

Malta – Retirement Program

Malta Retirement Program Rules allows individuals who intend to retire in Malta, by acquiring or leasing property in Malta and who will be receiving in Malta foreign source income. Such income would be subject to a reduced tax rate of 15%, with a minimum annual tax payment of €7,500.¹

A retired EEA¹ or Swiss national seeking to take up residence in Malta may benefit under a special domestic tax status in terms of the Malta Retirement Program. A qualifying beneficiary would, as a result of such special tax status, be subject to tax in Malta as follows:

- (i) chargeable income arising outside Malta and which is received in Malta would be taxable in Malta at the flat rate of **15%**;
- (ii) chargeable income arising in Malta and capital gains realised in Malta would be taxable in Malta at the higher flat rate of 35%.

A beneficiary would not suffer ANY tax in Malta on:

- (i) income arising outside Malta which is not received in Malta; OR**
- (ii) capital gains realised outside Malta, even if such gains are received in Malta, in whole or in part.**

NB: Malta tax chargeable upon a disposal of immovable property situated in Malta may alternatively be levied at the flat rate of 12% on the market value of the immovable property or the consideration received by the transferor, whichever is the higher.

A beneficiary would be entitled to benefit under Malta's double tax treaties.³ As a result, a beneficiary would, from a Malta tax perspective, be entitled to benefit from exemptions and reduced withholding rates prescribed under Malta's double tax treaties. In addition, a beneficiary would be entitled to claim relief (under a treaty or under domestic tax legislation) for tax suffered outside Malta on any chargeable income received in Malta. Such double taxation relief would generally be available in the form of an ordinary credit against the beneficiary's Malta income tax liability.

Still, after taking any double tax relief claimed into account, a beneficiary would be required to make an annual minimum Malta income tax payment of at least €7,500 plus an additional €500 per dependant and/or special carer⁴.

Annual tax
of €7,500 for
retirees.
– Retirement
Scheme

¹ Including EU.

² 'Dependants' are defined as comprising: (i) the beneficiary's spouse or a person with whom the beneficiary is in a stable and durable relationship; and (ii) the beneficiary's unmarried minor children (including adopted minor children of the beneficiary or his/her spouse) who are in the custody of the beneficiary or her/his spouse and who are financially dependent on the beneficiary; and (iii) children who are not minors but, because of circumstances of illness or disability of a serious gravity are unable to maintain themselves.

³ Malta has a large and expanding double tax treaty network currently comprising some 60 treaties in force – including treaties with all EU Member States.

⁴ An individual who has been providing substantial and regular curative or rehabilitative health care services to the beneficiary or a dependent in a systematic manner for at least 3 years prior to submission of an application for special tax status.

A prospective beneficiary may seek to procure confirmation by the Malta tax authorities of her/his special tax status provided that s/he would satisfy the following key conditions (on an initial and ongoing basis):

- (i) S/he derives overseas pension income (supported by documentary evidence) which is received in Malta in full and which represents at least 75% of her/his chargeable income in Malta.

As such, any other income accruing to a beneficiary and which s/he receives or which arises in Malta cannot exceed 25% of the beneficiary's total income chargeable to tax in Malta.

- (ii) S/he owns immovable residential property in Malta acquired against consideration of at least €275,000 (or against lesser consideration of €250,000 if the property is in Gozo) or, alternatively, s/he leases such property in Malta against aggregate annual rental payments of at least €9,600 (or against aggregate annual rental payments of at least €8,750 if the property is in Gozo).
- (iii) The above mentioned immovable residential property in Malta must be occupied as the beneficiary's principal place of residence worldwide and no person/s, other than the beneficiary, dependants and special carers, may reside in the said property.
- (iv) S/he must reside in Malta for at least 90 days a year (averaged over any five year period) and not stay in any other country for more than 183 days in each and any calendar year.
- (v) S/he must be in possession of health insurance covering her/himself and any dependants in respect of all risks across the EU.
- (vi) S/he must not be domiciled in Malta and must not intend to establish her/his domicile in Malta within five years from the date of the application for special tax status.
- (vii) S/he must not benefit from any other special tax arrangements in Malta.
- (viii) S/he must have applied for or procured a registration certificate (see below).
- (ix) S/he must be a fit and proper person.⁵

An application seeking confirmation of special tax status must be submitted to the local tax authorities by an Authorised Mandatory registered as such with the local tax authorities and engaged for the purposes. The application must be submitted together with all required accompanying documentation⁶ and a non-refundable fee of €2,500.

A properly completed application submitted with all required supporting documentation should be processed by the local tax authorities within four to six weeks.

⁵ It is understood that an international due diligence exercise is carried out by or on behalf of the local tax authorities in this respect.

⁶ Public documents executed in the territory of a country other than Malta and submitted together with an application must be apostilled in terms of the Hague Convention of 5th October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents.



Additional Malta Tax Considerations

Malta does not levy any wealth taxes or estate or such other duties.

However, duty is chargeable in Malta upon any inter vivos or causa mortis transfer of immovable property or marketable securities when the document effecting the transfer is executed or used (eg. produced before a court as evidence) in Malta. Duty payable upon a transfer of immovable property is generally chargeable at the rate of 5% whilst duty is typically chargeable at the rate of 2% upon a transfer of marketable securities.

Certificate of Tax Residency

A beneficiary may also seek issuance of a Certificate of Tax Residency by submission of the prescribed form to the local tax authorities. Such a certificate would be issued by the local tax authorities (typically subsequent to the lapse of 183 days of the beneficiary's presence in Malta) by way of confirmation of the relevant individual's Malta residency status for tax purposes.

Registration Certificate

The beneficiary (and each dependant and special carer as the case may be) would be required to apply for a registration certificate – representing confirmation of her/his entitlement to reside in Malta.

Registration certificates would be procured subsequent to the submission of the prescribed form/s to the Department for Citizenship and Expatriate Affairs together with all required accompanying documentation.

Alternative forms and/or formalities may apply in respect of Swiss nationals taking up residence in Malta.

Special Carer

A special carer would be chargeable to tax in Malta at applicable progressive rates (up to a maximum rate of 35%). In addition, depending on the nationality of a special carer, a work and residence permit may be required.

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