



E&S Group

MALTESE RESIDENCY PROGRAMS OVERVIEW

YEAR 2018

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1 INTRODUCTION

Malta is an ideal place to take up residence. Besides its pleasant climate, safe environment and hospitable English-speaking population, it offers a range of benefits to individuals seeking to acquire residence on the island, given its advantageous tax regime and competitive cost of living.

Foreigners residing in Malta are not taxed on their worldwide income but only on income and certain capital gains sourced in Malta and on foreign income received in Malta.

Some of the aspects that make Malta excellent to live in are:

- a) A highly attractive tax system;
- b) Excellent communication links and transport networks with Europe and elsewhere; and
- c) A diversity of social life and cultural events

2 ORDINARY RESIDENCE

Ordinary residence in Malta requires individuals to physically live on the island for a period of six months or more. The transfer of one's residence from another jurisdiction to Malta is available to both EU/EEA and non-EU/EEA nationals. There is no minimum value property requirement for non-residents seeking to obtain ordinary residence in Malta, unless there is the need for an Acquisition of Immovable Property (AIP) permit, which applies in specific circumstances.

There are several qualifying criteria, which vary according to whether the individual seeking to obtain ordinary residence in Malta is an EU/EEA national or a third country national.

2.1 Qualifying Criteria – EU/EEA National

2.1.1 Economic Self-Sufficiency

- This criterion requires that applicants show that they are able to provide for themselves and for their accompanying dependents by being financially stable and not being in need of any financial support from the Maltese government. The current thresholds for EU/EEA nationals are set at a minimum capital of €14,000 or a weekly income of €92.32 for single persons and at a capital of at least €23,300 or a weekly income of €108.63 for married couples. Moreover, an extra €8.15 is required per any added dependent.

2.1.2 Employment

- A second ground on which EU/EEA nationals may obtain ordinary residence in Malta is employment. Hence, an individual must accept offers of employment or seek employment in Malta, work in Malta as an employee or be self-employed. Alternatively, an individual may opt to set up a business in Malta and work for his / her own business.

2.2 Qualifying Criteria – NON-EU/EEA National

2.2.1 Employment

- The qualifying criteria for Maltese ordinary residence in respect of third country nationals vary from those applicable to EU/EEA nationals. An employment licence is required in order for non-EU/EEA nationals to work in Malta. This is granted upon satisfying certain criteria.

2.2.2 Key Employee Initiative

- The Key Employee Initiative (KEI) provides a **fast-tracked service** to highly specialized Third Country nationals who are employed in Malta. The scheme will facilitate the issuing of work/residence permits to prospective key employees **within 5 working days** from the date of submission.
- The scheme is applicable to managerial or highly-technical posts which require the relevant qualifications and adequate experience related to the job being offered. The following are the eligibility conditions:
 - a) Annual gross salary of at least €30,000 per annum;
 - b) Certified copies of qualifications, warrants and other experience;
 - c) Declaration by the employer stating that the applicant has the necessary credentials to perform the duties being assigned;
 - d) All other documents as per the checklist for Third Country Nationals.

- Approved applicants will be issued with a residence permit valid for **one year**. The said permit may be renewed **for a maximum period of three years**, subject to the presentation of (i) a valid definite or indefinite contract, and (ii) the original annual tax declaration form stamped by the Inland Revenue Department.

2.2.3 Self-Employment

- In order to qualify to apply for self-employed status and work for one's business, a third country national must meet one or more of the following criteria:
 - a) An investment of at least €500,000 within 6 months from the date on which the ETC licence is issued. In relation to such investment, expenditure ought to comprise solely capital expenditure, which must consist of fixed assets (such as immovable property, plant and machinery) used for business purposes and this must be reflected in the business plan submitted with the application. Rental contracts do not qualify. Likewise, expenses such as salaries and legal fees cannot be paid from the €500,000 invested by way of minimum investment; or
 - b) Status of a highly skilled innovator with a sound business plan, committed to recruiting at least three EU/EEA nationals within eighteen months of establishment of business; or
- The holding of a directorship in a company forming part of a project that has been formally approved by Malta Enterprise, and which has been formally notified by the latter to the Employment and Training Corporation.

3 LONG-TERM RESIDENCE

Long-term residence status may be granted to individuals who have been legally residing in Malta for five continuous years. The term "continuous" means that such individuals must not have absented themselves from Malta for more than six consecutive months in any given year of the said five-year period and further must not have been absent from Malta for more than a total of ten months throughout this five year period.

Furthermore, a third country national who has been granted long-term residence status by another Member State other than Malta, may reside in Malta, for a period exceeding three months, for the exercise of an economic activity in an employed or self-employed capacity, provided that such person is in possession of an employment licence; is pursuing studies or vocational training; or is engaged in other such activities.

Those who apply for long-term residence would have to pay normal rates of tax (up to 35%) on their worldwide income – rather than the 15% tax rate on income derived from or brought to Malta.

4 INCOME TAX ON ORDINARY RESIDENCE

Individuals who are ordinarily resident, but not domiciled in Malta, are subject to income tax on income arising in Malta, on income arising in Malta, on income arising outside Malta but received in Malta and on capital gains arising in Malta. No tax is chargeable on capital gains which arise overseas but which are remitted to Malta. Personal income tax is charged at progressive rates up to a maximum of 35%, as illustrated by the following tables:

MARRIED		SINGLE	
Income, Euros	Tax rate	Income, Euros	Tax rate
0 - 11,900	0%	0 - 9,100	0%
11,901 - 21,200	15%	9,101 - 14,500	15%
21,201 - 28,700	25%	14,501 - 19,500	25%
28,701 – 60,000	25%	19,501 – 60,000	25%
60,001 – and over	35%	60,001 – and over	35%

5 RESIDENT SCHEMES

5.1 Residence Programme Rules

The Residence Programme Rules is a programme designated to replace the High-Net-Worth Individuals – EU/EEA/Swiss Nationals Rules due to the fact that they apply to individuals that are EU, EEA or Swiss nationals who are not Maltese nationals. An EU, EEA or Swiss national who is not domiciled in Malta is taxable only on his Malta source chargeable income and capital gains, and on his foreign source income which is received in Malta. A “beneficiary” who is an EU, EEA or Swiss national but not a Maltese national can be granted special tax status in Malta subject to the satisfaction of a number of conditions set out.

5.2 Malta Retirement Scheme

Persons not domiciled in Malta are not taxed on their worldwide income but only on Maltese source chargeable income and capital gains and on foreign income remitted to Malta.

Where a pensioner not domiciled in Malta satisfies the conditions set out in the MRP, then he/she shall be entitled to additional beneficial tax treatment in addition to above-mentioned remittance and source basis of taxation. Once the applicant has acquired the right to reside in Malta in terms of a Registration Certificate and the application for the scheme has been approved, he/she is deemed to be resident in Malta and is chargeable to tax on the following income:

- a) All income arising outside Malta which is remitted to Malta by the beneficiary or dependent is taxable at **15%** and such person may also claim double tax relief on the said amount subject to the following conditions;
- b) Pension income in the form of a lump sum or any other capital sum received by way of retiring or death gratuity/compensation for death or injuries are exempt from Maltese income tax even if remitted to Malta;
- c) Applicant must pay a minimum tax of **€7,500** per annum and **€500** per annum for every dependent and career;
- d) Any tax paid under these rules at **15%** shall not be refundable;
- e) If there is any other income which does not fall under the alleged rules they are charged separately at the rate of **35%**.

5.3 Highly Qualified Persons Scheme

The objective of this Programme is to attract highly qualified persons to occupy “eligible office” with companies licensed and/or recognized by the Malta Financial Services Authority, companies licensed by the Lotteries and Gaming Authority and companies holding an Air Operators’ Certificate issued by the Authority for Transport in Malta.

Individual income from a qualifying contract of employment in an “eligible office” with a company licensed and/or recognised by the Malta Financial Services Authority is subject to tax at a flat rate of 15% provided that the income amounts to at least €82,881 adjusted annually in line with the Retail Price Index. The 15% flat rate is imposed up to a maximum income of €5,000,000 (five million euro), the excess is exempt from tax.

The 15% tax rate applies for a consecutive period of five years for European Economic Area and Swiss nationals and for a consecutive period of four years for third country nationals.

Nationals of the EEA and Switzerland who have availed themselves of the benefit under this scheme may apply for a one-time extension of five years to the qualifying period. Third country nationals of who have availed themselves of the benefit under this scheme may apply for a one-time extension of four years to the qualifying period.

5.4 Malta Residence and Visa Programme (MRVP)

The Malta Residence and Visa Programme 2015 is a programme designated to be aimed towards increasing third-country national investors in Malta. A beneficiary of the MRVP and his/her qualifying dependants will be issued with a Malta Residence Permit which should entitle them to reside in Malta.

An individual must primarily be a third country national and must own or rent a Qualifying Property in Malta and the applicant should hold an investment in a form determined from time to time by Identity Malta having an initial value of Euro 250,000 for at least 5 years from the date of the issuing of the certificate.

Also, beneficiaries of the Global Residency Programme shall be allowed to apply for the issuance of an MRVP certificate.

6 REMITTANCE BASIS OF TAXATION

- An applicant who is ordinarily resident but not domiciled in Malta is taxable on:
 - a) Local income and gains arising in Malta; and
 - b) Foreign source income arising outside Malta which is received in Malta.

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