



FAMILY
BUSINESS OFFICE

Family Business Office: How can we help?

Dr. Joseph Gerada

THE JOURNEY BEGAN...

JOSÉ MANUEL DURÃO BARROSO, FORMER PRESIDENT OF THE EUROPEAN COMMISSION

“Family firms are crucially important for Europe. They make a significant contribution to Europe's GNP and employment, and tend to be great innovators, with a longer-term vision. They also tend to be firmly rooted in their regional and national culture, displaying the sort of European values that we all share.”

THE JOURNEY BEGAN...

EC GUIDEBOOK

Creation of a transfer-friendly regulation framework: To help the transfer of businesses means having the right regulatory framework. The European Commission dealt with this area in its recommendation on the transfer of small and medium-sized enterprises. It invited the Member States to improve their legal and fiscal environment for business transfers. Some progress has already been made in implementing the recommendation, but there is still work to be done.

THE JOURNEY BEGAN...

MIŻURA 120 TA' 2013

Se jiġi indirizzat L-Att tan-Negozju tal-Familja. Il-liġi se tagħti definizzjoni ċara ta' x'inhu negozju tal-familja u min huma l-membri tal-familja u se tincentiva t-trasferiment tan-negozju bejn membri tal-istess familja. Kull negozju tal-familja rreġistrat taħt dan il-Att se jkun eligibbli sabiex japplika għal numru ta' benefiċċji.

WORLDWIDE STATISTICS ON FAMILY BUSINESSES

ACCORDING TO THE BEST AVAILABLE RESEARCH, THE IMPORTANCE OF FAMILY BUSINESS HAS BEEN EQUATED TO:

01

GDP - in most countries around the world they are 60 - 90% of non-governmental GDP;

02

Jobs - in most countries around the world they are 50 – 80% of all private sector jobs;

03

Start-Ups - 85% of all business start-ups are started with family money;

WORLDWIDE STATISTICS ON FAMILY BUSINESSES

ACCORDING TO THE BEST AVAILABLE RESEARCH, THE IMPORTANCE OF FAMILY BUSINESS HAS BEEN EQUATED TO:

04

Job growth - in the United States, family business represent more than 75% of net job growth;

05

Weighting - in most countries around the world, family businesses are between 70 and 95% of all business entities;

06

87 % of family businesses are convinced that maintaining control of the business is one of the key factors of success;

WORLDWIDE STATISTICS ON FAMILY BUSINESSES

According to the Commission's 'Entrepreneurship 2020 Action Plan' , the transfer of business ownership, together with the transfer of management from one generation to the next, is the greatest possible challenge facing family businesses;

Every year about 450 000 businesses employing a total of about 2 million people find themselves in this position.

Due to the many difficulties associated with such transfers, an estimated 150 000 businesses are forced to close each year with the loss of some 600 000 jobs.

FAMILY BUSINESSES

IN MALTA

01

More than any other Member State, Malta's economy depends on its SMEs which have so far weathered the economic crisis well.

02

Around 98% of all businesses are micro, small and medium sized enterprise with the vast majority of them being family run businesses.

03

95% of these SMES are classified as micro enterprises having less than 10 employees and provide about 80% of all jobs in the business economy and create 71% of the overall value added.

FAMILY BUSINESSES

IN MALTA

04

The PwC Family Business Survey 2019 shows that local family businesses are experiencing growth and are optimistic about future growth in coming years.

05

60% of family businesses surveyed in 2018 generating an average of 24% of turnover from overseas markets, and as many as 52% of family businesses recognised the importance of establishing new entrepreneurial ventures.

06

In the past 4 years Malta has doubled its economic growth, reduced unemployment to the lowest figures in history, registered the highest investment rates and lowest deficit and a lot of this credit goes to family businesses national debt figures.

SETTING UP OF THE FAMILY BUSINESS ACT

& FAMILY BUSINESS OFFICE

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[CAP. 565.

FAMILY BUSINESS

CHAPTER 565

FAMILY BUSINESS ACT

To encourage the regulation of family businesses, their governance and the transfer of the family business from one generation to the next; to encourage and assist family businesses to enhance their internal organisation and structure with the aim of effectively operating the business and working towards a successful succession of the family business; and for other matters consequential or ancillary thereto.

1st January, 2017*

ACT XLVIII of 2016.



MAIN OBJECTIVES OF THE LEGISLATION

TO CREATE LEGAL DEFINITION OF FAMILY BUSINESSES.

01

To encourage the regulation and governance of family businesses;

02

To encourage the transfer of the family business from one generation to the next during their lifetime;

03

To encourage and assist family businesses to enhance their internal organisation and structure with the aim of effectively operating the businesses towards succession.

QUALIFYING PERSONS

FAMILY MEMBERS

OWNERS



Spouse;

Ascendants,
descendants in the
direct line and
their relative
spouses;

Brothers or
sisters and their
descendants.

The ultimate beneficiary,
natural person who, directly
or indirectly, has a
shareholding or other
interest in a family business.

QUALIFYING BUSINESSES

DIRECT OWNERSHIP



Public limited liability companies listed on a regulated market or traded on a multilateral trading facility;

Limited liability companies;

Partnerships en nom collectif and en commandite;

Trusts whereby the family business is held by a trustee;

Unregistered partnerships

QUALIFYING BUSINESSES

INDIRECT OWNERSHIP



Holding Companies;



Trustees of a trust
set up for the
benefit of family
members;



Private Foundations



Family Business Certificate

ABC Company Ltd

XXXX,
XXXX,
XXXX,
XXXX

Reference is made to the application submitted to the Family Business Office, by ABC Company Ltd (hereinafter the 'Business') in order to acquire the status of a 'Family Business' pursuant to the Family Business Act, Chapter 565 of the Laws of Malta and be eligible to apply for qualifying benefits and incentives.

In this regard, the Family Business Office hereby confirms that the Business has obtained the status of a 'Family Business' in terms of the Family Business Act, Chapter 565 of the Laws of Malta. This confirmation is being granted on the basis that:

- i. The Family Business has submitted a duly completed Application Form and all supplementary documentation and information as required; and
- ii. The Family Business satisfies, and continues to satisfy, the conditions set out in the Family Business Act Chapter 565 of the Laws of Malta.

This certificate grants the Family Business the right to apply for the incentives and benefits available under:

- i. The Family Business Act, Chapter 565 of the Laws of Malta – Article 12;
- ii. Duty on Documents and Transfers Act, Chapter 364 of the Laws of Malta – Article 41C;
- iii. Duty on Donations of Marketable Securities and Immovable Property Used for Business (Exemption) Order; Subsidiary Legislation 364.15;
- iv. Micro Loan Guarantee Regulations; Subsidiary Legislation 463.08;
- v. Tax Credits for Micro Enterprises and the Self-Employed Regulations; Subsidiary Legislation 463.09;
- vi. Investment Aid Tax Credits 2014 – 2020;
- vii. Family Business Support Services at Malta Enterprise
- viii. Any other benefit entered into force from time to time as duly notified to the Family Business.

In the case of any irregularities by the Family Business the Regulator for Family Businesses reserves the right to withdraw the status of a 'Family Business' granted pursuant to this Certificate in terms of the Family Business Act and may monitor the Family Business to ensure compliance with the relevant legislation thereof as they may deem fit.

This Certificate is being issued subject to the terms and conditions stipulated in the Family Business Act and is valid for one year from the Date Issued.

Dr. Nadine Lis
Regulator for Family Businesses

Certificate No.: 000
Date Issued: 26th September 2017

Address: MIMCOL Clock Tower, Level 1, Tigné Point, Sliema, Malta,
T: 2220 9524 / 2149 7970 E: familybusinessact.meib@gov.mt Web: www.economy.gov.mt

FBO CERTIFICATE

FISCAL INCENTIVES



Duty on Transfer incentive Renewed for 2020:

Parents transferring their family business to their children during this one year period will benefit from a reduced stamp duty from **5% to 1.5% with no capping on the amount to be transferred.**

FISCAL INCENTIVES



Reduced stamp duty on the value of the immovable property – the first **€500,000** shall be charged at the reduced rate of **3.5% instead of 5%**;

FISCAL INCENTIVES



Exemptions of stamp duty on a capped value of shares – the first **€150,000** shall not be taken into account;

GOVERNANCE INCENTIVES



Loan guarantee of up to **€500,000** per business for the purpose of acquiring the business;

GOVERNANCE INCENTIVES



Micro investment of a maximum tax credit of **€70,000** over a 3 year period;

GOVERNANCE INCENTIVES



Advisory – Legal, Notarial and Accountancy advisory services. A maximum of **€12,500** spread over 5 years divided into annual amounts of €2,500 to assist in the governance, succession or family business transfer



Educational and Training for owners
and their employees up to **€1,000**
annually per family business;



Mediation through Arbitration –of up to 5 sittings with a value of € **2,500** with the objective to establish the fair value of the business;



**Positive consideration of lease
renewal** of industrial government
leased premises



Investment Aid 2014-2020 – Wavering of the condition that assets are to be bought by unrelated third parties – now applicable to family businesses allowing them greater access to investment aid

BANK FINANCING



BANK FINANCING

A collaboration between FBO-BOV-MDB to provide bank finance facilities to family business in acquiring and transferring the business. Advantageous loan debt financing by Bank of Valletta and Malta Development Bank up to a value of **€750,000**.

LEGISLATIVE

INTRODUCTIONS

- 01 | Family Business Act – Chapter 565
- 02 | Duty on Documents Transfers Act – Art 41C, Chapter 364
- 03 | Duty on Donations of Marketable Securities on Immoveable Property Used for Business – L.N 131 Of 2017
- 04 | Micro Loan Guarantee (Amendment Regulations) – L.N. 143 of 2017
- 05 | Tax Credits for Micro Enterprises and the Self Employed (Amendment Regulations) – L.N. 140 Of 2017

FOREIGN FAMILY BUSINESSES

ESTABLISHED IN MALTA WHEREBY A BUSINESS HAS A:

“

*Head office, agency, or branch or part of a business and
includes any permanent presence of that business
carried out in Malta*

”

This allows foreign businesses to have access and applicability to the legislation and further enhances Malta's identity as an International Finance Centre

“You don’t own it. You’re just watching it, guarding it, nurturing it, to hand it over to the next generation in as good a condition as possible.”

THANK YOU FOR YOUR ATTENTION



DR. JOSEPH GERADA

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