

Reduced rate of tax applicable to “Qualifying Expatriates” employed in Malta

An attracting incentive



Expatriates satisfying the definition of a qualifying beneficiary and holding an employment under a qualifying contract of employment in an eligible office in Malta may opt to be subject to tax on such income at a flat rate of tax of 15% as from 1 January 2010, subject to a valid application having been filed with the competent authority. For the purposes of this scheme, the competent authority is the Malta Financial Services Authority in respect of companies licensed under the Financial Institutions Act, Cap. 376, or the Lotteries and Gaming Authority in respect of companies licensed under the Lotteries and Other Games Act, Cap. 438, (hereinafter referred to as “the Authority”).

Eligible office

The term eligible office refers to specific eligible employments or offices held with companies licensed and/or recognised by the Authority.

Qualifying contract of employment

A qualifying contract of employment consists of employment income falling under the definition of eligible office which is derived by a beneficiary and is of a minimum value of €75,000 per annum (excluding fringe benefits). Moreover, the Authority is to be satisfied that the employer or any related person to the employer has not benefitted from any business incentive laws or any arrangement in terms of the business incentive laws and is not paid by a person who is related to the employer and who has received a benefit or benefits under business incentive laws or arrangements.

The beneficiary

A beneficiary in terms of this scheme is an individual who is not domiciled in Malta, is protected as an employee in terms of Maltese law and who meets these conditions:

- (a) derives emoluments payable under a qualifying contract of employment, and received in respect of work or duties carried out in Malta or outside of Malta in connection with such work or duties;
- (b) has proved to the satisfaction of the Authority that he performs activities of an eligible office and that he is in possession of professional qualifications as required by the scheme;
- (c) has not applied for benefits under the Investment and Insurance Services Expatriate Scheme;
- (d) declares the emoluments received from the qualifying contract of employment and all income received from a person related to his employer, for income tax purposes in Malta; and
- (e) proves to the satisfaction of the Authority that the individual is in receipt of stable and regular resources sufficient to maintain himself and his family and is in possession of sickness insurance in respect of all risks covering himself and his family in Malta. Moreover, the individual is required to reside in suitable accommodation in Malta and is in possession of a valid travel document.

Malta tax treatment

Income derived from a qualifying contract of employment in terms of this scheme will be deemed to constitute the first part of the individual's total income and is subject to tax at a flat rate of 15%. The maximum taxable annual income amounts to €5,000,000. Any income exceeding €5,000,000 and received in respect of a qualifying contract of employment is not subject to tax in Malta.

Duration

In the case of EEA and Swiss nationals the scheme applies for a consecutive period of five years; whereas for third country nationals the scheme applies for a consecutive period of up to four years (hereinafter referred to as "the duration") after the expiry of which the employment income would be chargeable to tax at standard rates of tax applicable to the individual.

The duration in terms of these rules commences as from the year in which that person was first liable to tax in Malta. Any period of employment exercised in Malta prior to 1 January 2010 but after 1 January 2008 will be deducted from the duration. A person who exercised employment in Malta prior to 1 January 2008, is not eligible for the scheme.

There are also specific rules to be satisfied for third country nationals (excluding EEA and Swiss nationals).

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