainment goods, which are in line with the average (EU Consumer Markets Scoreboard, latest data available). Consumer confidence increased until January 2020, but following the COVID-19 crisis, it fell sharply, in November 2020 the consumer confidence index was -10.7 points and was -7.9 points in March 2021 (Eurostat). Maltese consumers are increasingly online, the internet penetration rate in Malta stood at 91% in 2020 (Kepios), and are turning to e-commerce.

According to the Malta Future Consumer Survey, conducted in 2020 by EY, the general perception is that in the future, once the pandemic is over, there will be a return to pre-COVID-19 spending levels in almost all categories. However, affordability remains a concern, with 67% of respondents saying they are cautious about spending and 45% saying they will postpone major purchases. In addition, retailers need to remain aware of the growing interest in contactless delivery and payment systems that were highlighted by respondents. 54% of consumers prefer to shop online, rising to 78% for people up to 40 years of age; while 53% expect contactless payment and delivery.

Consumers Associations

[Consumers' Association of Malta \(Camalta\)](#)

IMPORTING & DISTRIBUTING

Import Procedures

As an EU member, Malta applies the EU Customs Code for import and customs clearance processes. "TARIC"

contains all references to the relevant import and export laws and regulations that apply within the EU, including commodity codes for 65,000 products.

Imported goods in Malta should be accompanied by the Single Administrative Document (SAD). The supplier's invoice should also be joined for customs clearance.

As part of the "SAFE" standards set forth by the World Customs Organisation (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Programme eCustoms, has been in effect since January 1, 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

For more information, please visit the [Maltese Customs](#) website.

Distribution market players

Malta does not have any natural resource wealth or any heavy industry: the country thus depends entirely on imports to meet its requirements of basic products, industrial products as well as consumer goods. Though Malta is a small market, it is characterised by the active presence of a multitude of trade companies, often family-run businesses but very competitive towards each other. These companies generally undertake the import and distribution of goods at the same time. A few specialist importers also exist and they constantly seek to expand their field of action by extending their product range.

Many European distributors have been partnering with Maltese firms to open franchises of fashion and food stores across the island over the last few years. For instance, supermarket chains such as [SPAR](#), the discount chain [LIDL](#), British mass retailers [Marks & Spencer](#) and, most recently, [Matalan](#) have entered the market. Some local operators have invested in modern mass retail, working directly with European retailers, while others have partnered to represent brands in North Africa.

OPERATING A BUSINESS

Type of companies

Private Limited Liability Company (LTD)

Number of partners: Minimum 1 shareholder, maximum 50 shareholders.

Capital (max/min): Approx. EUR 1,165 minimum with at least 20% to be paid upon subscription.

Shareholders and liability: The liability of the partner is limited to the amount of the capital contributed.

Public Limited Liability Company

Number of partners: Minimum 2 shareholders, maximum 50 shareholders.

Capital (max/min): EUR 47,000 minimum with at least 25% to be paid upon subscription.

Shareholders and liability: The liability of the partner is limited to the amount of the capital contributed.

Sole Trader

Number of partners: 1 partner

Capital (max/min): No minimum capital required.

Shareholders and liability: The liability of the partner is unlimited.

General Partnership

Number of partners: Minimum 2 partners, maximum 20 partners.

Capital (max/min): No minimum capital required.

Shareholders and liability: Each partner is personally and indefinitely responsible for the debts and other commitments on behalf of the company.

Limited Partnership

Number of partners: Minimum 2 partners, maximum 20 partners.

Capital (max/min): No minimum capital required.

Shareholders and liability: At least one of the partners is responsible personally and indefinitely for the debts and other commitments on behalf of the company. Sleeping partners' liability is limited to their contribution.

Cost of Labour

Minimum Wage

The minimum wage is EUR 784.68 per month in 2021 according to Eurostat.

Average Wage

According to the National Statistical Office of Malta, the average salary was EUR 1,536 per month in 2020.

Social Contributions

Social Security Contributions Paid By Employers: 10% of the employee's weekly salary (for annual salaries higher than 24,986 euros a weekly fixed rate of EUR 48.57 applies)

Social Security Contributions Paid By Employees: 10% of the employee's weekly salary (for annual salaries higher than 24,986 euros a weekly fixed contribution of EUR 48.57 applies)

Intellectual Property

National Organisations

The organization responsible for the protection of brands, industrial drawings and patents in Malta is the [Industrial Property Registration Directorate](#).

Regional Organisations

Malta is member of the [UCC](#) (Universal Copyright Convention) since 1968.

Malta signed the [Paris Convention for the Protection of Industrial Property](#), as well as the [Berne Convention for the Protection of Literary and Artistic Works](#).

TAX RATES

Consumption Taxes

Nature of the Tax

Value Added Tax (VAT) - *It-taxxa fuq il-valur miżjud* (Local Name)

Tax Rate

18%

Reduced Tax Rate

7% on tourist accommodation and use of sporting facilities.

5% on confectionery; medical equipment and accessories; printed matter (including e-books/audio books); supply of electricity; items for the exclusive use of the disabled; the importation of works of art, collectors' items and antiques

0% on food, excluding catering; pharmaceutical goods; international transport; exports of goods and related services (to territories outside the EU); supplies to ships; supply of gold to the Central Bank of Malta.

Exempt supplies include: letting and transfer of immovable property; health and welfare; education; postal services; banking and insurance; grant and negotiation of credit and the management of credit by the grantor; supply by non-profit organizations of approved services related to sports or physical recreation; sports; lotteries; broadcasting; water.

Other Consumption Taxes

Excise duty is levied on the import of certain products including fuel, vehicles, cigarettes and alcohol, mobile telephony services. The exhaustive list of products subject to excise duty can be seen on the website of the [Customs Office](#).

More detailed information on excise duties is available concerning alcoholic beverages, tobacco products, energy products on the [European Commission](#) website.

Corporate Taxes

Company Tax

35%

(a tax rebate is available for distributed dividends: this system grants a shareholder the right to claim a refund of all or a part of the Malta tax paid on the qualifying profits out of which the dividend was distributed, resulting in an effective tax rate between 0% and 10%)

Capital Gains Taxation

Capital gains arising from the transfer of securities, copyrights, patents, trademarks and trade names and on the assignment of ownership rights over such properties are included in taxable income and taxed at the ordinary corporate tax rate. No tax is levied on investments that yield a fixed rate of return.

Non-resident companies are not subject to tax on their capital gains from the sale of long-term insurance policies, investments in a collective investment scheme or a resident firm (unless the assets of the latter are entirely or mainly composed of real estate).

Main Allowable Deductions and Tax Credits

Expenses that are wholly and exclusively incurred in the production of income are generally deductible when documented.

Depreciation of tangible and intangible assets is tax-deductible. Capital expenditure on intellectual property incurred to generate income can be deducted over the useful life of the intellectual property in question (in all cases, over a minimum period of three consecutive years). Goodwill related to the purchase of intellectual property may be deductible.

Some start-up costs, such as training, advertising or remunerations, may be deductible if they are incurred at the latest 18 months before the start of the business activity.

Interest expenses on capital used for commercial purposes are deductible. Doubtful debts proven with the tax authorities may be deducted from the tax.

Donations to charities and fines are generally not deductible.

Other deductions are provided for transportation costs of employees to and from the place of work using means of transport capable of carrying more than eight persons, and for the use of cars and the payment of employee compensation.

Payments of royalties, interest and service fees to foreign affiliates are normally tax-deductible. Commercial, operating or impairment losses may be carried forward indefinitely. The carryback of losses is not permitted.

Other Corporate Taxes

Property transfer taxes are levied at 8% (or 10% if the property is acquired before 1 January 2004). The rate is reduced to 5% on the sale of properties rehabilitated in urban conservation areas, as well as for the first EUR 400,000 of the transfer value of an immovable property. For promises of sale being signed until December 2021 with the final deed of transfer being signed until 30 June 2022, the rate is also at 5%. The first EUR 100,000 of any profits or gains arising on the assignment or cessation of any rights acquired under a promise of transfer of immovable property or any rights thereon are taxed at a rate of 15%; whereas the part over EUR 100,000 will continue to be subject to tax at 35%. Transfers of immovable property acquired through causa mortis or donation may be taxed at 12% on the difference between the transfer value and the acquisition value.

Stamp duties are mainly levied on real estate transfers at an ordinary rate of 5% (2% for properties located in Gozo). Stamp duties of 2% or 5% are also levied on the sale of shares of real estate companies.

Social security contributions payable by the employer amount to 10% of the salary, plus a fixed amount of EUR 49.97 per week for annual salaries exceeding EUR 25,258.48 (2022).

Other Domestic Resources

[Inland Revenue Department \(IRD\)](#)

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[See the list of Double Taxation Agreements signed by Malta](#)

Withholding Taxes

There are no withholding taxes on dividends, interest or royalties. However, interest paid to residents could be taxed at 15% if it qualifies as investment income.