

act

## Purchasing immovable property in malta

*The Maltese islands' typically Mediterranean climate, great history, culture and entertainment options, an English-speaking population coupled with relatively low costs of living, when compared to other parts of the EU, and high standards of healthcare and education make Malta a very attractive jurisdiction to foreigners who want to take up residence in Malta. In fact, during the past years, we have experienced a steady increase in the number of foreigners who have decided to apply for Maltese residency and as a consequence rent or purchase immovable property in Malta.*

### RENTING A PROPERTY

You can choose an immovable property to rent by going to one of the many reliable real estate agents in Malta, or by searching online or in the local press. Once you have found what you are looking for, you will need to sign a Tenancy Agreement, which would protect both your interests and those of the landlord.

The majority of landlords will require a deposit to be paid in addition to the annual rent, which is usually the equivalent of one month's rent.

### PURCHASING A PROPERTY

Buying a property can be one's largest investment in life, not to mention the pleasant and emotional phase that one goes through. Therefore it is of utmost importance that you take the right decision.

To ease the process and help you make the right choice, we would like to set out 5 important steps a prospective buyer might want to keep in mind when considering buying a property:

- Set a budget
- Decide on the area/s and the type of property you wish to purchase
- Set up appointments to view properties
- View a number of properties and do not decide until you are satisfied that you have seen enough
- Make an offer based on your budget and plans

#### ➤ Bank loans

A meeting with one of the local banks can be set up if you require a mortgage. In general, home loans will cover around 90% of the purchase price and completion costs. The bank would work out the monthly repayments based on your annual income. A life and property insurance cover would be required.

#### ➤ Preliminary agreement

The preliminary agreement (also referred to as 'a promise of sale agreement') binds both the seller and the buyer to a set of mutually agreed terms and conditions, such as:

- Price
- Payment terms
- Works to be undertaken by the owner (if any) and
- Other conditions such as permits to acquire immovable property or bank loans

The Preliminary Agreement is usually valid for three months but it can be shorter or longer depending on the agreement between the two parties. Once the preliminary agreement is signed, a notary (who is a public official) would carry out the necessary searches on the property to ensure that there are no outstanding debts, hypothecs or liens on the property and that the vendor has legal title to the property he wishes to sell. Total stamp duty due is at 5% (with some minor exceptions) of the value of the property, 1% of which must be paid when signing the promise of sale agreement. The rest is paid when signing the final deed. Normally, the buyer would pay a 10% deposit to the seller, which may be kept by the notary if so agreed, until the final deed is signed. The said preliminary agreement is registered by the notary with the Maltese Public Registry.

#### ➤ Final contract of sale

Before the expiration of the promise of sale agreement, you will then be required to sign a final deed, which would effectively mean that you have now become the actual owner of the immovable property. The said contract is registered by the notary with the Maltese Public Registry.

### ACQUISITION OF IMMOVABLE PROPERTY BY EU AND THIRD COUNTRY NATIONALS

Citizens of all EU member states do not require a permit to buy their primary residence. However they do require a permit if they wish to buy immovable property in Malta as a secondary residence, unless they have not resided in Malta for at least five years before date of purchase.

Individuals who are not citizens of a European Member state may not acquire immovable property situated in Malta unless they are granted an Acquisition of Immovable Property permit (AIP). An AIP permit is a permit issued by the Ministry of Finance. No AIP permit is required for properties which are situated in Special Designated Areas and there are no limitations on the amount of properties which one can acquire in these areas.

The current Special Designated Areas are the following:

- Portomaso St. Julian's
- Cottonera Development, Cottonera
- Tigne Point, Tigne
- Tas-Sellum Residence, Mellieha
- Madliena Village Complex
- Smart City, Kalkara
- Fort Cambridge Zone, Sliema
- Ta' Monita Residence, Marsascala
- Pender Gardens, St. Julian's
- Metropolis Plaza, Gzira
- Fort Chambray, Ghajnsielem Gozo
- Kempinski Residences, San Lawrenz Gozo

## RENTING OUT YOUR PROPERTY

You may also wish to rent out your property when you are not in Malta. This will be possible if you would have either acquired the property in a Special Designated Area or you would have acquired your property as a holiday home. Income tax implications will apply and we suggest you contact the firm's tax partners for advice and assistance.

## TAXATION ISSUES

- Tax on rental income - Tax will be due in Malta should you decide to rent your property while you are not residing in Malta. One has the option to benefit from a reduced rate of income tax of 15%, provided certain conditions are satisfied
- Inheritance tax - Malta does not have any inheritance tax
- Wealth tax - Malta does not have any wealth tax
- Estate and gift taxes - Malta does not have any estate or gift taxes
- Stamp duty - Stamp duty is paid on acquisition of the property which in general is of 5% of the value of the property. Certain exceptions apply
- Tax on capital gains - No Maltese tax will be due on gains derived from the sale of your property if you would have owned and occupied the property as your main residence for at least three years before date of sale. If exemption does not apply, tax is due at the rate of 12% on the transfer value. Possibility exists to opt to pay tax on the gains made (if any) if property has been acquired less than twelve years before date of sale. Special rules apply to non-residents selling immovable property if they owned the property for more than twelve years

- Tax on death - No income tax is paid when the property is transmitted to the heirs of the deceased. However stamp duty will be due by the heirs, which in general amounts to 5% of the value of the immovable property. Certain exceptions and exemptions apply
- Tax on donations - No tax is due by the donor when the property is donated to certain relatives as defined by law. Stamp duty will however be due by the person to whom the property was donated

ACT is in a position to provide you with a full and comprehensive service in connection with the drafting, reviewing and negotiating of both the preliminary agreement and the final deed. We are also in a position to advise and assist you with any tax implications that might arise on both the acquisition and sale of the property and also on any rental income you might derive from the said property.

ACT would be pleased to advise and assist you in all of the above-mentioned to make this important milestone as pleasant and hassle-free as possible.

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