

Residence in Malta

The Maltese Islands form part of an archipelago strategically situated at the centre of the Mediterranean - 100 kilometres south of Sicily and 300 kilometres east of Tunis. This has probably been one of the factors that led Malta to be occupied by various empires for a long period of time.

The Phoenicians, Carthaginians, Romans, Arabs, Normans and Knights of St John along with the French and the British all realised the potential of the Maltese Islands. They have also left their mark on the Maltese culture which is a mix of cultures. The language is of Semitic origin, however, it has assimilated a number of words from Italian and English. Maltese and English are the two official languages and other languages are widely spoken.

Malta enjoys good weather with mild winters and a rather long summer period. It is a popular tourist destination and the Maltese are renowned for their hospitality and friendly disposition.

Why Malta?

Apart from the favourable Mediterranean climate and its geographical location Malta has a good standard of living. It is a safe country with low crime rate and has a very good health and education systems. Malta is also an ideal location to combine business and pleasure due to its excellent telecommunications infrastructure. It is easily reached from all European countries and is served by a number of airlines.

Malta encourages foreigners to take up residence within its shores. The policy is supported by the 'Permanent Residents Scheme' which has existed in some shape or form since early 1970s. The Residents Scheme Regulations of 2004 outline the various benefits under the scheme as well as a number of fiscal incentives available to certificate holders.

Residents Scheme Regulations

An individual may take up residence in Malta under the Residents Scheme by obtaining a certificate from the Inland Revenue. The certificate is issued for an indefinite period as long as certain conditions are satisfied on an annual basis. Holders of such a certificate and their dependants may thus enter and leave Malta as and when required without any formalities.

Fiscal Incentives

The following is a list of fiscal incentives and advantages applicable to holders of a certificate issued in terms of the Residents Scheme Regulations, 2004:

- A flat rate of income tax of 15% on income remitted to Malta with a minimum tax liability of €4,193 per annum. Income arising abroad which is not remitted to Malta is not subject to any Malta tax;
- Worldwide basis of taxation is not applicable to persons who are resident but not domiciled in Malta;
- Capital gains remitted to Malta are not subject to any tax whatsoever;
- Access to Malta's wide treaty network as well as unilateral relief provisions. Certain income (such as dividends, interest and royalties) remitted to Malta may qualify for reduced withholding tax rates whereas other

income (such as pensions and capital gains) may be exempt from foreign tax.

- No net worth or wealth taxes;
- No inheritance tax. However upon the transfer or transmission (upon death) of real estate or shares in a company owning mainly real estate a duty of €5 on every €100 or part thereof is payable. Other shares and securities attract a duty on documents of €2 on every 100 or part thereof;
- No real estate tax. Any capital gains realised on the transfer of one's own residence is exempt from tax if the property has been owned and occupied for at least three consecutive years and the property is transferred within one year of being vacated;
- No customs duties or VAT on household effects. Non EU residents may be required to put a deposit or a bank guarantee for the VAT / duty in question. Upon the expiry of 183 cumulative days stay in Malta such deposits or bank guarantees are refunded or cancelled provided the duration of stay can be proved.

Duty on documents (stamp duty) is however chargeable upon the purchase of real estate in Malta at the rate of €5 on every €100 or part thereof .

Who may apply

Any foreigner, of whatever nationality, may submit an application under the scheme provided that the specific conditions are satisfied.

Conditions for Application

An individual is eligible for the Residents Scheme if:

- He/she has an annual income of at least €23,000 or capital of at least €349,000)
- He/she remits annually to Malta an income equivalent to €13,950 in his / her respect and €2,300 in respect of each dependant.

Documentation

The application form must be accompanied by the following documents:

- A certificate from the applicant's bankers showing either that he / she has an annual income of at least €23,000 or capital of at least €349,000. The certificate must also certify that the applicant will be able to remit to Malta a minimum annual income equivalent to €13,950 in his/her respect and €2,030 in respect of each dependant in Malta;
- A police conduct certificate in respect of each adult (18 years or over) whose name appears on the application form. The certificate should indicate whether there are any ongoing criminal proceedings. If the certificate issued by the police authorities does not contain such information, the applicant should make a declaration on oath before a Commissioner of Oaths attesting whether he and his dependants have ever had any criminal convictions or have any ongoing criminal proceedings.
- If a police conduct certificate is not available applicant should provide three character references from a banker, a solicitor, a medical practitioner, employer or previous employer, accountant or any person of a similar standing.
- A copy of the marriage certificate in the case of a married couple or else full birth certificates;
- Three passport size photographs and photocopies of the relevant pages of passport of each person whose name appears on the application form;
- A copy of the deed of purchase or the lease/rent agreement if the applicant already owns or leases/rents property in Malta. If the applicant does not own or lease property in Malta a copy of the deed or agreement is required to be produced at the point when one takes up residence in Malta.

The above documents and their translation into English, if they are in a foreign language, must be certified by a Notary in the applicant's country of residence. The Notary's signature must be authenticated by the Ministry of Foreign Affairs in the applicant's country of residence, and the documents must then be stamped by the Maltese Embassy or Consulate in that country.

Timing

The processing of applications takes around three months.

The minimum amount of tax €4,193 must be paid within 30 days from approval of the application and and this amount is credited against the tax due by the permanent resident for the first year of assessment.

If the applicant does not take up residence within 12 months from the certificate's date of issue, and such certificate is withdrawn, a refund of €3,030 of any tax paid is given.

Once in possession of a certificate the holder:

- Will be required to take up residence by not later than one year from the issue date of the certificate. The holder should complete a prescribed document which must be presented together with identification documents to the Department of Inland Revenue, Expatriates Division within 15 days of arriving in Malta.
- Must purchase a house valued at not less than €116,000 or an apartment of at least €69,000. Alternatively he / she may lease or rent property for not less than €4,150 per annum. The acquisition or lease should take place within one year from the issue date of the certificate.

Other Residents

An individual may take up residence in Malta by declaring his intention within three months of arrival in Malta. For tax purposes, an individual is considered to be resident in Malta for a particular year if, during that year, his stay in Malta exceeds 6 months. Foreigners residing in Malta are taxed on income and capital gains arising in Malta (unless exempt) and on income remitted to Malta. Foreign source income which is not remitted to Malta is not subject to Malta tax and capital gains are not taxable even if they are remitted to Malta.

The income tax rates applicable to foreign residents are

| Married | | | Other | | | | |
|---------|----------|--------|--------|----------|----|--------|----|
| € | | % | € | | % | | |
| 0 | to | 8,150 | 0 | 0 | to | 11,400 | 0 |
| 8,151 | to | 14,000 | 15 | 11,401 | to | 20,500 | 15 |
| 14,001 | to | 19,000 | 25 | 20,501 | to | 28,000 | 25 |
| 19,001 | and over | 35 | 28,001 | and over | 35 | | |

