



NEW TYPE OF CELL COMPANIES OFFERS ASSET STRUCTURING OPPORTUNITIES FOR THE SHIPPING AND AVIATION BUSINESS

The Companies Act (Shipping and Aviation Cell Companies) Regulations were issued by the Minister for Economy, Investment and Small Businesses on 16th June 2020. These regulations cater for the use of cell companies also by companies operating in the shipping and aviation business.

What is a cell company?

A cell company is a company that may create within itself one or more cells in order to segregate and protect the cellular assets of the company. While this is not an innovative concept within the Maltese legal framework, since, by way of example, the Civil Code and the Securitization Act have catered for the use of segregated cells by foundations¹ and by securitization vehicles² for quite some time, the possibility to use such entities in the shipping and aviation business is new.

These recently-issued Regulations now offer such possibility also to cell companies operating in the shipping or aviation industries, the name of which must include "MAPCC" or "Mobile Assets Protected Cell Company".

What are the key benefits of shipping and aviation cell companies?

The use of this structure by companies operating in the shipping and aviation fields offer major benefits, such as:

- a) **effective bankruptcy-remoteness**, further to the transfer of assets from a company carrying out shipping or aviation business to a dedicated cell. As a result, the assets and liabilities arising out of the activities of a specific cell exclusively belong to that cell. This means that its assets are ring-fenced from the cellular assets and liabilities of others cells and of the core and that they cannot be used to satisfy liabilities that are not attributable to that particular cell;

¹ Our company, Mandaris Trustees (Malta) Limited is duly authorized by the MFSA to act as trustee (<https://www.mfsa.mt/financial-services-register/result/?id=11904>) and administrator of private foundations (<https://www.mfsa.mt/financial-services-register/result/?id=11903>)

² Our company, Coprolin SCC plc, has successfully structured securitization transactions for several years (http://www.mandaris.ch/malta/assets/File/Publications/Securitisation%20Flyer_updated.pdf)



- b) **easier management and costs** deriving from having only one board of directors and one set of memorandum and articles of association both for the core company and all its cells. In fact, notwithstanding that a cell company may have created one or more cells, a cell company is a single legal person and the cells so created do not enjoy a separate legal personality from the cell company;
- c) **tax optimisation:** the opportunity for the cell company and its cells³ to benefit from the Maltese full imputation tax system that reduces the total tax paid in Malta to 5% or lower wherever double taxation relief is claimed. Malta has a broad double tax treaty network⁴ which provides rules in respect of dividends, interest, royalties as well as rules on the elimination of double taxation;
- d) **no restrictions on the identity of the asset owner**, that does not need to be licensed or authorized by any supervisory entity.

Why Mandaris Group?

Through its group member, Coprolin SCC plc., our group has successfully provided our customers with its innovative solutions in the cell companies' industry for many years. We are proud to be one of the first pioneers in this field and are confident that the combination of our long experience with our extensive knowledge and expertise make us leader in this industry.

Our office locations

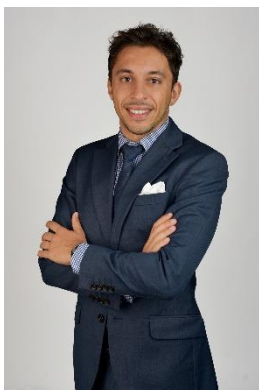
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³ A cell company may, in respect of a particular cell, issue specifically "cell shares": in this case, the proceeds of the issue of shares form the assets of that specific cell. Conversely, the proceeds of the issue of shares other than these dedicated "cell shares" form the non-cellular (core) assets of the cell company. Not only the core company but also its "cell" are eligible to a set of tax benefits in accordance with the Maltese tax laws.

⁴A full list of Double Taxation Conventions can be found on <https://cfr.gov.mt/en/inlandrevenue/itu/Pages/Double-Taxation-Conventions.aspx>