

## HAVEN IN A CENTRAL SEA

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requirement of keeping unimpaired funds in Malta. There are no restrictions on the alteration of the memorandum and articles of association or other instrument constituting the company, nor is ministerial permission required prior to the transfer of shares in a captive.

Approval is not required before sale, disposal or reconstruction, although the minister and MIBA require notification of such an event. Captives are exempted from the provisions relating to the maintenance of reserves and

margin of solvency requirements other than as mentioned above.

Offshore insurance companies including captives are further exempted from the provisions of the act which place restrictions on local companies in respect of the nature of investments payment of dividends publication of accounts and payment of commissions. All of these are designed to give maximum flexibility in the management of the company whilst at the same time giving MIBA the assurance that the company is run properly and ethically.

Malta has enjoyed political stability since its independence in 1964 with a two-party democracy in operation. It is a particular feature of the offshore centre that the government has been able to guarantee stability of tenure to all companies setting up in offshore Malta for at least 10 years after establishment.

All captive companies registered in the offshore sector are required to be professionally managed from the island. There are several internationally recognised captive management companies currently considering the scope of their operations in Malta and the only locally licensed insurance company, Middle Sea Insurance Company Ltd, is in the process of registering its own offshore captive management company — International Management Services Ltd.

In general all offshore companies operating in the Malta offshore financial centre pay tax at a rate of 5%. No tax is payable upon any dividend distributed by an offshore company, or on interest or other income paid by such a

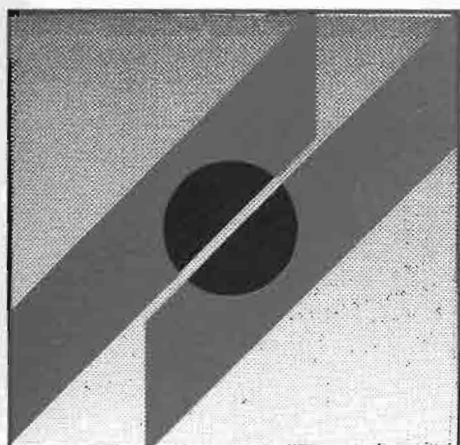
OVER the course of a thousand years and more, the inhabitants of the Mediterranean island of Malta have developed an enviable reputation for friendliness, adaptability and reliability. Situated equidistant to Europe, North Africa and the Middle East, the Maltese have multicultural character. High educational and ethical standards have served the country well throughout the course of its history.

It therefore came as no surprise to those who know the country well when, in 1988, the Malta International Business Authority (MIBA) was created by Act of Parliament to administer and oversee the creation of an offshore financial centre aimed not only at attracting captive and other insurance and reinsurance companies to the island but also to appeal to international banking, shipping and trustee companies. By setting up one combined supervisory and administrative authority, the government in Valletta has sought to keep down to a minimum the amount of red tape for offshore companies whilst at the same time ensuring the quality and *bona fides* of new entrants into the sector.

Insurance in Malta is regulated by the Insurance Business Act of 1981, amended from time to time to suit local requirements. Rather than create a whole new act for offshore insurance companies, the act applies, but subject to certain very important exemptions which are clearly set out in the MIBA Act. The principal exemptions are as follows.

In order to carry on business as a captive, companies must have a minimum paid-up capital of \$250 000 or its equivalent in other foreign currency and must have at all times unimpaired assets equal at least to that amount. (This is in lieu of the requirement under the Insurance Business Act for companies to have a minimum paid up capital of Maltese pounds 2 000 000 — currently about \$6 600 000.) This represents the minimum capital requirement. Upon submitting the business plan to MIBA, a greater figure may be required.

Offshore captives are exempted from the



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company to any person who is not resident in Malta. There is, however, no offset for double taxation agreements.

There is provision for the rate to be varied at the discretion of the Commissioner of Inland Revenue in cases where the taxation rate may, by mutual discussion, be deemed to be inappropriate. Tax will be charged on a self assessed basis unless the commissioner has good reason – and can prove such reason to the Board of Special Commissioners – to think otherwise.

Malta is well aware for the need for confidentiality in the dealings of, and its dealings with, offshore companies. Discussions with the MIBA and documentation given to that body, therefore remain strictly confidential and only when a case has been made to the Maltese courts, sitting in camera, that there is good and valid reason for the documents to be made public, can it be so.

Captive insurance offshore companies pay a prescribed registration fee of 1000 Maltese pounds (\$3300) and an equivalent annual amount. Registration with the Registrar of Partnerships in Malta varies depending on the level of paid-up capital, but is subject to a maximum of 573 Maltese pounds (\$1900). Local legal and accounting fees are subject to individual negotiation, but can generally be considered most reasonable internationally.

For those companies wishing to employ a full-time captive manager in their own right, or considering the establishment of a managing operation. Malta represents truly outstanding value for money and to encourage such foreign investment, the MIBA Act guarantees at least one work permit for such a company.

Offshore companies are precluded from purchasing property in Malta. Housing – both to rent and, for the individual, to buy – is both cheap and plentiful. Both cost and quality of living are excellent and the Maltese make not only conscientious and professional staff but also hospitable and convivial neighbours.

Obviously, tourism is Malta's major industry and the authorities have noted how offshore business developed in other islands thanks to expatriates and visitors benefiting from good accommodation and communications. Luqa airport, serving the capital, is a destination for several carriers from as far afield as Egypt. Air Malta itself has Boeing 737s and Airbuses which fly to almost 20 cities, including Paris, Brussels, Tripoli and Rome. There are 27 flights per week to London (Heathrow and Gatwick). ■

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