



Malta

Summary

Malta comprises a collection of beautiful islands located in the Mediterranean Sea. As such there are plenty of aspects that attract new residents, as well as the favourable tax rates.

A favourable tax regime is available to high net worth individuals who are EU members or EEA members. Despite the uncertainty around the UK's future with the EU, it will remain an EEA member and therefore UK citizens will continue to benefit from this regime.

The High Net Worth Individuals ('HNWI') Residence Scheme

To qualify for the HNWI Residence Scheme, the applicant must satisfy the following conditions:

- They must hold a 'Qualifying Property Holding' which is defined as a property of a value of €400,000, or €20,000 annual rental. This must be held solely for the applicant's family and cannot be shared with others.
- They must be in possession of health insurance.
- They must be a 'fit and proper person'. An investigation is made into the reputation held by the individual, particularly in relation to criminal offences.
- They must be non-domiciled in Malta or have no intention of becoming domiciled within five years.

- A non-refundable €6,000, one-off registration fee must be paid.
- They must reside in Malta for at least 90 days and not reside in any other jurisdiction for more than 183 days in any calendar year.

Tax treatment

Individuals attracting this treatment are taxed on the remittance basis i.e. only on income brought into Malta. There will be no tax charged on foreign sourced income that is not remitted to a Maltese bank account and there will be no capital gains tax on disposals, whether remitted to Malta or not.

There is currently a minimum annual tax for these permit holders of €20,000.

In addition to the minimum tax payable, there will be an annual charge of €2,500 for each dependant.

Under the favourable regime the tax rates are as follows:

- 15% flat rate on foreign sourced income remitted to a Maltese bank account.
- Income arising in Malta is subject to a flat tax rate of 35%.
- The individual and their spouse cannot elect for separate tax computations.
- There are no net worth/wealth taxes.

- There is no time limit on this basis of taxation.

There is no inheritance tax in Malta, however, on death the beneficiary will be liable to 5% transfer tax on the value of the immovable property. If the property is jointly owned, and one of the spouses passes away, the 5% levy will only apply to half of the value of the property.

Based on the criteria above, it is more than likely that the individual will remain UK domiciled and therefore they will remain liable to UK inheritance tax on their worldwide estate.

An alternative option

The ordinary residence scheme

EU/EEA nationals that become ordinary residents but not domiciled in Malta may elect to pay income tax at progressive rates with the maximum rate of 35%. Only local income arising and foreign sourced income that is remitted to Malta will be liable.

There is no tax on foreign capital gains, remitted or not and therefore if an individual could live off their capital and disposal proceeds only, they would not pay any tax in Malta.

To achieve this residency an individual must prove that they have suitable financial means to be considered 'financially independent' and that they are able to support any family member that wish to reside in Malta with them. The threshold is currently a minimum of €23,300 capital or €124.93 weekly income for married couples.

This type of permit may prove to be more favourable for some individuals as there is;

- A minimum of only €5,000 of tax payable under this basis if the individual/couple earns more than €35,000 outside Malta. There is no minimum charge if the income is less than this. (This minimum charge was introduced very recently.)
- No application costs.
- No minimum value on the property to be acquired or rented.

Ordinary residence permit holders are required to physically reside in Malta for at least 183 days.

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