

TAX update

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THE MALTA GLOBAL RESIDENCE SCHEME


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CONSULTING

A. INTRODUCTION

In June of 2013, the Maltese Government launched the Global Residence Scheme (hereinafter ‘the Scheme’) and has published the laws and guidelines accordingly. As such, it replaces the current scheme (the High Net Worth Individuals Scheme) and gives more certainty and also facilitates the application process while granting good incentives to non-EU/EEA/Swiss citizens wanting to invest in Malta.

The main scope of the Scheme is that it grants the applicant a special tax status by taxing him at 15% on any income arising outside Malta that is remitted to Malta, subject to certain minimum remittance (with a possibility to claim double tax relief). Any income arising in Malta will be taxed at 35%.

In brief, the Scheme allows investors to acquire the tax status by satisfying three simple criteria:

- purchasing or renting property in Malta or Gozo;
- contributing to taxation in the manner prescribed;
- satisfying further conditions as indicated below.

B. PURCHASING OR RENTING PROPERTY IN MALTA OR GOZO

The first criterion is that the applicant is required to acquire or rent immovable property in Malta or Gozo. The applicant must subsequently provide the contract of purchase or rental of property to the tax authorities.

The minimum value requirements for the property depend on the location and are as follows:

	Purchase (€)	Annual Rent (€)
Property in North of Malta	€275,000	€9,600
Property in South of Malta	€220,000	€8,750
Property in Gozo	€220,000	€8,750

In addition it is important that in either case (i.e. either owning or renting property) the applicant occupies such property as his primary residence, that is, such property is the dwelling house in which the applicant habitually resides in as his principal place of abode worldwide. Furthermore, the persons who reside in such property cannot be persons other than the beneficiary, his close family dependants or special carers whose service is required in the Maltese property.

C. TAXATION ISSUES

A successful applicant to the Scheme will be granted a Special Tax Status which will enable him to benefit from special tax rates as shown in the table below.

The applicant has to remit a minimum amount of taxation in Malta. The Scheme has set this threshold to €15,000 per annum. This shall be payable by not later than the 30th April of the year immediately preceding the relevant year of assessment. Tax payment shall be accompanied by a tax return made to the tax authorities also showing that the necessary criteria have been complied with. The tax return does not need to be submitted in the year in which the special tax status is granted.

The Special Tax Status shall entail the following features:

Description	Comment
Foreign source income remitted to Malta	If the income is remitted to Malta either by the applicant, his spouse or his children, the tax rate is at flat 15%.
Double Tax Relief	There is the possibility to claim relief for double taxation.
Foreign source income not remitted to Malta	Not subject to tax in Malta unless remitted to Malta. There is the minimum amount of payable annual tax.
Any other income (including income arising in Malta)	Flat rate tax of 35%.
Minimum remittance to Malta of foreign source income	No minimum is required to be remitted to Malta
Minimum annual Income Tax	The minimum tax payable on foreign sourced income is €15,000. This is payable in full in both the year when the Special Tax Status was granted and in the year when the individual ceases to possess the Special Tax Status.
Minimum annual Malta Income Tax per dependent	There is no additional tax for every dependent.
Long Term Residents in Malta (resided legally and continuously in Malta for 5 years following which they have successfully applied to the Authorities to be classified as Long Term Residents in Malta)	Maltese tax rates apply on all income from Malta or elsewhere, and whether received in Malta or not.

The Scheme also caters for the inheritance of the Special Tax Status. Following the death of the applicant, the Special Tax Status shall be granted to a dependant of that deceased applicant who has

1. Either inherited the property that was the primary residence of such applicant,
2. Or who rents a qualifying rented property immediately after the death of the said applicant,
3. And satisfies all the other requirements set out in Section D below.

Such status shall only be transferred once the said dependant provides proof to the tax authorities that all the requirements as set below are satisfied.

D. FURTHER CONDITIONS

Following the satisfaction of the above two criteria, one should then proceed to the following list of miscellaneous criteria as shown in the following table.

Requirement	Comment
Nationality	The applicant and his dependants as defined above must be a third country national, i.e. must not be an EU, EEA or Swiss national.
Other Maltese Schemes	The applicant cannot benefit under any of the below schemes: (a) Resident Scheme Regulations; (b) High Net Worth Individuals Schemes; (c) Malta Retirement Programme Rules; (d) Qualifying Employment in Innovation and Creativity Rules; (e) High Qualified Persons Rules.
Minimum residence in Malta	No such requirement from a Malta perspective. However in order not to shift tax residency outside Malta, the applicant is required to reside not more than 183 days in any other jurisdiction.
Income of applicant	The applicant must prove that he has a stable and regular source of income which is sufficient enough to maintain himself and his dependents without recourse to the social assistance system in Malta.
Travelling documents	The applicant must be in possession of a valid travel document.
Health Insurance	The applicant must be in possession of a valid sickness insurance which covers himself and his dependants across the whole EU.
Character of Person	The applicant must satisfy the 'fit and proper' criteria proving that he is of a good character and has a clean criminal record.
Languages	The applicant must be fluent in either the English or Maltese language.
Non-Maltese domicile	The applicant is not domiciled in Malta.

E. CESSATION OF STATUS

Any infringement or non-compliance with the above criteria shall lead to the cessation of his special tax status under the Scheme. In particular, an individual shall, cease to possess the Special Tax Status (with effect from the day that the applicant is granted such a status) in any of the following circumstances:

1. if the applicant becomes a Maltese, EEA or Swiss national;
2. if, such applicant does not hold a the Maltese property as defined above, including in the case where the said individual lets or sublets the property;
3. if, such applicant becomes a Long-Term Resident;
4. if the applicant is not in possession of sickness insurance in respect of all risks normally covered for Maltese nationals for himself and his dependants;
5. if the applicant's stay is not in the public interest, or
6. if the applicant's stays in any other jurisdiction for more than 183 days in a calendar year;
7. if the applicant is in breach of the Maltese Tax Laws.

Upon such cessation, the applicant shall notify the Tax Authorities within 4 weeks. Failure to do so may result in an administrative penalty of €5,000.

F. APPLICATION PROCESS

Applications for the special tax status under the Scheme may only be submitted to the Commissioner of Inland Revenue through an Authorised Registered Mandatory which also serves as an intermediary between the Revenue and the applicant.

All public documentation executed outside Malta must be accompanied by an Apostille Certificate.

A non-refundable application fee of €6,000 has to be paid together with the application. Where the property is situated in the south of Malta, the fee is of €5,500.

To ascertain the applicant's entitlement to the rights under the Scheme, the Maltese Tax Authorities may require any other information or documentation that may be necessary.

G. OUR SERVICES

Kinanis Consulting will be in a position to offer a one-stop-shop solution to the applicant and can assist by providing the following services:

- Preliminary Tax advise;
- Application of the Scheme; and
- Liaising with the Tax Authorities;
- Assistance in annual submission of income tax returns.

H. CONCLUSION

The Global Residence Scheme has one particular aim: attracting third country residents who are considered High Net Worth Individuals to invest in Malta by purchasing or renting property. The prospective applicants will also reap the benefits of living on a Mediterranean island rich with cultural heritage sporting an idyllic climate, an extremely safe environment and daily connecting flights to all the major cities of Europe. Coupled with this, one cannot side line the enticing fiscal benefits that come together with this package.

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The Firm

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