

Malta is an EU member state located in the Mediterranean Sea, ninety-three kilometres south of Italy and 290 kilometres north of Libya. Maltese and English are the country's official languages. English is in fact widely spoken and is also the language of legislation, education and business. Euro is the official currency of the island. There are a number of schemes Malta has introduced. Different conditions apply depending on the scheme.

BASIS OF PERSONAL TAXATION

Persons who are both ordinarily resident and domiciled in Malta are taxed on their worldwide income and capital gains.

ORDINARY RESIDENCE

Residence in Malta is normally calculated on the basis of physical presence, save for temporary absences that may be deemed reasonable, spread over a single period or over a number of visits during the tax year. Foreign individuals who are granted an employment licence in Malta may also become tax residents in Malta. A foreigner who becomes tax resident in Malta will be taxed on chargeable income and capital gains arising in Malta, and foreign income (excluding capital gains) that are remitted to Malta, on condition that he or she is not deemed to be domiciled in Malta. Individuals who are tax resident in Malta are subject to the income tax rules and rates applicable to every Maltese resident person. Any foreign citizen wishing to take up residence in Malta may do so by notifying the local authorities of their intention to stay, within 3 months from their date of arrival. Effective 1/1/2018, ordinary resident non domiciled individuals are subject to a minimum tax of €5000 in certain conditions.

MALTESE RESIDENCE PROGRAMMES

Malta refined its residency programmes and has launched a residency programme and a retirement programme which are an extension of the resident but not domiciled rule which has been popular with retired persons and also high net worth individuals since it was introduced (though under different conditions) in the 1970's. The said programmes essentially provide for a tax rate of 15% on certain income.

THE RESIDENCE PROGRAMME

The refined Residence Programme introduces more certainty and facilitates the process. The programme provides for very good incentives for persons from both within and outside the European Union and the European Economic Area who want to invest in Malta.

To qualify for the aforesaid special tax status an application in the prescribed format is to be submitted together with a completed questionnaire and ancillary supporting documentation. A non-refundable fee of €5,500 to €6,000 applies for every application submitted. The aforesaid fee is intended to cover fees incurred through a sub-contracted international firm to run an international 'fit and proper' background check. Applications will need to be submitted by Maltese warrant holders registered with the Inland Revenue Department as authorised mandatories.

Individuals qualifying for the aforesaid special tax status are entitled to reside in Malta together with family members and their dependants (subject to certain conditions).

THE RESIDENCE PROGRAMME

Conditions

- Is an EU, EEA or Swiss National
- Is not a permanent Resident of Malta
- Property – applicant shall either:
 - acquire for own use (including dependants) a personal residence in Malta of not less than €220,000 (if the property is in the South of Malta or in Gozo, a sister Island) or of a minimum value of €275,000 for properties in Central and Northern Malta; or
 - rent residential property in Malta for not less than €9,600 (or €800 monthly) in Malta and €8,750 (or €730 monthly) in Gozo or the South of Malta, subject to inflation index.
- Resources - stable and regular resources that are sufficient for the applicant to maintain himself / herself and his dependants without recourse to the social assistance system in Malta
- Sickness insurance recognised across the European Union in respect of all risks normally covered for Maltese nationals for the applicant and his dependants
- Domicile – applicant and his dependents shall never become domiciled in Malta nor citizens of Malta
- Residency – applicant shall NOT stay in any one other jurisdiction for more than 183 days in a calendar year. A declaration to this effect shall be made in the Annual Tax Return.
- Fluency in English or Maltese
- Fit and proper – assessment is based on considerations of good conduct and morals, criminal record, bankruptcy issues, governmental investigations.

THE RESIDENCE PROGRAMME

Tax Treatment

- foreign income remitted to Malta is chargeable to tax at the flat rate of 15% subject to a minimum annual tax charge of €15,000, after double taxation relief
- no tax is chargeable on foreign capital gains even if remitted to Malta
- gains on the sale of owner occupied premises in Malta used as the primary residence and which have been owned and actually lived in for a period of 3 years are exempt from tax. 2% final withholding tax is levied if owned and lived in for under 3 years. A final withholding tax of 5-8% on the transfer value of immovable property situated in Malta is charged on the sale of other property
- tax is chargeable at the flat rate of 35% on local income and gains realised on the transfer of other chargeable assets in Malta
- it is also possible for the applicant to engage in gainful employment and business activities in Malta. Such other chargeable income of the beneficiary [and his/her spouse] that is not charged to tax at the rate mentioned above will be charged to tax at the rate of thirty-five cents (0.35) on every euro
- double taxation relief is available to those qualified for the aforesaid special tax status in respect of tax levied outside Malta on any income remitted to Malta which is subject to tax in Malta. Malta has a wide treaty network with almost over 70 countries (see list hereunder under Tax treaty countries). Furthermore, when income is derived from a country with which Malta does not have a treaty, a domestic system of unilateral relief is available.

MALTESE RETIREMENT PROGRAMME (MRP) - ATTRACTING EXPAT PENSIONERS

Malta has launched a generous tax incentive scheme to encourage European individuals to transfer their pensions to, and take up residence in Malta.

Under the scheme, which is exclusively available to European Union, European Economic Area, or Swiss nationals, income tax on remitted income, will be fixed at 15%, with a minimum tax liability of €7,500 per annum and €500 for each dependant. Double taxation relief is available via Malta's double taxation treaty network or unilateral relief provisions. Other income chargeable to tax in Malta is taxed at 35%. Application is subject to a fee of €2,500.

Conditions

To be eligible for the scheme, applicants would need to fulfill a number of conditions, including:

- purchase a property worth at least €275,000 in Malta, or €220,000 in Gozo, or alternatively rent a property for €9,600 per annum in Malta, or EUR8,750 in Gozo, subject to indexation
- reside in Malta for at least 90 days per annum, averaged over any five year period
- applicant shall NOT stay in any one other jurisdiction for more than 183 days in a calendar year
- entire pension (as defined) would have to be remitted and taxed in Malta, and the said pension income shall constitute at least 75% of the income chargeable to tax in Malta. The said pension income can be in the form of lifetime annuities, personal pension plans or occupational pension

MALTESE RETIREMENT PROGRAMME (MRP) - ATTRACTING EXPAT PENSIONERS

Conditions

- applicant shall not be in an employment relationship (the rules do not preclude the beneficiary from holding a non-executive post in a company resident in Malta or from participating in activities related to an institution of a public character in Malta)
- in possession of sickness insurance recognised across the European Union

GLOBAL RESIDENCE PROGRAMME (GRP)

The GRP was launched in 2013 with the aim to attract individuals who are not nationals of the EU, EEA or Switzerland and who are not long-term residents. Beneficiaries are not precluded from working in Malta, subject to work permit conditions being satisfied.

Under the scheme, which is exclusively available to Non-EU nationals, income tax will be fixed at 15% on any foreign income remitted to Malta, subject to a minimum tax of €15,000. This beneficial rate applies also to income remitted by the spouse, minor children or adult children of the beneficiary. Other income that is chargeable to tax in Malta is taxed at the rate of 35%. The beneficiary retains the right to benefit from double tax relief under Maltese Domestic law.

GLOBAL RESIDENCE PROGRAMME (GRP)

Conditions

To be eligible for the scheme, applicants would need to fulfil a number of conditions, including:

- a third country national
- does not benefit from any other tax schemes available to individuals under Malta law
- holds a qualifying property holding which would include either the purchase of property worth at least €275,000 in Malta, €220,000 in the South of Malta or Gozo, or alternatively rent a property for €9,600 per annum in Malta, or EUR8,750 in Gozo or the South of Malta,
- is in possession of a valid travel document, sickness insurance for himself and dependents
- is fluent in one of the official languages of Malta
- is in receipt of stable and regular resources which are sufficient to maintain himself and his dependants

The application is subject to a non-refundable fee of €6,000 and €5,500 for acquisition of property or rental property sought in the south of Malta.

CITIZENSHIP THROUGH THE IIP (INDIVIDUAL INVESTOR PROGRAMME)

The Individual Investor Programme (IIP) of the Republic of Malta, by virtue of Legal Notice 47 of 2014, allows for the granting of citizenship by a certificate of naturalisation to individuals and their families who contribute to the economic and social development of Malta. Subject to a stringent vetting and diligence process, including thorough background checks, the applicants and their dependents are granted citizenship in exchange for such contribution.

To qualify for citizenship, the main applicant must be at least 18 years of age, provide proof of residency in Malta for a period of 12 months preceding the issuing of a certificate of naturalisation and meet the following investment requirements:

- The acquisition of real estate with a minimum value of EUR 350,000 to be held for at least 5 years or Lease a residential immovable property in Malta for a period of 5 years, at an annual rent of at least EUR 16,000; and
- Make a contribution to the National Development and Social Fund of EUR 650,000 for the main applicant and additional contributions for dependents.
- An investment in stocks, bonds or special purpose vehicles to be identified by Identity Malta, for a minimum value of EUR 150,000 to be held for a minimum period of 5 years.



CITIZENSHIP THROUGH THE IIP (INDIVIDUAL INVESTOR PROGRAMME)

- Applicants must have Global Health Insurance coverage of at least EUR 50,000 for the main applicant and each of the dependents and must give proof that they can maintain the same for an indefinite period.

Maltese citizenship provides Visa free travel to more than 160 countries and grants the right of work and establishment in all 28 EU countries.

Due diligence fees EUR 7,500 plus additional passport and bank fees.

RESIDENCY THROUGH INVESTMENT (MALTA RESIDENCE AND VISA PROGRAMME)

Identity Malta may issue a certificate to applicants, equivalent to a residence permit, allowing them to reside, settle or stay indefinitely in Malta. The residence permit can be issued for the applicant as well as for his dependants (spouse / long-term partner, children, ascendants). Applications must be processed via a registered approved agent or registered accredited person. The application must be accompanied by an application fee of EUR 5,500. A further supplementary admin fee of EUR5,000 applies for other dependants. A certificate is issued by the relevant authorities once application is approved which is monitored annually for the first 5 years and 5-yearly thereafter.

Eligibility of the applicant

- Be at least 18 years old
- Be a third country national i.e. not a Maltese, EU /EEA national
- Purchase property in Malta for a value of at least EUR 320,000 if in Malta or EUR 270,000 if in Gozo or in the south of Malta OR rent property in Malta for an annual cost of at least EUR 12,000, or EUR 10,000 if situated in Gozo or in the south of Malta
- Make a contribution of EUR 30,000; plus EUR 5,000 per parent or grandparent where applicable
- Make a qualifying investment in the form to be determined by Identity Malta having an initial value of EUR 250,000;
- Have a clean criminal record (applicants and dependants)
- Have a clean bill of health (applicants and dependants)
- Subject to a fit and proper due diligence report (applicants and dependants)

RESIDENCY THROUGH INVESTMENT (MALTA RESIDENCE AND VISA PROGRAMME)

Ongoing Obligations

- Maintain his nationality as a third country national (i.e. not acquire Maltese, EU/EEA nationality)
- Continue to hold qualifying property and the qualifying investment for a period of at least 5 years
- Be in receipt of stable and regular resources to maintain himself and his dependents (at least EUR 100,000 in earnings arising outside Malta or capital for a value of at least EUR 500,000)
- Hold a valid travel document; (applicant and dependants)
- Be in possession of a sickness insurance (applicant and dependants)

Loss of Status

- He becomes or applies to become a long-term resident in terms of the Status of Long-Term Residents (Third Country) Nationals
- If he breaches any of the eligibility criteria e.g. does not continue to own or rent qualifying property in Malta
- If he stays legally and continuously in Malta for a period of over 4 years

HIGHLY QUALIFIED PERSON RULES

Malta is working to attract foreign specialized executives in the financial services, gaming and aviation industries with a 15% flat personal tax rate on annual income exceeding €82,881 up to €5 million arising in the course of their employment in Malta. Annual income in excess of €5 million is exempt from tax in Malta.

Since joining the EU in 2004, Malta has been developing as a financial services domicile and is recognized as a highly functional, low cost, well-regulated jurisdiction with the underlying theme being availability of trained staff. However, the expansion of financial services in recent years is showing a significant need for additional highly qualified workers. The objective of Legal Notice 106.11 (Highly Qualified Persons Rules) (as amended) is to set out the rules in terms of which highly qualified non-Malta domiciled employees may benefit from a flat personal tax rate of 15% that is chargeable on their employment income (excluding the value of fringe benefits) whilst exempting annual income in excess of €5 million.

HIGHLY QUALIFIED PERSON RULES

Some of the eligible offices for the 15% tax rate are:

- foreign-domiciled chief executive officers,
- chief risk officers, chief financial officers,
- chief operations officers,
- chief technology officers,
- portfolio managers,
- chief investment officers,
- senior traders,
- senior analysts (including structuring professionals),
- odds compiler specialist,
- actuarial professionals,
- chief underwriting officers,
- chief insurance technical officers,
- marketing heads and investor relations heads,
- Aviation continuing airworthiness manager,
- Aviation flight operations manager,
- Aviation ground operations manager and
- Aviation training manager.

Individuals must be in possession of relevant professional qualifications or adequate professional experience relevant to the profession or sector specified in the work contract and employment shall be with a company that is licensed and/or recognised by the Malta Financial Services Authority, the Gaming or Transport authorities.

HIGHLY QUALIFIED PERSON RULES

The rules do not apply where the employer benefits from incentives granted in terms of the Malta Enterprise Act and the Business Promotion Act. The employee is to submit an application to the Malta Financial Services Authority for a formal determination as to eligibility to benefit under these rules.

The rules in general apply as from year of assessment 2012 but, in certain cases, they apply retrospectively from year of assessment 2011, for a consecutive period of five years for European Economic Area (i.e. EU countries, Norway, Iceland and Liechtenstein) and Swiss nationals and for a consecutive period of four years for third country nationals. Individuals who already have a qualifying contract of employment in an "eligible office" two years before the entry into force of the scheme may benefit from the 15% tax rate for the remaining years of the scheme.

The main conditions are:

- a. employment income must exceed €82,881 (Basis 2017) (increased annually in line with the Retail Price Index). Annual income in excess of €5 million is tax free
- b. individual shall not be domiciled in Malta
- c. individual shall be employed in an eligible office
- d. individual shall be in possession of relevant professional qualifications or adequate professional experience
- e. an obligation to declare all income including that paid by related parties for the purposes of one's employment

HIGHLY QUALIFIED PERSON RULES

The main conditions are:

- f.** employment must be with a company that is licensed and/or recognised by the competent authority.
- g.** employer shall not be benefiting from incentives granted in terms of the Malta Enterprise Act and the Business Promotion Act.
- h.** Third country nationals may not acquire any real right (directly or indirectly) over immovable property in Malta or may not physically stay in Malta for more than 4 years unless time extension is granted.

A one time extension to persons who have availed themselves of this scheme is available for a further 5 or 4 years as the case may be. Extension available only to persons resident in Malta after 1 January 2008.

The scheme's termination date is 31 December 2025. No determinations shall be issued by the respective Competent Authorities after 31 December 2020.

Treaty network and EC directives

Malta has an extensive tax treaty network with many major countries enabling tax efficient structures and relief from double taxation on cross-border transactions. Additionally, by virtue of its membership with the European Union, Malta has access to the EC Parent-Subsidiary directive, Interest & Royalties directive and Mergers directive, and the fundamentally important freedoms within the European Union.

Albania	Georgia	Libya	Serbia	Vietnam
Australia	Germany	Lithuania	Singapore	
Austria	Greece	Liechtenstein	Slovak Republic	
Azerbaijan	Guernsey	Luxembourg	Slovenia	
Bahrain	Hong Kong	Malaysia	South Africa	
Barbados	Hungary	Mauritius	Spain	
Belgium	Iceland	Moldova	Sweden	
Bulgaria	India	Montenegro	San Marino	
Canada	Ireland	Morocco	Saudi Arabia	
China	Isle of Man	Mexico	Switzerland	
Croatia	Israel	Netherlands	Syria	
Cyprus	Italy	Norway	Tunisia	
Czech Republic	Jersey	Pakistan	Turkey	
Denmark	Jordan	Poland	UAE	
Egypt	Korea (rep)	Portugal	UK	
Estonia	Kuwait	Qatar	USA	
Finland	Latvia	Romania	Uruguay	
France	Lebanon	Russia	Ukraine	

Treaties have been signed and are awaiting ratification with Belgium (Protocol amendment) and Curacao.

Tax Information Exchange Agreements are in force with Bahamas, Bermuda, Cayman Islands, Gibraltar and USA.

Tax Information Exchange Agreements signed but not in force with Macao.

LONG TERM RESIDENCY STATUS FOR NON-EU AND NON-EEA INDIVIDUALS

In conformity with Council Directive 2003/109/EC, non-EU and non-EEA, persons residing within the EU for more than five years may, under certain conditions, apply for long term residency status. Malta transposed this rule requiring individuals wanting to apply for such status to provide evidence that:

- a) in the last twelve months immediately prior to the application for long term resident status the individual has attended a course organised by the competent authority of at least one hundred hours having as its subject matter the social, economic, cultural and democratic history and environment of Malta, and providing evidence certifying that the individual has attended at least one hundred hours of the lessons of these courses with satisfactory attention achieving an examination pass mark of at least seventy five percent;
- b) the individual has obtained a pass mark of at least seventy five percent after being assessed by the competent authorities to have achieved the equivalent of Malta Qualifications Framework Level 2 in either Maltese or English; and
- c) provides evidence that the necessary fees charged in relation to the courses, examinations and certificates referred to above have been paid.



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