

Residence and Real Estate in Malta



EMD



Traditional Maltese door handle - Photo by: Enzo Isaia

Malta is an ideal place to take up residence. Besides its pleasant climate, safe environment and hospitable English-speaking population, it offers various benefits to persons who decide to acquire residence in Malta. Foreigners holding a permit under the Permanent Residence Scheme are taxed at a flat rate of 15% on all income including capital gains arising in Malta (in relation to real estate situated in Malta, particular rules apply) and on income arising outside Malta but remitted to Malta. Permanent Residents are not subject to tax in Malta on capital gains arising outside Malta, whether remitted to Malta or not.

Permanent Residents

A Permanent Resident is a person who holds a permit issued by the Maltese authorities under the Residents Scheme Regulations. This permit, which is issued for an indefinite period, entitles its holder to favourable fiscal incentives as well as to travel into and out of Malta as and when desired without the requirement of other formalities.

Conditions to Qualify for Permanent Residence

Income

A Permanent Resident must have an annual income of at least €23,000 (or equivalent) or a proven capital of at least €349,000 (or equivalent). This amount does not have to be brought into Malta, except for the amount needed to purchase or lease property and to live in Malta.

Annual income to be remitted to Malta

The minimum annual income to be remitted to Malta by a Permanent Resident is €13,950 plus €2,300 for each dependent, including the spouse.

Acquisition of property

The Permanent Resident must produce evidence that within twelve months of taking up residence in Malta, he/she has acquired or leased property in Malta for at least the prescribed minimum values.

Prohibited activities

Permanent Residents cannot work in Malta (though they can hold shares in Maltese companies), or participate in any political activities in Malta.

Dependents

The Permanent Resident's children are covered by the same permit as long as they are completely financially dependent on the main applicant.

Incentives

Income tax and tax on capital gains

One of the main advantages enjoyed by Permanent Residents is that tax is levied at a flat rate of 15% on all income arising in Malta and on all income arising outside Malta but remitted to Malta. No tax on capital gains is payable in Malta on capital gains realised outside Malta whether remitted to Malta or not. Capital gains arising in Malta are taxed at 15% (in relation to real estate situated in Malta, particular rules apply).

The minimum tax liability is €4,192 for every year of assessment after allowing for any double taxation relief to which the Permanent Resident may be entitled.

No tax on capital gains is payable upon the sale of one's only or main residence, provided that such property has been owned and occupied by him/her for at least 3 years and is sold within 1 year of being vacated.

Inheritance and transfer tax

No death duty is payable in Malta. However, duty on documents and transfers is due by the heirs upon the inheritance of real estate in Malta or shares in Maltese companies and by the purchaser of real estate in Malta or shares in Maltese companies. Nonetheless, no duty is payable on those share transfers effected by shareholders in trading companies which have business interests to the extent of more than ninety percent outside Malta. Likewise an exemption from duty on share transfers in holding companies exists where more than half of the ordinary share capital, voting rights and rights to profits are held by persons who are not resident in Malta. Subject to certain exceptions, duty is due at the rate of 5% in the case of real estate and 2% in the case of shares.

Double taxation relief

Permanent Residents are afforded protection by double taxation agreements, which ensure that tax is never paid twice on the same income in different countries. Malta has an extensive network of double taxation treaties. Most treaties are based on the OECD Model Convention and relief is granted by the credit method. Another form of relief from double taxation available under domestic law is unilateral relief.

Repatriation of Funds

Any unutilised capital and income pertaining to a Permanent Resident may be freely repatriated.

Importation of Household Goods

Permanent Residents may import into Malta their household goods and furniture free of VAT and import duties. Permanent Residents who are not EU citizens may be required by the customs authorities to effect a deposit or provide a bank guarantee for the amount of VAT/duty in question. Upon evidence of stay in Malta for a cumulative period of 200 days in a period of 365 days, being provided, the deposit will be refunded.

Documentation Required to Apply for a Permanent Residence Permit

- Certified copy of passport
- Three passport sized photos and details of applicant, spouse and other dependents (if applicable)
- Birth certificate
- Marriage certificate
- Bank reference
- Police conduct certificate (for British citizens or UK residents a subject access enquiry is required)
- Two references from professional persons
- A declaration signed on oath before a notary by the persons included in the application confirming that they have never been convicted of a criminal offence and that at present there are no ongoing criminal proceedings against them
- A certificate from a bank, accountant or other relevant professional confirming that applicant has an annual income of at least €23,000 (or equivalent) or capital of at least €349,000 (or equivalent)
- A declaration by the applicant that he/she is able to remit into Malta a minimum annual income of €13,950 plus €2,300 for every dependent

All documents accompanying the permanent residence application should be attested by a notary public and either apostilled in accordance with the Hague Convention or legalised by the Ministry of Foreign Affairs of the country of nationality and counter-legalised by the relevant Maltese authorities.

Processing Time

The Inland Revenue Department normally takes around three months to process an application.

Annual Obligations

Each year, a Permanent Resident is required to complete a declaration that he/she has fulfilled the conditions attached to his/her permit, submit a tax return and pay the relevant tax.

Other Forms of Residence

Foreigners may apply for permission from the Maltese Authorities to stay in Malta for a longer period than the maximum 3 month period stipulated by law for a tourist to stay in Malta. The local authorities would require such foreign individuals to prove that they have sufficient means to live in Malta without being a burden on the country, together with the existence of certain grounds.

Individuals who are regarded as being resident in Malta for tax purposes (i.e. their stay in Malta is of at least 183 days in a calendar year) and who do not hold a Permanent Residence permit are liable to pay income tax in Malta at the normal rates on income and capital gains arising in Malta and on income arising outside Malta but remitted to Malta. In the case of a single person, the first €8,500 are tax free and in the case of a married person, the first €11,900 are tax free. The minimum tax rate is 15% whereas the maximum tax rate is 35%. Capital gains realised outside Malta are not subject to tax in Malta, whether remitted to Malta or not.

Purchase of Real Estate

Non-residents may freely purchase one property in Malta, subject to obtaining an Acquisition of Immovable Property permit. This restriction does not apply to properties in Special Designated Areas and in the case of EU citizens who have not been resident in Malta for at least five years, to property which is to serve as their primary residence.

EU citizens who have been resident in Malta for at least five years, may purchase any number of properties they wish. EU citizens conducting business may purchase any number of properties in Malta required for the carrying out of their business.

For further information kindly contact EMD, Vaults 13 - 16, Valletta Waterfront, FRN 1914, Malta
Tel: (+356) 2203 0000 ■ Fax: (+356) 2123 7277 ■ Email: info@emd.com.mt ■ www.emd.com.mt

v6-Sept/10

The above information is intended to be of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavour to provide accurate and timely information, we do not guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. EMD Advisory Services Ltd., its officers, staff, associates and related/associated companies/firms shall not be responsible or liable for any action taken on the basis of the above information, or for any errors or omissions contained herein. Professional advice should be sought before any decision based on any matter referred to above is taken.