

New Malta residency schemes for High Net Worth Individuals

Worth making a noise about



Introduction

High Net Worth Individuals (HNWIs) who do not have a Malta domicile may take up residence in Malta and benefit from advantageous tax treatment under recently introduced and updated residency schemes which replace the former 'permanent residents' scheme. Two variations of the scheme exist, one for European Economic Area ('EEA')/Swiss nationals, and one for third country nationals.

Malta Tax treatment

A minimum amount of Malta income tax is payable in terms of the Schemes as follows:

- (i) In the case of EEA (with the exception of Malta)/Swiss nationals: €20,000 per annum, with a further €2,500 for every dependent
- (ii) In the case of third country nationals:

€25,000 per annum, with a further €5,000 for every dependent

A HNWI in possession of the relevant special tax status certificate would be subject to Malta income tax on foreign source income remitted to Malta at a flat rate of 15%. Relief for double taxation in terms of double tax treaty relief and unilateral relief is available. However, in view of the non-Malta domicile status of the HNWI, foreign source income is taxable in Malta only to the extent that such income is remitted to Malta (i.e.: 'remittance basis' of taxation). Furthermore, any realised capital gains arising outside of Malta would not give rise to a Malta income tax liability irrespective of whether remitted to Malta or not. *For further details on the tax treatment in Malta of a person who is resident but not domiciled in Malta, kindly refer to our Fact Sheet entitled "Non Domiciled Persons: Scope of Taxation in Malta".*

Any other income that is not charged at the 15% income tax rate above, including realised capital gains arising in Malta on the transfer of a capital asset (other than immovable property situated in Malta) would be chargeable to Malta income tax at the rate of 35%. Special rules are applicable in Malta in regard to the taxation, in general, of immovable property situated in Malta.

Conditions

A HNWI who is eligible under either of the Schemes must prove to the satisfaction of the Malta tax authorities that he satisfies the following key conditions:

- (a) He holds a 'Qualifying Property Holding', defined as immovable residential property in Malta either (i) purchased (after 1st January 2011) for a consideration of not less than €400,000; or, (ii) rented for not less than € 20,000 per annum. In all cases, the applicant and his dependents must have their habitual residence in that property as their primary place of residence;
- (b) The applicant is in receipt of stable and regular financial resources sufficient to maintain himself and his dependents without recourse to the social assistance system in Malta;
- (c) The applicant is in possession of private health insurance cover for himself and his dependents in respect of all risks; and

- (d) The applicant is a fit and proper person.

In the case of nationals from Third Countries, additional conditions apply:

- (e) Where the applicant intends to become a long-term resident (or is already a long-term resident) and intends to reside in Malta for more than 9 months in any calendar year, he needs to be a party to a 'Qualifying Contract' with the Government of Malta and wherein a sum of €500,000 (plus an additional €150,000 per dependent) is contributed to the Government of Malta. In the event that the applicant does not intend to become a long-term resident and intends to reside in Malta for less than 9 months in any calendar year, there is no obligation to enter into a 'Qualifying Contract' with the Government of Malta.; and
- (f) The applicant must be fluent in English (or alternatively, Maltese).

Minimum residence period

There is no minimum residence period in Malta

The individual should ensure that he has not been resident in any other jurisdiction for more than 183 days.

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