

# E-gaming in Malta

Malta — the world's largest online gaming jurisdiction



## Why Malta?

The Maltese economy is a very open one in which foreign direct investment is vital to its continued growth. The overriding climate is therefore one of encouraging and assisting inward investment particularly in key and targeted sectors such as financial services and related industries. Inward investment is encouraged and assisted across the board by Government and its agencies, the financial institutions and professions and among prospective local partners.

## Why locate here ?

There are numerous reasons to consider using Malta as a base for international operations. These include its strategic location in the centre of the Mediterranean, an educated and skilled English-speaking labour force, a stable political situation, a modern legal and tax framework, an accessible and flexible regulator, a strong industrial relations record, a “can do” attitude, excellent communications infrastructure, a convenient European time zone, and a culture within the industry of hard working professionals.

These factors, combined with a strong international tax treaty network and other tax-efficiencies, make Malta a unique, attractive proposition as an onshore, EU domicile for financial services.

## Malta's Key Benefits to Business

Malta has a strong legislative framework which is in line with the main EU directives. The Financial sector has a single regulatory body in the Malta Financial Services Authority (MFSA) which is responsible for all licensed financial services activity on the Islands. The MFSA is structured in line with world best practice. Malta is a leading force in the development of regulatory policy and is fully involved with OECD, the EU and the Commonwealth in policy development.

Malta is a highly developed a financial centre. Businesses set up in Malta benefit from a tax efficient environment - a full imputation system and double taxation treaties with over 40 countries. It offers excellent possibilities for low-cost financing of investment transactions and international activities. All domestic and foreign transactions are handled quickly and reliably by Maltese and foreign banks with the latest technology.

## Remote Gaming in Malta

Remote gaming in Malta is regulated by the Remote Gaming Regulations, 2004 issued under the Lotteries and Other Games Act 2001. The regulatory body supervising remote gaming operation is the Lotteries and Gaming Authority situated in Ta' Xbiex.

In order to provide remote betting/gaming services from Malta, a licence of the class appropriate to the operations needs to be obtained. Four classes of licences are available in Malta:

**Class 1:** For operators managing their own risk on repetitive games. This class covers casino-type games, skill games and on line lotteries.

**Class 2:** For operators managing their own risk on events based on a matchbook. Under this class falls fixed odds betting, pool betting and spread betting.

**Class 3:** For operators taking a commission from promoting and/or betting games. This class includes P2P, poker networks, betting exchange and game portals.

**Class 4:** To host and manage remote gaming operators, excluding the licensee himself. This is intended for software vendors who want to provide management and hosting facilities on their platform.

## Requirements

A licence of any class is granted for the period of five years and may be renewed thereafter for periods of five years. An important requisite of the Regulations is the requirement that the core part of the online gaming/betting operations must be physically located in Malta.

The online gaming system must be certified for compliance to the satisfaction of the Gaming Authority. Certification is only necessary for those components of the system, the functioning of which directly impacts the operation of the games or the reporting of gaming and financial transactions.

After the certification process required for issue of the full five year licence, the gaming system may be audited by the Gaming Authority when deemed appropriate. Only significant changes to the live gaming system require approval by LGA before they can be introduced. Wherever a discrete random number generator (RNG) is used, its certificate must be submitted to the Lotteries and Gaming Authority.

Every licensee must have one key official, whose role is to personally supervise the operations of the licensee and to ensure that the licensee complies with the applicable laws, regulations, licence conditions and any directives. The key official must be a director of the licensee and be resident in Malta.

## Tax and accounting

The system of internal controls, reporting and accounting procedures used by the licensee constitute their Control System which must be approved by the LGA. Any gaming/betting offered by the licensee should only be conducted under the approved control system. The licensee will set up the Control System in the live environment prior to audit and may be permitted to run operations, under a provisional licence, during this period subject to scrutiny by the Lotteries and Gaming Authority.

The gaming tax is differentiated according to the type of gaming / betting operations as follows:

**Class 1:** €4,660 per month for the first six months, subsequently €7,000 per month.

**Class 1 on Class 4:** The gaming tax payable by Class 1 licensee operating on a Class 4 platform is €1,165 per month.

**Class 2:** Fixed-odds betting: 0.5% on the gross amount of bets accepted.

**Class 3:** 5% on real income.

**Class 4:** The gaming tax payable by a hosting platform is NO TAX for the first 6 months of operation, €2,330 per month for the subsequent 6 months and subsequently €4,660 per month for the entire duration of the licence.

The maximum gaming tax payable annually by one licensee in respect of anyone licence is €466,000.

**Application fee:** The application fee for a new licence of any class is €2,330. This fee is payable together with the submission of an application for the licence. The fee for the licence renewal (i.e., for subsequent 5-year period) is €1, 165.

**Annual fee:** The annual licence fee, for any class of licence, is €7,000.

## *The LGA applies a rigorous process prior to application*

### **The application process**

The first stage in the application process is a due diligence examination of the applicant. The Authority is provided with all the information related to the persons involved in the entity applying for a licence.

The Authority follows its due diligence with other regulatory bodies and law enforcement agencies and carries out a financial analysis of the business plan.

In the second stage, the applicant is examined on the information and instruments necessary to operate such as incorporation documents, the games, the system architecture of the gaming and control systems.

In the third stage, the applicant is given a letter of intent to operate remote gaming with the intent of obtaining a certification of compliance within six months.

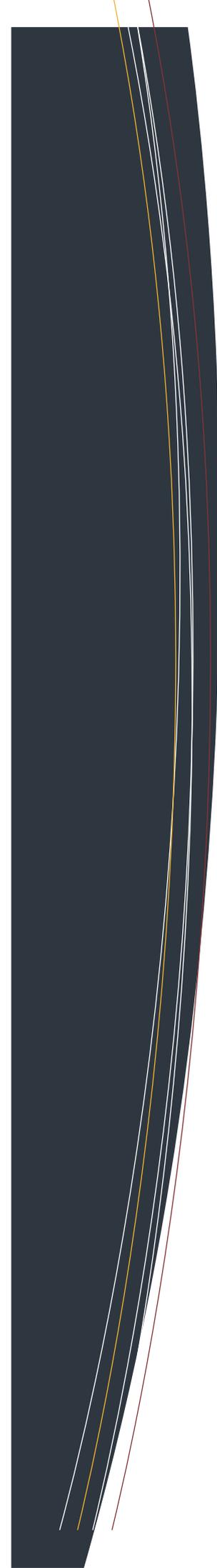
The applicant may then establish the business in Malta, conclude all agreements and carry out testing of the set-up.

### **The Key official**

A Key Official will need to be appointed within 21 days from issue of the letter of intent. Responsibilities of the Companies' Key Official include:

- System review
- Certification of compliance.
- Sealing of Servers and maintenance of seals integrity
- Incident reports - the LGA is to be advised in respect of any changes made to either the hardware or software of the company, by signing and submitting an Incident reports.
- Communication with LGA in respect of any changes made to the set-up approved by LGA.
- Submission of monthly gaming tax and annual gaming license fee.
- Submission of the Company's Accounts & Audit.
- Ensuring players' funds are adequately held by the Company at all times.
- Compliance with Laws of Malta.

The Key official will need to have access to back end system.



## Internet, hosting and co-location

The Malta Gaming regulations stipulate that the servers of the gaming operation need to be hosted in Malta in a secure environment. It is estimated that 50% of Malta's international internet bandwidth is currently used for online gaming.

The major providers offer:

- Hosting & Co Location
- Internet Bandwidth
- Corporate Broadband Connections
- Equipment Leasing
- Managed Storage Solutions
- Back-up and restore service
- Managed eSecurity Services
- 24 x 7 Support
- Secure and protected Environment

## Why Malta? - Further benefits

- Low minimum capital requirements - US\$1,500
- No local shareholders or directors required
- Low registration and maintenance costs
- Capital, accounting, and tax in foreign currency
- No w/h taxes on remittances of dividends, interest, and royalties to non-residents
- Possibility of “flighting” companies to and from Malta
- Extensive DTT network - ongoing policy of expansion
- Quality of life, convenient European time zone
- High quality workforce - fluent in English. Other mainland languages common
- Tax efficiency and Quality Professional services
- Political Stability and a safe country
- Licensed trustees as registered shareholders
- No exchange controls
- Choice of accounting year-end
- Tax only payable at the earlier of 18 months after year-end, or when a dividend is paid

## What can we do for you?

### Back office services

- General Business consultancy such as book-keeping, accountancy services,
- VAT and tax compliance,
- business administration and business correspondence
- information and data processing;
- payroll bureau,
- database management, networking and computer outsourcing;
- routine administration services;
- Malta office location sourcing and facilitation;

### Professional Services

- Licence Application
- Redomiciliation of corporate entities and registered address
- Corporate Services
- Acting as key official
- Tax advice Local & international
- Banking
- Recruitment services

#### **Important Notice**

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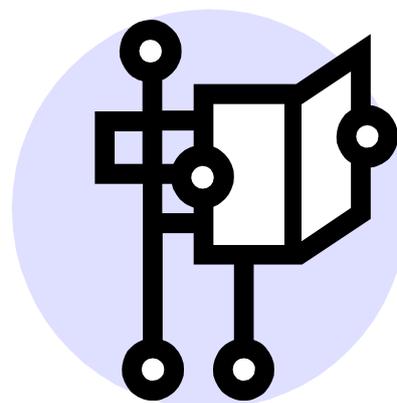
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“ Finance is the art of  
passing money from  
hand to hand until it fi-  
nally disappears.”

Robert W. Sarnoff