

FACT SHEET 7 – RESIDENCE IN MALTA

Foreigners are encouraged to take up residence on this Mediterranean island. This policy is supported by a number of advantages, amongst which one will find an attractive tax structure. Foreigners residing in Malta are not taxed on their worldwide income, but rather on their income emanating from a Maltese source and on any foreign income which is remitted to Malta. Foreigners who choose to become residents under the Residents Permit Regulations are taxed at a flat rate of 15%. Other foreign residents are taxed at normal rates of income tax.

There are no net worth or real estate taxes in Malta, and whilst a capital gains tax on profits arising from the sale of property does exist, this does not apply to profits arising out of the sale of one's main residence on condition that the residence has been owned and occupied for at least three years.

The lifestyle on the island offers a refreshing change from other chaotic and busy centres. The Maltese people enjoy a high standard of living with efficient public and private health services. Malta enjoys a warm and healthy climate which allows oneself to enjoy life outdoors for most days of the year. Furthermore, the island has excellent communications and transport links with the rest of Europe and beyond.

Residence

One may take up residence in Malta in terms of the Residents Scheme Regulations, 2004 and this is done after obtaining the necessary certificate from the Inland Revenue Department. This certificate is issued for an indefinite period of time so long as certain conditions are adhered to on an annual basis. Holders of such a permit may therefore reside indefinitely on the island and may enter and leave Malta as and when required without the need of any other formalities.

Tax-related incentives for foreigners taking up residence in Malta

- Low flat rate of income tax of 15% with a minimum tax liability of €4,200 after double taxation relief per annum.
- Holder of a Permanent Residence Permit is not subject to tax on worldwide income.
- Malta's legislation provides for relief from double taxation (vide Fact Sheet 4 – Double Taxation Relief).

- No real estate tax in Malta and no tax is payable on profits arising out of the sale of one's own residence so long as the property has been owned and occupied for three consecutive years. (Duty of 5% is payable upon the purchase of real estate in Malta).

Conditions for application

- One must own a worldwide capital of at least €349,000 (or equivalent) **OR** have an annual income arising outside Malta of at least €23,000 (or equivalent).
- Permit holder is required to remit €13,950 per annum in addition to €2,300 for each dependant (including spouse) into Malta.
- Purchase or lease of property in Malta having the following minimum values:
 - Purchase of apartment – €69,000
 - Purchase of house – €116,000
 - Lease of residence – €4,200 per annum

Timing

The issue of a certificate usually takes around three months from the date the application is lodged. The minimum amount of tax shall be payable within thirty days of approval of the certificate and shall be credited against the tax due for the first year of residency on the island. The permit holder must then take up residency within 12 months from the issue of the said permit.

Other issues

An individual may take up residence in Malta by declaring his intention within three months from his timed arrival in Malta. Alternatively, an individual may become a resident of Malta as a consequence of taking up employment in Malta. Such a foreigner would require an employment permit, which would be obtained by his employer.

For tax purposes an individual is normally resident in Malta for tax purposes for a particular year, if in that year, his stay in Malta exceeds 183 days.

EU citizens may import their household effects, including a car, into Malta free of VAT and import duties. For non-EU citizens, Malta Customs may initially require a deposit or banker's guarantee for the amount of VAT or duty in question.

The information contained in this fact sheet has been prepared by Busuttil & Micallef – Certified Public Accountants · Tax Consultants, Malta. It is of a general nature and is not intended to address particular circumstances of an individual or entity. The fact sheet is intended to provide the reader with an overview of the tax planning and other opportunities in Malta. This information is also subject to any changes that may occur to the relevant legislation.

No one should act upon this information without obtaining appropriate professional advice.