

# Aviation in Malta



Malta as an Innovative  
Aviation Cluster

# Why Malta?

- Malta's geographic position at the centre of the Mediterranean makes it an ideal strategic aero hub.
- Malta is a member of the European Union and it is close to the Middle East and North African Region.
- Its membership in the EU and a good network of Air Services Agreements, (presently there are 55) places Malta in an attractive position for the location of an aviation cluster.
- The Global Competitiveness Report 2010-2011 ranked Malta's banking system at the tenth in its global rankings. A solid and stable banking sector guarantees adequate financing for the aviation sector.
- The Maltese Government firmly believes that Malta has the necessary potential to create a successful aviation cluster.
- The Maltese Government has undertaken to commit all the necessary investment to support the aviation industry in Malta.
- Transport Malta, as the competent authority, has pursued and achieved the legal reform thereby introducing incentives and benefits for foreign investors and international registrants.
- The aviation sector is regulated by the **Civil Aviation Directorate**, within Transport Malta.
- The directorate is both efficient, and accessible on a 24/7 basis. **CAD** staff have technical expertise and an excellent command of the English language.
- Malta's diverse industries offer a range of services including aircraft and engine maintenance, repair and overhaul, software development, aircraft management, aircraft maintenance training and ancillary support services.
- Malta's tax system, plus its extensive network of double taxation treaties, offers significant fiscal efficiency to investors and companies establishing here. It has been recognized as one of the main drivers in creating an attractive environment for foreign investors.
- Its full imputation tax system and other tax incentives makes it desirable for companies to locate to Malta, especially aircraft leasing companies and air services operators.

# Why Register Private Aircraft in Malta?

- The new Aircraft Registration Act (2010) has done away with unnecessary nationality requirements with regard to the registration of private aircraft and business jets.
- Aircraft may be registered by a natural person or a judicial person, including trustees.
- The international registrant may either be a citizen of, or established in, an EU or EEA Member State, or alternatively an OECD Member Country.
- The international registrant, may appoint a Resident Agent to act as a channel of communication with Transport Malta, and to take care of any matter relating to the registration of aircraft.
- Aircraft on Malta's register must be compliant with European Aviation Safety Association [EASA] standards. A European certification is valued more on a global scale and may enhance the value of the aircraft as these EASA standards are higher in respect of their counterpart US and International standards.
- Malta's Independence Constitution includes a neutrality clause which offers a low profile flag especially in the event of international tensions or disputes.
- Rather than promoting a confidential registry, the Maltese Government sought to establish a reputable aircraft registry where aircraft are registered, with full confidence, under the Malta flag.
- Like all Maltese registries, the National Aircraft Registry is available to the public, freely available online.
- Registration of any aircraft under construction is now possible as soon as it is readily identifiable.

# Why Locate Aircraft Operations to Malta?

## Fiscal Incentives

- Recent amendments in the Income Tax Act provide that any income shall be deemed to arise outside Malta when it is derived from the ownership, leasing or operation of an aircraft fuselage and/or aircraft engine which is used for the international transport of passengers and goods.
- Any income deemed to arise outside Malta will be exempt from Maltese tax under our system of tax under the remittance basis. This applies irrespective of the country of registration of the said aircraft fuselage or aircraft engine or of whether the aircraft may have called at, or operated from, any airport in Malta.
- No withholding tax applies on lease payments and interests, as long as aircraft is used for the international transport of goods or passengers.
- When an aircraft company transfers its tax residence to Malta it will automatically benefit from this presumption at law whereby only income which is remitted to Malta is chargeable to tax.
- Malta's extensive network of double taxation treaties enhances the opportunities for aviation operators to benefit from Malta's full imputation tax system.
- Recent amendments to the Income Tax Act allow for shorter depreciation periods for aircraft airframes, engines, interiors and other parts.
- Employees, directors, shareholders and officers of an aircraft company will be exempt from fringe benefit legislation resulting from the private use of an aircraft.
- Encourages the development of finance and operating leases of aircraft and provides clear rules on the tax treatment of the finance charge, available tax deductions to finance lessors and capital allowances for lessees.
- Supply of aircraft destined for use by airline operators for reward chiefly for international transport of passengers and/ or goods and intra-community acquisitions or importation of aircraft are exempt from VAT.

## Security of Interests

- A debtor-friendly legal framework, strengthened by the implementation of the Cape Town Convention.
- The Cape Town Convention ensures the protection of creditors' rights and interests on an international scale, particularly with the setting up of an International Registry to record these interests.
- Malta is placed on the forefront of the EU as it was amongst the first to ratify and implement the Convention.
- This legal framework, created by the Convention and the Aircraft Registration Act of 2010, will protect and facilitate the enforcement of creditors' rights across international borders which are registered on the International Registry even though they are not recorded in the Maltese Aircraft Registry.
- Furthermore this legal framework,
  - a. gives preferential ranking to registered mortgages, and extensive powers, expeditious remedies to creditors;
  - b. it establishes a new system of super special privileges arising from law (ranking above mortgages and international interests)
  - c. it recognizes possessory liens and foreign mortgages.
- Fractional ownership of aircraft is now being recognized. Fractional ownership comprises title over engines and/or airframes by different persons at the same time.



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