

Malta as an attractive jurisdiction for relocation

Malta offers a number of interesting options for those wishing to relocate their business or personal affairs to a safe, warm and friendly country. Consecutive Maltese governments have strived to add to Malta's natural and innate attractiveness by creating programmes and incentives designed for high net worth individuals and businesses.

Such programmes and initiatives combined with Malta's attractive fiscal environment, political stability and a business friendly attitude make it an ideal place to locate one's residence and business.

Individual Relocation to Malta

Persons wishing to relocate to Malta have a number of different options available. Whilst it is only one option (the Malta Individual Investor Programme) which grants a person Maltese citizenship and consequently a Maltese passport, the other options will also allow a person to live (and in certain cases also work) in Malta.

Ordinary Residence

Nationals of any EU Member State may become ordinarily resident, work or conduct business activities in Malta, thanks to the principle of free movement of persons within the EU. The Maltese Ordinary Residence Scheme builds on this principle, by allowing individuals from other EU countries to transfer their physical and tax residence to Malta with considerable tax incentives being acquired. The scheme allows persons to also apply for a work permit and work in Malta. In order to become eligible, one is required to purchase or lease property as one's residence in Malta, and to be covered by a health insurance policy. Ordinary residents of Malta who qualify for the scheme are taxed on a remittance basis, which means that they are chargeable to tax only on local source income and foreign source income which is remitted to Malta. Ordinary residents are not subject to tax on foreign source income not remitted to Malta and are also not charged tax on foreign source capital gains, whether or not these are remitted to Malta.

Malta Individual Investor Programme

The Malta Individual Investor Programme is aimed at persons who wish to become citizens of Malta by investment. The programme gives applicants and their family the opportunity to become citizens of Malta and to consequently enjoy the rights that other Maltese nationals enjoy as citizens of an EU Member State. Such rights include the right to work, travel, study and reside in Malta and the EU, as well as to have unrestricted, visa-free travel to over 130 countries around the world.

Malta Global Residence Programme

Targeted towards non-EU nationals looking to relocate for business or pleasure, the MGRP allows individuals and their families to move their residence to a warm and friendly EU country, enjoying the fiscal benefits relating thereto. The benefits of this programme include the right to travel within Schengen, a flat rate 15% tax regime on income remitted to Malta, and no Malta tax on income not remitted to Malta.



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Malta's Retirement Programme

Foreign HNWIs who are EU nationals can enjoy retirement in a Mediterranean climate and friendly environment, whilst enjoying fiscal benefits targeted towards their pension and private income. A 15% flat tax rate on remitted income (and no tax on unremitted income) has bolstered Malta's reputation as a location for retiring expats.

Malta's Residence Programme

Targeted towards EU nationals looking to relocate for business or pleasure, the RP allows individuals and their families to move their residence to a warm and friendly EU country, enjoying fiscal benefits attached thereto, particularly a flat rate 15% tax regime on income remitted to Malta, and no Malta taxation on income not remitted to Malta.

Corporate Relocation

Malta is also attractive as a jurisdiction in which to domicile one's business and corporate entities. Malta boasts a great pool of multi-lingual professionals who are well versed in today's business world. With an attractive fiscal regime and a very stable political environment, Malta is an ideal place to set up or relocate one's business.

Tax Refund System

Thanks to the refund system, Malta has one of the lowest effective tax rates in the EU. Malta operates the full imputation system of taxation which avoids economic double taxation of corporate profits by imputing (crediting) onto shareholders the underlying corporate tax attaching to dividends. This system allows shareholders to claim a refund of the tax which was paid by the company on the profits out of which dividends were paid to them. In many cases, following a distribution of dividends, shareholders are entitled to claim a refund of up to 30% of the 35% income tax which the company would have paid, thus resulting in an effective tax rate which is as low as 5%. This refund system was approved by the European Commission in 2006.

Malta Holding Companies

Maltese holding companies can be used as investment gateways into the EU. Such companies also have the added flexibility of being able to be used for trading activities at the same time as holding activities.

The Maltese tax regime makes Malta an ideal location for the use of companies to hold shares in one or more entities, whether these are located within or outside the EU. One of the main benefits is that dividends or gains derived from a 'participating holding' are wholly exempt from tax in Malta, if certain conditions are satisfied.





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Such companies may alternatively opt to be taxed at a flat rate of 35% less any available taxation relief. Upon a subsequent distribution of dividends, the shareholders of the Malta company would be entitled to a 100% refund of all Malta tax originally paid. Relief from foreign tax suffered may be claimed either as a credit for actual tax suffered outside Malta pursuant to a double taxation treaty or in terms of Malta's unilateral relief, or alternatively in the form of a 25% notional flat rate foreign tax credit.

In the case of holdings which do not qualify as a participating holding, any dividend or gain upon a disposal would be taxable at the level of the Maltese holding company at the rate of 35%. However, thanks to the refund system the effective tax rate of the company and its shareholder can be as low as 5%.

General

Malta does not levy withholding taxes on outbound dividend, interest and royalty payments. Similarly no capital duties or net worth taxes are imposed and there are no CFC rules or thin capitalization restrictions.

Group Finance Companies

The above benefits of Malta's tax treatment as well the Maltese regulatory framework and the extensive treaty network have made Malta a very attractive jurisdiction for the setting up of group finance/treasury companies. Furthermore, one should note that the financing activities of such companies would generally be classified as exempt without credit for VAT purposes. As a result, whilst no VAT would be charged by the Maltese company on such activities, it would be entitled to recover any VAT incurred on supplies, acquisitions and importations attributable to these activities.

For more information about doing business in Malta and how TMF can help, please contact us:

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