

Choosing a film location?

...Malta!



In recent years, Malta has been increasingly selected as a film location by production companies from around the world. Recent credits include 'Troy', 'League of Extraordinary Gentlemen', 'The Count of Monte Cristo', 'Swept Away', 'Gladiator', 'U-571', TV series 'Byron', 'Helen of Troy', 'Daniel Deronda' and 'Julius Caesar' and many more. But what makes Malta so attractive to the film industry? This brochure seeks to provide answers to some practical questions concerning a variety of aspects which are typically considered when assessing the suitability or otherwise of a country as a film location.

What about Malta?

The Maltese Archipelago consists of 3 islands, Malta, Gozo and Comino, situated at the heart of the Mediterranean Sea. Malta, the largest island is approximately 27km long and 14.5km wide, with Gozo being second in size and Comino the smallest. Being so small in size, all places in Malta are within a half-hour drive. The Maltese climate is a mild one, with a particularly high quota of bright, sunny days, hence facilitating filming as well as providing a comfortable working environment and long shooting hours per day.

The strategic location of the Maltese Islands has made them the object of attention of many conquering forces over the centuries. These included the Phoenicians, Romans, Arabs, Knights of St. John, French and finally the British, until 1964 when Malta became an independent sovereign state. The result is that over the centuries a rich, unique history and culture has developed and a vast heritage of historical structures and other works of art bear witness of this.

Communication with the Maltese does not represent a problem since virtually all Maltese are multi-lingual. Practically all are fluent in English, many also speak Italian, with increasing numbers of French and German speakers. The Mediterranean culture is infused in the Maltese, known to be hard-working, welcoming and friendly.

What filming locations do the Maltese Islands offer?

Despite their limited size, the Islands offer versatile filming locations of diverse scenery including:

- **Baroque** palaces and cathedrals built by the Knights of St. John, bastions and walled citadels
- Clean Mediterranean waters, steep cliffs, rocky bays, sandy beaches and spectacular harbours lining our shores
- Typical old Mediterranean and fishing villages, as well as modern urban areas

The **Mediterranean Film Studios** (www.mfsstudios.com) offer some of the world's best and most cost-effective water film production facilities. They consist of 3 water tanks that can virtually match any specification for underwater and surface water shooting. The Surface Marine Tank with its natural horizon enables the water, sky and horizon to appear seamless, eliminating the need of a false backdrop.

WHOM TO CONTACT:

Dr Neville Gatt

neville.gatt@mt.pwc.com

Tel: +356 21 247 000

Fax: +356 21 244 768

PricewaterhouseCoopers
167 Merchants Street
Valletta VLT 03
Malta

www.pwc.com/mt



The Malta Film Commission may be described as a one-stop shop with which film production companies can communicate their requests before and during filming on the Maltese Islands.

www.mfc.com.mt

The Mediterranean Film Studios provide many support services to their clients including local support crew, lighting and grip equipment as well as skilled craftsmen for any construction work that may be needed.

Are there adequate accommodation and recreational facilities?

The Islands, being a popular tourist destination, offer a vast range of accommodation and entertainment facilities to ensure that anyone's stay here is comfortable and pleasant. They include:

- Excellent accommodation in hotels and resorts, with all the accompanying amenities
- Major international hotel chains present in Malta such as Hilton, Inter-Continental, Le Meridien, Radisson and Westin
- An abundance of restaurants offering both local dishes as well as international cuisine
- A wide variety of bars, discos, night-clubs and cinemas

What support services are available to a film production company?

The **Malta Film Commission** (MFC), officially inaugurated on the 4 February 2000, is the single governmental body vested with responsibility for promoting Malta as a film location.

It may be described as a one-stop shop with which film production companies can communicate their requests before and during filming on the Maltese Islands. The Commission's services are wide-ranging from assisting with shooting permits to making travel and accommodation arrangements.

The MFC adopts a pro-active approach in accomplishing its mission and it seeks to build an infrastructure designed to meet the requirements of the most demanding of film producers. This is evidenced by its many and continued efforts, such as lobbying with governmental and non-governmental entities to obtain an attractive and competitive package for filming companies, as well as organising training programmes to improve and increase local crew resources.

All this and much more has translated itself into a success story for the MFC as a reliable, efficient and effective point of reference for all those filming companies that have selected Malta as their filming location.

What about any banking services that will be needed?

Maltese banks are sophisticated and experienced in terms of international operations. Given the number of films that have been

shot in Malta, they have adequate experience in respect of the film industry.

Can workers be brought to Malta?

Yes, subject to obtaining a work permit. In the case of film productions, block work permit applications for expatriates coming to Malta are accorded a fast track process and issued within a few weeks (the normal period is 3 to 4 months).

Apart from basic wages, what other employment costs would there be?

Some typically material costs relating to employment include the following:

- Minimum of one day of rest every week
- Sick leave entitlement, subject to a minimum period of service
- Vacation leave of 4 weeks and 4 days per annum, plus additional days for every local public holiday falling on a weekend
- Statutory annual bonuses of Lm58¹ and Lm52 each payable bi-annually in June and December, and March and September respectively. Bonuses are pro-rated in the case of part-timers.
- Overtime is payable at 1.5 times the normal rate on weekdays and at twice the normal rate on Sundays and public holidays.
- Government increases as compensation for higher cost of living are announced on a yearly basis.

What employment-related taxes exist in Malta?

The two relevant Maltese taxes are:

- Income tax paid by the employee and
- Social security contributions – shared between employee and employer

Different considerations apply for expatriate employees and for locals.

(a) Expatriates

Under domestic law, income arising in Malta is subject to tax at rates ranging between 0% and 35% on all income (in case of employment income it includes bonuses, fringe benefits etc.). However, in the case of film production activities, it is the Maltese Revenue's practice for expatriate employees of non-resident companies to be charged to tax only if they stay in Malta for a period exceeding six months and the tax charge would be restricted to income received in/remitted to Malta.

Such beneficial treatment also extends to the payment of Maltese social security contributions. An exemption from payment is typically granted on the basis that the employees are only present in Malta for

¹ Middle rates of exchange at 1 April 2003 for Lm:
EUR 2.36
USD 2.57

"What we got out of Malta was terrific. It's very much a studio situation and it's the best water facility I know of."

Ridley Scott ('White Squall', 'Gladiator')

a short period of time and are connected with film shooting activities (in normal circumstances, evidence of contributions paid abroad would be required for the exemption to be granted). A block application for exemption, listing down the respective expatriates, is typically made to the Social Security Department.

(b) Maltese residents

Income arising in Malta is charged to tax under the normal rules. The employer is responsible for deduction of tax at source from the employees' remuneration, under the Final Settlement System Rules, and at prescribed rates ranging between 0% and 35%. In the case where the employment is deemed to be part-time for Maltese tax purposes (often the case for film extras), the employer is bound to deduct withholding tax (which in this case is a final tax for the employee) at the rate of 15% instead of the normal tax rates. Certain reporting requirements to the Inland Revenue Department also apply.

In the case of film extras, the Social Security Department adopts a pragmatic approach as a matter of practice in respect of the payment of social security contributions. On the other hand, in the case of other employees (not extras) who hold two or more jobs, social security contributions are normally deducted from their highest salary. Social security contributions amount to one-tenth of the basic wage payable by each of the employer and the employee, subject to a minimum of Lm5.31 per week and a maximum of Lm12.90 per week for both the employer and the employee.

What other taxes would the film production company be liable to?

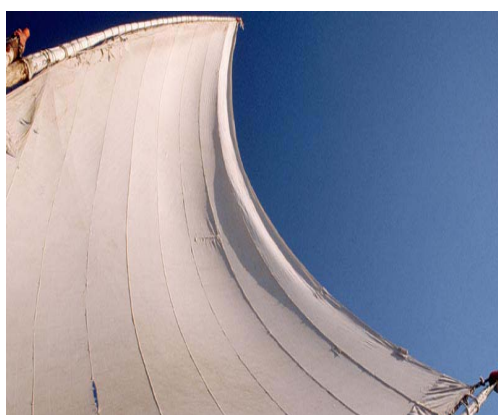
(1) Maltese Corporate tax

The foreign film production company (considered not to be resident and/or not domiciled in Malta) would only be subject to tax in Malta on income arising in Malta, or income arising abroad and remitted to Malta. This tax may be available as a credit in the country of residence of the foreign film production company, should there be a double-taxation agreement in force between Malta and the company's country of residence.

In the case where a Maltese company is incorporated for the purpose of local filming, it will be subject to Maltese tax on its world-wide income. Corporate tax is charged at the rate of 35%.

The production of feature and television films, advertising programmes, and documentaries fall within the ambit of the Business Promotion Act (BPA) and the Business Promotion Regulations (BPR). The aim of the BPA and BPR is to grant incentives (tax and non-tax) to qualifying companies. Subject to certain conditions, the main tax incentives are:

- Reduced rates of tax applicable to 'trading' income as follows:
 - up to 7 years @ 5% tax rate
 - up to 6 years @ 10% tax rate



- up to 5 years @ 15% tax rate

Upon distribution of these profits to shareholders, no further Maltese taxes are payable.

- Investment tax credits (ITCRs) are granted either as a percentage of qualifying capital expenditure or as a percentage of wages cost of jobs created. ITCRs are a direct deduction against the tax liability due on trading income. Any portion of ITCRs not utilised in a particular year may be carried forward to the next year and subsequent years, and each time increased by 7% per annum.

The utilisation of the above-mentioned tax incentives may be somewhat limited at present, since in practical terms, it is unlikely that any material tax liability will arise in Malta because normally such filming companies would not earn any chargeable income in Malta.

It is anticipated that more relevant incentives specifically for the film industry will be introduced in the near future.

(2) Maltese Value Added Tax (VAT)

Any person (including a company) that carries on an economic activity and is established in Malta is required to register for Maltese VAT purposes. VAT is chargeable at the standard rate of 15% on:

- (a) Importation of goods into Malta and
- (b) Every supply of goods or services made in Malta for a consideration in the course of economic activity.

A rate of 5% applies in respect of certain specified supplies, particularly on accommodation in hotels and other licensed premises.

VAT exemptions are granted in respect of:

- (a) VAT on importations - the exemption is available when goods are imported for temporary use after which they will be re-exported. Conditions similar to those applying for Import Duty exemptions must be satisfied (see below).
- (b) VAT on supplies - certain supplies are exempt from VAT because they are:
 - Supplied by exempt persons (small enterprises), or
 - Exempt supplies as listed in the VAT legislation.

Once registered for VAT purposes, the company will be obliged to submit quarterly VAT returns. The returns take the form of a summary of the VAT incurred on purchases (input VAT) and that paid on supplies (output VAT) during the relevant period.

Subject to certain restrictions, input VAT will be available as a credit against output VAT and any excess credit will be refundable to the company by the VAT department.

The Maltese climate is a mild one, with a particularly high quota of bright, sunny days, hence facilitating filming as well as providing a comfortable working environment and long shooting hours per day.

In the case of film productions, the VAT Department's practice has been to allow as a credit that input tax incurred on certain expenses in connection with foreign film productions as listed hereunder:

- Accommodation costs
- Restaurant bills (even if outside the accommodation package)
- Fuel costs
- Cost of taxis and car hire relative to the production (excluding VAT on purchase of non-commercial motor vehicles)
- Cost of certain materials used for the purpose of the film production and not otherwise recoverable

Would the importation into Malta of filming requirements be subject to any duty?

The most common rate of import duty is set at 8.1% on the import value of the goods. Import duty is charged on goods which are:

- Not produced or manufactured in a country within the European Union (EU), and
- Chargeable to such duty under the Import Duties Act.

An exemption from import duty is contemplated in Maltese law in the case of temporary importation of goods (excluding certain items such as consumables), which is usually the case of film shooting.

Certain conditions for exemption apply including:

- Goods must be exported within 3 months. The Comptroller of Customs may at his discretion, extend such period upon the submission of a written request.
- Goods imported against a temporary import permit must be identifiable.
- None of the goods are to be disposed of in Malta, subject to the issuance of a specific permit by the Comptroller.
- A deposit or security (e.g. a bank guarantee) equivalent to the amount of duty that would otherwise be payable needs to be provided to the Comptroller. Such deposit would be refundable upon timely exportation of the goods.

A clearance from the Maltese health authorities is required for the importation of livestock.

Import licences are normally not required for goods on a temporary import permit. However, appropriate permits must cover certain goods such as arms (including imitation) and ammunition, wireless equipment and animals.



How can PricewaterhouseCoopers be of assistance to foreign producers?

This brochure is intended only to introduce the Maltese Islands as a filming location, to highlight the advantages the country offers and to give a broad background of the aspects of local legislation most relevant to the film industry. Naturally, the brochure is not exhaustive and should be supplemented by full professional advice. Legislation and regulations may obviously be subject to change from time to time.

However, interested parties, whether planning to conduct filming in Malta or simply making preliminary enquiries, could refer to the PricewaterhouseCoopers office in Malta where they will find the relevant technical expertise and the necessary industry knowledge and experience.

Some examples of relevant PricewaterhouseCoopers services include:

- ◆ Organising meetings with local banks
- ◆ Incorporation of a Maltese company (should this be desired) and its eventual liquidation
- ◆ Provision of accounting and payroll services
- ◆ Annual statutory audit
- ◆ VAT registration and compliance procedures,
- ◆ VAT refund recovery services
- ◆ Applications for exemptions from VAT and import taxes
- ◆ Submission and follow-up of work permit applications
- ◆ Effective tax planning
- ◆ Preparation and submission of income tax returns
- ◆ Liaison with all government bodies
- ◆ General advice on all aspects of Maltese law and other reporting requirements

At PricewaterhouseCoopers, you will find a team of professional and experienced staff together with all the necessary contacts to ensure excellent professional services at all times.