

Why Choose the Isle of Man or Malta for the Location of an E-Gaming Business?

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The level of regulation within the e-gaming industry is constantly being reviewed to increase protection for users. Many of the less well regulated jurisdictions are beginning to find themselves less attractive to the major e-gaming organisations.

Agreement between the Isle of Man and Malta

The Isle of Man Gambling Supervision Commission and the Malta Lotteries and Gaming Authority entered into an agreement in September 2012, which established a formal basis for cooperation and information sharing between the Isle of Man and Malta gambling authorities.

The objective of this agreement was to improve the regulatory standards with the ultimate aim of protecting consumers.

This Article provides an overview of the jurisdictions of the Isle of Man and Malta and why they are favourable locations for e-gaming.

The Isle of Man

The Isle of Man was the first jurisdiction to introduce legislation designed to regulate e-gaming and gambling firms, whilst, at the same time, providing statutory protection to online customers.

The Isle of Man is white-listed by the UK Gambling Commission, allowing Isle of Man licensees to advertise in the UK. The island has a AA+ Standard & Poor's rating and the legal system and legislative practice are based on UK principles. The island also offers political stability and an experienced workforce.

Why is the Isle of Man a Favourable Location for E-Gaming?

The attractive tax regime available in the Isle of Man makes it an attractive location for e-gaming operations to establish themselves.

There are a number of additional advantages in establishing an online gaming operation in the Isle of Man:

- Simple and quick application process.
- World-class infrastructure.
- A diverse economy.
- A general “pro-business” environment.

Taxation

The Isle of Man has a favourable tax system with the following features:

- Zero rate corporation tax .
- No capital gains tax.
- Taxation of individuals – 10% lower rate, 20% higher rate, which is capped at a maximum of £125,000 per annum.
- No inheritance tax.

E-gaming Fees

E-gaming duty charges in the Isle of Man are competitive. The duty payable on retained gross profits is:

- 1.5% for gross gaming yield not exceeding £20m per annum.

- 0.5% for gross gaming yield between £20m and £40m per annum.

- 0.1% for gross gaming yield exceeding £40m per annum.

The exception to the above is pool betting which carries a flat duty of 15%.

Regulation and Fund Separation

The online gaming sector is regulated by the Gambling Supervision Commission (GSC).

Player funds are maintained separately from the operators' funds to ensure that the players' monies are protected.

IT Infrastructure and Support Services

The Isle of Man has an advanced telecommunications infrastructure. The island has a very substantial bandwidth capacity and an extremely stable platform, supported by "self healing" SDH loop technology. The Isle of Man also benefits from five "state of the art" data-hosting centres and has a high calibre of IT and marketing support service providers with experience in the e-gaming industry.

What is Required to Secure an Isle of Man E-gaming Licence?

There are a number of obligations, including:

- The business is required to have a minimum of two company directors resident in the Isle of Man.

- The business must be conducted by an Isle of Man incorporated company.
- The servers, where the bets are placed, must be hosted in the Isle of Man.
- Players must be registered on Isle of Man servers.
- Relevant banking must be carried out in the Isle of Man.

Malta

Malta has become one of the leading jurisdictions for online gaming with over four hundred licences having been issued, representing approximately 10% of the global online gaming market.

The online gaming sector in Malta is regulated by the Lotteries and Gaming Authority (LGA).

Why is the Jurisdiction of Malta a Favourable Location for E-gaming?

Malta offers a number of advantages for online gaming operations establishing themselves in this jurisdiction. Specifically in relation to taxes:

- Low levels of gaming tax payable.
- If structured correctly, corporate tax can be as low as 5%.

In addition Malta offers:

- A wide network of double taxation agreements.

- A sound legal and financial system.
- Solid IT and telecommunication infrastructures.

Gaming Tax

Each licensee is subject to gaming tax, which is currently capped at €466,000 per licence per annum. This is calculated depending on the class of licence held:

- **Class 1:** €4,660 per month for the first six months and €7,000 per month thereafter.
- **Class 2:** 0.5% of the gross amount of bets accepted.
- **Class 3:** 5% of “real income” (revenue from rake, less bonus, commissions and payment processing fees).
- **Class 4:** No tax for the first six months, €2,330 per month for the next six months and €4,660 per month thereafter.

(See below for further details regarding the classes of e-gaming licence in Malta).

Corporate Taxation

Companies operating in Malta are subject to a corporate tax rate of 35%. However, shareholders enjoy low effective rates of Maltese tax as Malta’s full imputation system of taxation allows generous unilateral relief and tax refunds.

In certain circumstances it may be beneficial to interpose a Maltese holding company between the shareholders and the company. The dividends and capital gains derived from participating holdings are not subject to corporate tax in Malta.

Additional Potential Tax Advantages for Online Gaming Companies in Malta

An e-gaming company may be able to take advantage of Malta's extensive double tax treaty network, as well as other forms of double taxation relief.

In addition Malta companies are exempt from transfer duties, exchange control restrictions and capital gains on the transfer of shares, in most cases.

Classes of E-gaming Licence in Malta

Every remote gaming operation must hold a licence issued by the Lotteries and Gaming Authority.

There are four classes of licence, with each class being subject to different rules. The four classes are as follows:

- **Class 1:** Risk taking on repetitive games generated by random events - this includes casino style games, lotteries and machines.

- **Class 2:** Risk taking by creating a market and backing that market - this includes sports betting.

- **Class 3:** Promoting and/or abetting games from Malta - this includes P2P, betting exchanges, skins, tournaments and bingo operations.

- **Class 4:** Provision of remote gaming systems to other licensees - this includes software vendors who take commissions on bets.

Licensing Requirements

To qualify for a licence in Malta, the applicant must:

- Be a limited liability company registered in Malta.

- Be fit and proper.

- Demonstrate adequate business and technical ability to conduct such activities.
- Demonstrate that the operation is covered by sufficient reserves or securities and be able to ensure payment of player winnings and deposit returns.

How Can Dixcart Help?

Dixcart has offices in both the Isle of Man and in Malta and can assist with:

- Licence applications.
- Advice regarding compliance.
- Advice regarding the tax issues to consider.
- Administrative and accounting support.
- Management and regulatory reporting assistance.

Dixcart can also provide initial office accommodation, if required, via its managed office facilities in the Isle of Man and Malta.

Additional Information

If you would like additional information regarding e-gaming, please speak to Paul Harvey at the Dixcart office in the Isle of Man: advice.iom@dixcart.com or [Sean Dowden](#) at the Dixcart office in Malta. Alternatively please speak to your usual Dixcart contact.

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