

Malta's 15% FITWI Tax in 2026: How It Compares with the Refund System

Compare Malta's elective FITWI regime with the shareholder-refund system: the tax floor, distribution assumptions, cash-flow timing and five-year commitment that should shape a company's decision.

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Key takeaways

- FITWI is elective and final, with a statutory floor; 15% is not a universal result for every income stream.
- Compare the company and shareholder together, while keeping their cash flows separate.
- The election commits the entity for five years of assessment, and leaving also has a minimum-period consequence.
- For a 31 December 2025 year-end, the published electronic filing extension is 27 November 2026; payment deadlines are separate.

Malta's Final Income Tax Without Imputation regime, usually shortened to **FITWI**, gives qualifying entities an alternative way to be taxed. Its 15% headline is an invitation to compare two systems carefully: the entity's final liability, the shareholder's refund position, the timing of cash movements and a commitment extending across several years.

The useful question for a company director is: **which framework produces the more appropriate outcome for this business and its owners over the whole commitment period?** The answer requires more than comparing 15% with 35%.

This guide explains the general framework checked on 7 October 2026. The examples are hypothetical, with assumptions stated; an election requires a calculation for the particular entity and shareholders.

What FITWI changes

Legal Notice 188 of 2025 created an elective 15% charge on the relevant chargeable income of an eligible entity. Its definition includes companies, certain bodies treated as companies, and specified trusts. The tax is final: it cannot become a shareholder refund or a credit against another person's Maltese tax liability. Relevant profits are allocated to the final tax account. [S1](#)

The ordinary corporate system remains available. MTCA describes a 35% company rate, followed, where the conditions are met, by a refund of part or all of the company tax to shareholders after a dividend distribution. That distinction between the company and its shareholder matters. [S2](#)

Question	Ordinary system	FITWI
Where does the comparison start?	Company tax calculation, then the relevant shareholder position.	Eligible chargeable income and the statutory floor.
Can a shareholder refund arise?	Potentially, subject to the applicable conditions.	No refund of the FITWI tax.
What should the cash forecast show?	Company tax, dividends and any later shareholder refund separately.	The entity's final liability and proposed distributions.
What needs a written decision?	The assumed refund entitlement and distribution plan.	Eligibility, the comparative calculation and the commitment.

Accounting profit is not automatically chargeable income. Begin with the tax computation, including relevant deductions, losses and adjustments, before applying either framework.

The 15% rate has a floor

The regulations prevent FITWI tax from falling below the ordinary-system tax reduced by the shareholder refunds **claimed or claimable** on the relevant profits, including the adjustment

under Income Tax Act Article 43(6), where applicable. A company cannot establish its FITWI liability merely by multiplying an unexamined profit figure by 15%. [S1](#)

A practical comparison therefore needs two independently supported calculations. First establish the ordinary-system liability and eligible refunds. Then calculate FITWI and test its floor. A conclusion such as “the shareholders will not submit a refund claim” does not, by itself, settle a rule that also refers to amounts claimable.

Separate excluded income before calculating. The regulations exclude specified dividends from Maltese-company profits not allocated to the distributing company's final tax account, and income already subject to other final-tax provisions and allocated to that account. Applying 15% to every line in an investment company's income statement could therefore produce a misleading answer. [S1](#)

A worked example: all qualifying profits are distributed

Hypothetical assumptions: a company has accounting profit before tax and chargeable income of €100,000 from ordinary trading; no foreign-tax relief, excluded income or other relevant adjustments; the profits are lawfully distributable and the full after-tax profit is distributed; and the shareholder meets all conditions for a six-sevenths refund. For FITWI, assume eligibility and no floor adjustment above 15%.

Article 48(4A) of the Income Tax Management Act provides the six-sevenths mechanism, with qualifications including the source of the distributed profits, registration and different treatment of certain income. The example assumes those checks have been completed. [S3](#)

Calculation	Ordinary system	FITWI
Chargeable income	€100,000	€100,000
Entity tax in this illustration	€35,000	€15,000
After-tax profit distributed	€65,000	€85,000
Eligible shareholder refund	€30,000	€0
Combined company/shareholder Malta tax after refund	€5,000	€15,000
Total dividend and refund reaching the shareholder	€95,000	€85,000

The refund calculation is $€35,000 \times 6/7 = €30,000$. The ordinary-system amount remaining after that refund is €5,000. Consequently, the assumed FITWI charge of €15,000 is above the floor in this example.

There are two different observations. FITWI involves €20,000 less entity tax initially in this simplified comparison. The ordinary system ultimately leaves €10,000 less combined Malta tax after the assumed refund. Neither observation should be presented without the other.

The table excludes foreign shareholder taxation, financing costs, distribution constraints and processing time. It does not imply that every company qualifies for a 5% effective result, that refunds arrive immediately, or that money refunded to a shareholder automatically belongs to the company.

Retaining profits changes the cash-flow question

Consider a second hypothetical business preparing to fund equipment and recruitment. Its owners intend to retain profits instead of distributing them immediately. A model that puts a future shareholder refund into the company's bank balance today would overstate cash available for that investment.

Prepare a separate cash schedule for the entity and its owners. Show when tax is paid, when dividends can and will be declared, when a refund could be claimed and received, and whether any shareholder money would be reinvested through a documented transaction. Treat uncertain receipt dates as scenarios, rather than promises.

The FITWI alternative still needs the statutory floor calculation. Retention alone is not a sound basis for assuming an unconditional 15% final cost. Where the meaning or timing of a claimable refund affects that comparison, resolve the treatment in the company's tax analysis before presenting a cash advantage to the board.

This is also a useful way to evaluate administrative simplicity. Estimate the work the business would actually avoid or retain. Compare that with the difference in tax and financing costs. "Fewer steps" has a value, but the value should be explicit rather than assumed to outweigh every other factor.

Make the decision across five years of assessment

MTCA's March 2026 notice requires the election through the relevant income-tax-return questions and confirms a binding period of five consecutive years of assessment. [S4](#)

For an election beginning with YA2026, the initial five-year span is YA2026–YA2030. The regulations continue the regime until a valid notification to leave; they also impose a minimum five-year ordinary-system period following an exit. There is no annual freedom to switch to whichever regime produces the lowest charge that year. [S1](#)

Build one decision paper with five parts:

1. **Define the entities and income.** Identify the taxpayer, owners, tax accounts and income streams. Flag proposed acquisitions, disposals or ownership changes that may alter the assumptions.
2. **Establish the baseline.** Reconcile the latest computation to the financial statements. Support each assumed refund fraction and identify who would receive it.
3. **Compare the relevant years.** Use the known first-period figures and reasonable forecasts for subsequent periods. Test a lower-profit case and a change in dividend policy.

4. **Map cash separately.** Distinguish company liquidity from shareholder receipts. Include a sensitivity for refund timing and financing, without inventing a standard processing period.
5. **Record the decision and implementation.** State the chosen approach, material assumptions, responsible approver and actions needed before filing. Retain the calculation with the tax working papers.

Internationally connected businesses should add a separate review of the owners' jurisdictions and any relevant group obligations. A Maltese headline rate does not establish the worldwide outcome. The comparison should identify where a foreign-tax conclusion has been confirmed and where it remains dependent on facts.

The 2026 filing point

MTCA made the YA2026 corporate return available in May, including a question about FITWI. This makes the election an operational filing issue, alongside the underlying assessment of suitability. [S5](#)

For a company whose financial year ended **31 December 2025**, the income normally falls within YA2026. MTCA's published table gives **27 November 2026** as the electronic-return extension for that year-end. It explicitly says electronic filing extensions do not extend tax-payment deadlines. Other year-ends have different entries in the table. [S6](#)

Work backwards from the correct filing date: confirm practitioner access, settle the comparison, obtain approval, complete the return and retain the submission acknowledgement. Check payments on their own timetable. The existing [tax and finance calendar](#) provides a structure for allocating that work and its supporting evidence.

Questions directors commonly ask

Is FITWI automatically the better choice because 15% is lower than 35%?

No. The 35% figure is the ordinary entity-level starting point. A valid shareholder refund can materially change the combined Malta outcome. Compare both completed calculations and their cash timing, as the worked example illustrates.

Can the business claim a refund of the FITWI tax later?

The regime makes that tax final. The commercial model should therefore show no shareholder refund of the FITWI charge. Any separate tax position outside the illustrated income must be assessed on its own basis. [S1](#)

Does every shareholder receive a six-sevenths refund under the ordinary system?

No. The relevant income, tax-account allocation, reliefs, distribution and claimant conditions must be checked. The Act provides different treatment for specified categories, including certain passive interest and royalty profits. The example deliberately assumes one qualifying fact pattern. [S3](#)

Can we change the election when our dividend policy changes?

A new dividend policy is a reason to revisit forecasts, but it does not cancel the statutory commitment. Model possible changes before electing and obtain specific advice on any subsequent exit timetable.

Does the November filing extension also delay payment?

No. The cited extension concerns the electronic return. Establish the company's tax-payment dates separately and verify the filing entry for its actual year-end. [S6](#)

Turn the rate comparison into a documented decision

A useful FITWI assessment should leave directors with a clear computation, a cash forecast, a record of the five-year implications and an achievable filing plan. Bring the financial statements, tax workings, ownership information and intended distributions to that discussion.

KMFinco's [Tax, Accounting & Payroll](#) service is a relevant starting point for discussing your company's position. Where ownership or distributions require coordination, connect the tax analysis with [Corporate & Fiduciary](#) work.

Visual guide

€100,000 of qualifying profit: two complete Malta tax outcomes

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Compare the complete tax outcome.

Hypothetical €100,000 profit; accounting profit equals chargeable income.

	Ordinary system	FITWI
Entity tax	€35,000	€15,000
Shareholder refund	€30,000	€0
Combined Malta tax	€5,000	€15,000

A lower initial company payment does not establish a lower combined tax cost.

Hypothetical €100,000 accounting profit before tax equals chargeable income; full lawful distribution, valid six-sevenths refund and no foreign-tax relief or other adjustments. The FITWI floor is assumed not to increase the 15% charge. Foreign shareholder tax and cash timing are excluded.

Sources checked 7 October 2026 · Read with the complete article.

Hypothetical €100,000 accounting profit before tax equals chargeable income; full lawful distribution, valid six-sevenths refund and no foreign-tax relief or other adjustments. The FITWI floor is assumed not to increase the 15% charge. Foreign shareholder tax and cash timing are excluded.

Evidence checklist

FITWI decision file

Prepare one evidence pack before approving an election. This is an original working checklist, not an official filing form.

01 Identify the entity, shareholders and income streams.

Evidence: Ownership chart, latest accounts, tax-account schedule and income analysis.

Suggested owner: Finance lead

02 Establish the ordinary-system baseline.

Evidence: Reconciled tax computation and supported refund entitlement for each relevant shareholder.

Suggested owner: Tax practitioner

03 Calculate FITWI, exclusions and the floor.

Evidence: Comparison showing the statutory calculation and material assumptions.

Suggested owner: Tax practitioner

04 Separate entity and shareholder cash.

Evidence: Tax, dividend, expected refund and reinvestment schedules.

Suggested owner: Finance lead

05 Test the five-year decision.

Evidence: Relevant-YA forecast with profit, ownership and distribution sensitivities.

Suggested owner: Directors and finance lead

06 Confirm election and payment dates separately.

Evidence: Actual year-end deadline entry, practitioner access and payment calendar.

Suggested owner: Tax practitioner

07 Approve and retain the final record.

Evidence: Decision paper, signed approval, filed return and acknowledgement.

Suggested owner: Directors

Sources and further reading

Sources checked 7 October 2026. Source titles link to the original publications.

S1 [Final Income Tax Without Imputation Regulations, S.L. 123.217, regulations 2–3](#) — 2025-09-02; current consolidated text checked 2026-10-07

S2 [MTCA: Corporate Tax](#) — Current page checked 2026-10-07

S3 [Income Tax Management Act, Chapter 372, article 48\(4\) and \(4A\)](#) — Consolidated text checked 2026-10-07

S4 [MTCA: Election for Final Income Tax Without Imputation](#) — 2026-03-27

S5 [MTCA: Year of Assessment 2026 — Tax Return for Companies](#) — 2026-05-07

S6 [MTCA: Income Tax — Company Income Tax Return Cycle](#) — Current deadline table checked 2026-10-07