NEW FISCAL REGIME IN MALTA

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FITWI – A NEW TAX REGIME FOR CORPORATE TAX IN MALTA

Introduction

Malta has for many years stuck to its full imputation system of taxation for companies with a flat rate of 35% on net profits. However, when dividends are distributed to the shareholders, the tax paid at company level is imputed to the shareholders and therefore, the shareholders receive a credit for the tax already paid, thereby eliminating double taxation. This long-standing tax system created opportunities to lower effective taxation in the hands of the shareholder.

Now, on 2nd September 2025, through the publication of Legal Notice 188 of 2025, Malta has made its first step towards a more traditional form of taxation by launching the new tax regime: Final Income Tax Without Imputation, or as it is now known FITWI Under this regime, profits are taxed at company level at a fixed rate and no further tax credits or refunds are available

Characteristics

(a) FITWI is an elective regime, i.e. entities can elect to be taxed under this regime or else remain under the old full imputation system. This election shall be made by notifying the Commissioner for revenue via a prescribed form. The deadline for the first year (i.e. for basis year 2024) is end of November 2025.
(b) Once an entity elects into FITWI, the choice is locked for 5 years. Should the entity decide to exit after 5 years, it would not be able to re-apply until another 5-year period has elapsed.
(c) FITWI can be adopted by limited liability companies and other bodies of persons that elect to be treated as a company (such as trusts or foundations) or are deemed to be a company
(d) Under FITWI the entity will be charged a flat rate of 15% on chargeable income with any tax liability being deemed as "final". FITWI suffered tax will not be available as a credit or refund at shareholder level.
(e) Any dividend income received from intra group entities or income already taxed at final rates of tax are excluded from FITWI
(f) There is an anti-abuse provision whereby FITWI can never be lower than the effective tax rate that would have otherwise resulted had the entity applied the standard full imputation system. In this manner, the Commissioner for Revenue will always guarantee that the entity pays the higher of the tax payable under FITWI and under the old regime.

Conclusion

This new 15% final tax regime represents the first baby step Malta took to offer alternative forms of taxation from that of the full imputation system. This step was taken and was intended to simplify the Malta's corporate tax framework and to provide more tax certainty amidst the evolving global tax standards – especially the EU Directive referred to the Pillar Two Directive which advocated a minimum effective tax rate of 15%.

We do advise entities that before opting to go for such a regime to seek advice on whether how foreign tax jurisdictions of parent companies will treat this tax payment.