



Taking up residence in Malta - EU/EEA/Swiss Nationals

By virtue of its warm climate, attractive and historic places, safe environment and English-speaking population, Malta is one of the best places to take up residence; not to mention the relatively low cost of living and the advantageous tax regime it has to offer.

In order to reside in Malta for more than 3 consecutive months, an individual needs to apply for a residence permit from the Maltese Immigration Authorities. The permit is granted on specific grounds.

ORDINARY RESIDENCE

Applicants for ordinary residence are required to purchase or rent immovable property in Malta.

Residency for an EU/EEA/Swiss national may be obtained on the basis of various schemes, the most common of which are being listed hereunder:

ECONOMIC SELF-SUFFICIENCY

This requires applicants to prove that they are financially stable and not in need of any financial support from the Maltese Government. Single persons must either have a minimum capital of €14,000 or a weekly income of €92.32 whereas married couples must either have a capital of at least €23,300 or a weekly income of €108.63. In addition, €8.15 is required for every dependent.

Employment / Business

Employment in Malta is another ground on which an EU/EEA/Swiss national may obtain ordinary residence in Malta. An individual can apply on this basis either through employment or through the carrying out of a trade or business in Malta.

Education

Foreign students, who visit Malta for educational purposes in any Private School, College or at the University of Malta, are granted a temporary residence permit covering their period of studies in Malta.

A temporary residence permit is also granted to parents and to those persons who act as legal guardians of minor students. Such parents

and guardians must prove that they are in receipt of regular and stable income and that they have a suitable place to live in.

Family Members

Family members of EU/EEA/Swiss nationals are granted the right to accompany the main applicant irrespective of whether or not they are EU/EEA/Swiss nationals.

Extended relatives and partners must prove that they are dependent on the applicant. In addition, partners must prove that they have been in a stable relationship for a minimum of 2 years.

Permanent Residence for EU/EEA/Swiss nationals

EU/EEA/Swiss nationals and their family members can apply for a permanent residence permit after having lived in Malta for a continuous period of five years. During these five years the applicant must have been economically self-sufficient, employed, self-employed or studying in Malta. Their presence in Malta should have been of at least 6 months in a calendar year.

Personal Income Tax for Ordinary Residents

Individuals who are ordinarily residents but not domiciled in Malta, are subject to income tax in Malta on any income and capital gains arising in Malta and on income arising outside Malta which is received in Malta. They are not subject to tax in Malta on foreign capital gains even if such gains are remitted to Malta.

Income derived by resident individuals is subject to tax at the following progressive rates:

SINGLE RATES		
Taxable Income €	Rate %	Deduct €
0-9,100	0	0
9,101-14,500	15	1,365
14,501-19,500	25	2,815
19,501-60,000	25	2,725
60,001 & over	35	8,725

MARRIED RATES

Taxable Income €	Rate %	Deduct €
0-12,700	0	0
12,701-21,200	15	1,905
21,201-28,700	25	4,025
28,701-60,000	25	3,905
60,001 & over	35	9,905

PARENT RATES

Taxable Income €	Rate %	Deduct €
0-10,500	0	0
10,501-15,800	15	1,575
15,801-21,200	25	3,155
21,201-60,000	25	3,050
60,001 & over	35	9,050

In order to qualify for the parent rates, the following conditions need to be satisfied:

- (a) The parent must maintain under his/her custody a child or pay maintenance (established or authorised by courts) in respect of his/ her child;
- (b) The child is not more than 18 years of age, or not over 23 years if receiving full-time instruction at a tertiary education establishment;
- (c) The child is not earning an annual income of more than €2,400 from gainful occupation.

The above mentioned rates have been extended to EU/EEA nationals who have at least 90% of their worldwide income derived from Malta. Such individuals, even if they are not residents of Malta, can opt to be taxed at the above mentioned rates applicable for resident individuals.

Individuals who are neither residents nor domiciled in Malta are only subject to tax in Malta on any income and capital gains arising in Malta.

The following are the rates applicable to non-residents, regardless of whether they are married or single:

NON- RESIDENT TAX RATES

Taxable Income €	Rate %	Deduct €
0-700	0	0
701-3,100	20	140
3,101-7,800	30	450
7,801 & over	35	840

THE RESIDENCE PROGRAMME RULES 2014

By virtue of two Legal Notices, the Government of Malta has replaced the High Net Worth Individual Rules for EU/EEA and Swiss nationals with the Residence Programme Rules. These rules are to have retrospective effect as from 1 July 2013 and will apply to EU/EEA and Swiss nationals, with the exception of Maltese nationals.

Beneficiaries

A beneficiary under the programme is an individual who is not a permanent resident of Malta and who proves to the satisfaction of the Maltese tax authorities that:

- he is not a person who benefits under the Residents Scheme Regulations, the High Net Worth Individuals – EU / EEA / Swiss Nationals Rules, the High Net Worth Individuals – Non-EU / EEA / Swiss Nationals Rules, the Malta Retirement Programme Rules, the Global Residence Programme Rules, the Qualifying Employment in Innovation and Creativity (Personal Tax) Rules or the Highly Qualified Persons Rules;
- he holds a qualifying property holding;
- he is in receipt of stable and regular resources which are sufficient to maintain himself and his dependants without recourse to the social assistance system in Malta;
- he is in possession of a valid travel document;
- he is in possession of sickness insurance in respect of all risks across the whole of the European Union normally covered for Maltese nationals for himself and his dependants;
- he can adequately communicate in one of the official languages of Malta; and
- he is a fit and proper person.

Immovable Property

The minimum value if the beneficiary opts to acquire immovable property must be of at least €275,000. However, when the property is in the south of Malta or in Gozo, the minimum value can be of €220,000.

A beneficiary under the programme has the option to rent instead of buying immovable property. This minimum annual rental payment has to be at least €9,600 if the immovable property is situated in Malta or €8,750 if in Gozo or in the south of Malta.

Tax Implications

Beneficiaries under the programme are subject to a flat rate of tax of 15%, with a minimum tax liability of €15,000 p.a. after allowing for any double taxation relief which the beneficiary may be entitled to. The minimum tax payable is due in advance every year, and shall be payable before the 30th of April.

Income and capital gains (with the exception of transfers of immovable property situated in Malta, where the 8% final withholding tax would apply) of the beneficiary, the beneficiary's spouse and children arising in Malta will be subject to a flat rate of tax of 35%.

Applications

An application in terms of the Residence Programme Rules can only be submitted to the Director General through the services of a person that qualifies as an Authorised Registered Mandatory (ARM), registered as such with the Director General.

Our firm is an Authorised Registered Mandatory and as such can assist you with your application for residency in terms of the Residence Programme Rules.

A non-refundable administrative fee of €6,000 has to be paid upon application, or €5,500 where the beneficiary has opted to acquire immovable property situated in the South of Malta.

THE MALTA RETIREMENT PROGRAMME (MRP) RULES 2012

Introduced in 2012, the MRP Rules were targeted for pensioners who are EU/EEA/Swiss nationals (excluding Maltese nationals). The rules provide for a special tax status subject to a number of conditions being satisfied.

Beneficiaries are subject to tax at the beneficial tax rate of 15% on foreign sourced income that is received in Malta (including a pension), by them or their dependants, subject to an annual minimum tax liability of €7,500 and an additional €500 for every dependant and household staff. Any income arising in Malta is subject to a flat rate of tax of 35%.

The conditions for eligibility are the following:

➤ Remittances to Malta

Beneficiaries must be in receipt of a foreign pension all of which must be received in Malta. Such pension must constitute at least 75% of the beneficiary's chargeable income.

➤ Immovable Property

The beneficiary must either purchase or rent immovable property in Malta or Gozo to serve as his habitual place of abode worldwide.

For the purposes of this scheme, minimum value for property purchased in Malta is of €275,000 while the minimum value for Gozo is €220,000. Minimum annual rent is of €9,600 per annum if the property is situated in Malta or at €8,750 per annum if it is situated in Gozo. If the property is acquired after 1 January 2011 but before 1 July 2013, the value of the property must not be less than €275,000 if it is situated in Malta (not less than €250,000 if the property is situated in Gozo).

Two individuals who are either spouses, or prove that they are in a stable and durable relationship with one another may jointly acquire or rent the same property.

➤ Health Insurance

Beneficiaries and their accompanying dependants should be covered by a health insurance policy with respect to all risks across the EU.

➤ Domicile

Beneficiaries must not be domiciled in Malta and they should not have the intention to acquire their domicile in Malta within 5 years from acquiring residence in Malta under the MRP scheme.

➤ Employment

Beneficiaries of the scheme cannot be in employment. They are nonetheless entitled to hold a non-executive post on the board of a company resident in Malta, or participate in activities related to any institution, trust or foundation of a public character, or any similar organisation or body of persons, also having a public nature, or be

engaged in philanthropic, educational or research and development work carried out in Malta.

➤ Minimum Stay Requirements

Beneficiaries under the MRP scheme must spend at least 90 days per calendar year in Malta averaged over a 5 year period. In addition, they cannot spend more than 183 days in any other foreign jurisdiction.

➤ Fit and Proper Test

Applicants must satisfy a fit and proper test prescribed by the pertinent Maltese authorities.

➤ Special Tax Status

Applicants cannot benefit from any other Maltese scheme granting them a special tax status.

Applications must be filed through the services of an ARM. ACT is a licensed ARM that can assist you in applying for this special tax status. Together with the application, a fee of €2,500 is payable to the Maltese authorities.

The conditions mentioned above must be met on an annual basis meaning that the beneficiaries must retain their property or lease, meet the minimum stay requirements and renew their health insurance policies on an annual basis.

ACT can assist you with the annual compliance obligations required under the MRP.

DOUBLE TAXATION RELIEF

Resident individuals are entitled to claim one of the various forms of relief from double taxation, namely, treaty relief, unilateral relief and the Commonwealth income tax relief. These types of relief ensure that the same income will not be subject to tax twice in two different jurisdictions.

The most common type of relief is the treaty relief, given that Malta has concluded double tax treaties with more than 65 countries. Malta's treaties are mainly based on the OECD Model Convention and relief is granted by means of the credit method meaning that the foreign tax suffered on the income is granted as a credit against the Maltese tax liability on such income.

In the absence of a treaty, the unilateral relief can be availed of. This type of relief works similarly to treaty relief. The Commonwealth income tax relief applies to tax suffered in Commonwealth countries.

BUYING PROPERTY IN MALTA

EU citizens can freely purchase their first property in Malta to serve as their primary residence without the necessity of obtaining a permit (known as the AIP permit). This also applies in those circumstances where one of the spouses is an EU national and the other is a non-EU national.

An EU national can also acquire an immovable property without an AIP permit where such property is used to carry out one's business activity or for the supply of services by such person. A declaration reflecting the

purchaser's intention for the acquisition should be inserted in the relative contract of purchase. After being resident in Malta for at least 5 consecutive years, EU citizens may freely purchase any number of immovable properties in Malta.

On the other hand, non-EU citizens must obtain an AIP permit in order to acquire immovable property in Malta.

Both EU and non-EU citizens may freely purchase immovable property situated in certain areas known as Special Designated Areas.

IMPORTATION OF HOUSEHOLD GOODS

Individuals who become resident in Malta may import their household goods and furniture into Malta without incurring any VAT and import duties. Third country nationals may be asked by the customs authorities to pay a deposit or provide a bank guarantee for the VAT/duty in question. The deposit will be refunded upon providing an evidence of stay in Malta for a cumulative period of 200 days within a period of 365 days.

INHERITANCE TAX

Malta does not have any inheritance tax. Nonetheless, the heirs of the deceased person are liable to pay stamp duty upon the inheritance of shares in Malta companies and immovable property situated in Malta. Stamp duty payable amounts to 5% in the case of immovable property situated in Malta and shares in property companies, while a duty of 2% is payable on the acquisition of shares in Maltese companies which are not property companies. Various exceptions and exemptions apply.

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