

# GLOBAL OUTSOURCING – MALTA



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## **Eight Sample Extracts from eCODE's Global Outsourcing Location Report on Malta**

Although the ICT industry in Malta is comparatively small, it has several niches areas of expertise including business information, computer gaming, online gambling, and technology serving the finance and accounting industry. According to Claudio Grech, Chairman of MITA (the Malta IT Agency), it offers a complete IT nearshoring solution without the additional expense of a dedicated onsite coordinator. Several hundred online gambling services are based in Malta and many, such as Betfair, have chosen to locate some of their technology function on the island too. In the BPO industry, several firms report that they have been able to win contracts even when pitched against much lower cost destinations such as, for example, Thailand, due to the sheer value-add presented. The overall atmosphere of staff loyalty, dedication, and flexibility helps immensely, but also the combination of very fluent English and a better quality of customer service means that Maltese teams can offer better overall value than a purely low-cost destination.

Malta's entry as an offshore Outsourcing location started in the Call and Contact Centre market. Traditional Maltese low-value industries are being replaced by high-value, hi-tech industries and new 'softer' BPO (Business Process Outsourcing) industries such as the provision of Accounting Technicians, HRO (HR Outsourcing), KPO (Knowledge Process Outsourcing) and Payroll Administration. IT Outsourcing has matured and is only constricted by the number of appropriately qualified graduates coming through the system. Government legislation in the form of the Malta Enterprise Act has been designed to actively encourage foreign investments in new high-growth business areas such as ICT.

Malta has an abundance of English speakers, as English is one of two official languages (alongside Maltese); almost everyone speaks English as a second language. Italian is also widely spoken — by almost two-thirds of the population.

Financing through the local equities market has been very successful in Malta, especially in the hi-tech areas such as software development and other engineering skills. The *Global Competitiveness Report* places Malta 9<sup>th</sup> in the world and 12<sup>th</sup> in loan accessibility.

Under the Malta imputation system, whilst the current tax rate of on chargeable income is 35%, the tax paid on dividend payments of Maltese companies to non-resident shareholders is eligible for a six-sevenths (85.7%) rebate.

If companies qualify for this — there are some minor restrictions — then it effectively reduces the corporate tax rate to just 5%; these principals are more fully described below. Branches of foreign companies are taxed at the same rate of tax as domestic companies and no additional taxes are withheld on profits transferred back to head office.

In addition to the vast range of tax incentives detailed above, Malta is also able to offer other forms of assistance to prospective inward investors. These include innovation grants, assistance to SME's (SMB's), support, training and access to finance. The principal incentives are shown in the table below:

Malta can proudly proclaim itself a world leader in the adoption of ICT-related advances such as Internet and Smart Metering in every home and commercial property.