



Credit and financial institutions

Credit institutions

Malta's Banking Act defines the business of banking as the business of a person who regularly "accepts deposits of money from the public withdrawable or repayable on demand or after a fixed period or after notice or who borrows or raises money from the public, in either case for the purpose of employing such money in whole or in part by lending to others or otherwise investing for the account and at the risk of the person accepting such money."

Banks are referred to in the Banking Act as 'credit institutions'. This law adopts EU directives as the main reference for the regulatory concepts and supervisory practices which it introduced. The Authority responsible for issuing banking licences and for the supervision of credit institutions is the Malta Financial Services Authority ('MFSA'). The MFSA also licenses branches of foreign institutions carrying on the business of banking in Malta. In the case of European credit institutions, these are to be guided by the European Passport Rights for Credit Institutions Regulations, 2004.

Financial institutions

The Financial Institutions Act defines the activities of a financial institution as follows:

- Lending, financial leasing and venture or risk capital;
- Money transmission services, issuing and administering means of payment;
- Guarantees and commitments;
- Trading in money market instruments, foreign exchange, financial futures and options, exchange and interest rate and transferable instruments;
- Underwriting and participating in share issues; and
- Money broking.

Many of the above activities of a financial institution are also carried on by credit institutions. The main difference is that, whilst a credit institution can accept deposits from the public, a financial institution cannot. The MFSA is also responsible for issuing licences to financial institutions and for their supervision.

Malta tax treatment

Credit and financial institutions are liable to income tax on their profits at the rate of 35%. However, the shareholders of these entities in receipt of a dividend are entitled to a Malta tax refund of a significant part of the tax paid by the credit and financial institution.

Tax factsheet

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