

# Expatriates Living in Malta Tax Considerations



## Residency

- ▶ Employment / Self-employment
- ▶ Economic Self-sufficient Directive/2004/38/E



## Basis of taxation on income – Residence and Domicile

- ▶ Malta's income tax legislation refers to a person's residence and domicile.
- ▶ The Income Tax Act defines the term 'residence' with respect to an individual, as a person who resides in Malta except for temporary absences.
- ▶ Generally, a person is considered to be resident in Malta if he is physically present for at least 183 days in a calendar year.
- ▶ Domicile however is not defined by law for the purposes of taxation.
- ▶ However in practice, with respect to an individual, a domicile of origin is acquired upon birth and this may be changed with a domicile of choice if it is proven that the person intends to establish his permanent home in that other country. No person may have more than one domicile at the same time.

## Basis of taxation on income – Residence and Domicile

- ▶ A person who is resident and domiciled in Malta is subject to tax on their worldwide income.
- ▶ However, a person who is either resident or domiciled in Malta but not both, is subject to income tax in Malta where the income arises in Malta or where income arising abroad is remitted to Malta.
- ▶ A person who is neither resident nor domiciled in Malta is taxed in Malta only upon income arising in Malta.

## Remittance of Income and Capital

- ▶ Non-domiciled residents of Malta are taxable on a remittance basis only on foreign-source income (not foreign-source capital) remitted to Malta and only to the extent remitted.
- ▶ Income and capital gains arising in Malta are always subject to tax in Malta at the applicable personal income tax rates.
- ▶ Capital gains arising outside Malta fall outside the scope of Maltese tax whether remitted to Malta or otherwise.
- ▶ Capital remitted to Malta also fall outside the scope of Malta tax.



## Common Reporting Standard

- ▶ Accepted and will be executed in 2017 on data regarding 2016.
- ▶ What will be exchanged are data on:
  - Bank accounts
  - Interest and dividends received
  - The value of Capital- and pension insurance policies
  - Revenues of the sale of financial products
  - Personal data of the owner of the account, like: name, address and the tax number



## Malta Retirement Programme

- ▶ Designed to attract EU whose main income is derived from pensions, retirement schemes and annuities and intend to take up residence in Malta
- ▶ Holds a qualifying property – € 275,000 / € 220,000 in Gozo or south of Malta *or* Leased property – € 9,600 / € 8,750 per annum
- ▶ Receives a pension, which is entirely received in Malta and constitutes at least 75% of the total beneficiary's chargeable income;
- ▶ Is in possession of a valid travel document and of Health Insurance against all risks across the EU;
- ▶ Is not domiciled in Malta and has no intention to establish domicile within five years from the date of application;



## Malta Retirement Programme

- ▶ Any foreign income received in Malta will be subject to tax at a flat rate of 15%.
- ▶ Liable to pay a minimum tax of € 7,500 annually, with an additional € 500 for each dependent.
- ▶ The beneficiary must reside in Malta for at least 90 days averaged over any five year period, and must not stay in any other jurisdiction for more than 183 days in any calendar year.



## The Residence Programme

- ▶ Holds a qualifying property – € 275,000 / € 220,000 in Gozo or south of Malta *or* Leased property – € 9,600 / € 8,750 per annum
- ▶ Any foreign income received in Malta will be subject to tax at a flat rate of 15%.
- ▶ The individual must pay a minimum tax liability of €15,000 per annum;
- ▶ The individual must not stay in any other jurisdiction for more than 183 days in a calendar year;



## HIGHLY QUALIFIED PERSONS RULES

- ▶ Expatriates in receipt of income payable in terms of a “qualifying contract of employment” in respect of activities carried out in Malta, may opt to be subject to tax on such income at a flat rate of 15%.
- ▶ In order to qualify under the scheme the individual must be licensed by the Malta Financial Services Authority or the Lotteries and Gaming Authority or Transport Malta.



## Highlights of Malta Budget 2017

- ▶ Pension income from government and private pensions will be exempt from income tax up to €13,000
- ▶ A €1.75 wage increase, attributable also to pensioners, as part of the cost of living adjustment
- ▶ Investors on the Malta Stock Exchange will be able to reclaim the income tax on dividends paid in their personal tax return under the full imputation system.
- ▶ The Government will introduce a Savings Bond with a higher interest rate targeted at pensioners
- ▶ Employers who set up occupational pension schemes will be given a tax credit
- ▶ First time buyers scheme on reduction of stamp duty to be extended
- ▶ Excise duty on construction materials to be levied – will be used for environmental purposes
- ▶ Stamp duty on the purchase of property in Gozo reduced to 2% from 5%
- ▶ Allowance for carers who care for their elderly parents
- ▶ Employers who organise transport for employees will benefit from further tax deductions
- ▶ Free public transport for 18-year olds for one year
- ▶ Fast ferry link planned for Gozo and a call for the design, building and operation of a Gozo tunnel to be issued



## Computation of a 6/7ths refund

