



The Rise of the Midshores in the International Tax Arena

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The Rise of the Midshores



CONTENT OF THE PRESENTATION

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- What is a Midshore?
- Examples: Malta / Hong Kong
- Conclusions

Global Context



Global Financial Meltdown (2008)

G-20, OECD & FATCA: actions to increase exchange of information / BEPS

Increase of AML / compliance regulations (FATF)

Requirement to actually collect & exchange tax information

Leading cases:



among many others.

Global Context

Worldwide increase of “substance over form” approach

- Argentina: Molinos Río de la Plata leading case.

In general, NO direct focus to require amendments to tax regimes (so far)

- Exception: State Aid Investigations headed by the European Commission

Bottom line: Competitive landscape among nations **FUNDAMENTALLY** changed

What is a “Midshore”?



Contains elements of both “offshore” and “inshore”

General Features:

Upgraded regulations (AML, etc)

Significant collection of information (readily available) and effective EOI

Extended tax treaty network

Friendly tax policies + strong & predictable legal system

FOCUS on developing a HUB for business based on their competitive advantage (e.g., expertise, geographical location, etc)

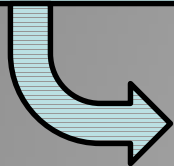
Hence, different types of Hubs could arise: financial services hubs, IT hubs, IP hubs, trading hubs, insurance hubs, logistical hubs, etc

Malta



Strong AML regulations & banking system

Tax Features



- Parent/Subsidiary Directive (EU Member)
- No WHT on dividends, interests & royalties
- No thin cap rules / no CFC rules / no annual wealth taxes
- One of the lowest OECD compliant tax rates (within EU)
- Whitelisted by Argentina

Other: geographic location / skilled workforce / English as official language

Gateway to EU

Logistical Hub; Financial Services Hub (13% of Malta GDP); Holding Hub

Hong Kong



Strong AML regulations & banking system

Tax Features






- Source taxation
- No WHT on dividends
- No CFC rules / no annual wealth taxes
- NOT Whitelisted by Argentina

Other: geographical location / skilled workforce / high-level infrastructure

Gateway to CHINA

Trading Hub / Financial Services Hub

	Malta 	Hong Kong 
Number of Tax Treaties	67	29
OECD Multilateral Convention on Tax Matters entered "into force"?	Yes	No
TIEAs	5	7
Early Adopter of the Automatic EOI Standard?	Yes	No
OECD Peer Review Report	Largely Compliant	Largely Compliant
Position in the "Paying Taxes" Ranking (World Bank 2014)	N° 27	N° 4
Position in the Global Competitiveness Ranking (WEF 2014)	N° 47	N° 7
Ease of Doing Business Index (World Bank 2014)	N° 94	N° 3
Civil Society (TJN Financial Secrecy Index 2013)	N° 64	N° 3

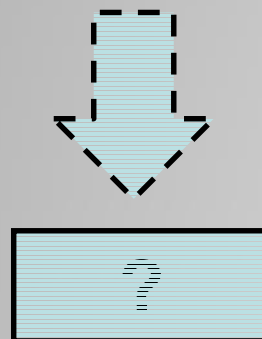
	
31	17
No	Yes
7	19+
No	Yes
Idem	Idem
N° 159	N° 153
N° 57	N° 104
N° 120	N° 124

Conclusions

International action towards collection of information and massive EOI

BEPS approach / Substance over Form approach

One possible consequence:
Rise of the “Midshores” in the International Tax Arena





Thank you!

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