



TAX UPDATE

27th March 2010

Malta – Isle of Man Double Tax Agreement

Legal Notice 162 of 2010 transposes the Malta – Isle of Man double tax agreement. The provisions of the treaty shall become effective as from 1st January 2011.

The double tax treaty eliminates the imposition of withholding tax on cross-border repatriation of dividends, interest and royalties implying that only the residence state of the recipient is allowed to tax these types of income.

Notably, the treaty contains a provision on independent personal services. The provision restricts the source country from taxing the income of an independent contractor provided that such person does not maintain a fixed based in country where the income has been sourced.

The treaty allocates exclusive tax jurisdiction to the residence state of the recipient in respect to pensions but only insofar as these are paid in consideration of past employment.

Where the provisions of the treaty permit both States to tax a particular type of income, double taxation is relieved by both Contracting States using the credit method. Isle of Man shall also be obliged to provide a participation exemption on dividends received from a Maltese company provided that certain conditions are met.

For further information kindly contact:

Mr. Franco Falzon LL.M
Director - International Tax Services

Email: francof@3a.com.mt

3a Accountants

*The Penthouse,
Palazzo Ca' Brugnera,
Valley Road, B'Kara BKR 9024
Malta.*

*Tel + 356 2757 2757 Fax + 356 2757 2758
Website: <http://www.3a.com.mt>*