

## Malta Payment Licenses - Why Not Become Your Own Payment Provider?

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### **What are the Advantages of Being a Payment Service Provider Licensed in Malta?**

The number of Payment Service licenses in Malta has grown significantly over the last few years, alongside the thriving i-Gaming and e-Commerce industries. Payment Service Providers "PSP" enjoy less stringent regulatory and supervisory requirements than other credit or financial Institutions.

Malta offers several advantages, including:

- EU 'passporting' rights;
- Ability to open a branch in other EU Member States;
- Employment benefits for employees classified as highly qualified persons, who can take advantage of an attractive tax regime.

PSPs are regulated under the Financial Institutions Act and the European Payment Services Directive. The Malta Financial Services Authority "MFSA" is the regulatory authority, in Malta, for PSPs.

PSPs may engage in various activities including; payment transactions, for example the execution of direct debits, payment transactions through a payment card or similar device, and the execution of credit transfers, including standing orders.

### **Key Requirements**

Key requirements are:

- a minimum of 3 directors, at least one of them being a Maltese resident;
- a minimum of 2 local operational staff members;

At minimum there must be a Money Laundering Reporting Officer “MLRO,” and Compliance Officer and these roles have to be undertaken by individuals based in Malta;

the Directors, MLRO and Compliance Officer must demonstrate proven prudent conduct, and be approved by the MFSA.

### **Capital Requirements**

PSPs providing the execution of payment transactions, including transfers of funds on a payment account and execution of:

- Direct debits, including one-offs;
- Payment transactions through a payment card or a similar device;
- Credit transfers, including standing orders;

are subject to a minimum share capital requirement of €125,000.

### **Permissible Activities for PSPs**

PSPs are allowed to undertake the following services:

- Services enabling cash to be placed or withdrawn from a payment account and the associated activities to operate such an account;

- Execution of payment transactions, including transfer of funds on a payment account with the user's or another PSP;
- Execution of payment transactions, where the funds are covered by the credit line of a payment service user;
- Issuing and/or acquiring payment instruments.

### **Passporting Rights**

The activities of a licenced PSP may be passported into other EU member states and EEA jurisdiction, in accordance with a prescribed notification procedure. This enables the Maltese PSP to provide its services within another Member State either:

- Through the establishment of a branch; or
- On the basis of the free provision of services.

### **Taxation and Fees**

Maltese companies pay tax at a rate of 35%.

However, when a dividend is paid to a non-resident shareholder, that shareholder is able to claim a refund. This refund equals  $\frac{6}{7}$ ths of the Maltese tax paid on active profits from which the dividend distribution was made.

Where profits emanate from passive income, the refund is equivalent to  $\frac{5}{7}$ ths.

It is equivalent to a  $\frac{2}{3}$ rds refund where the dividend is distributed out of foreign source income and where the Maltese company paying the dividend has claimed double taxation relief.

The tax refund is equivalent to 100% where the profits from which the relevant dividend is distributed, are derived by the Maltese company from a participating holding.

Annual supervisory fees will apply, depending on the revenue of the PSP.

## **Additional Information**

If you would like further information regarding Malta Payment Service Licences, please contact Jonathan Vassallo at the Dixcart office in Malta: [advice.malta@dixcart.com](mailto:advice.malta@dixcart.com) or your usual Dixcart contact.