

# Malta wealth management and residency options

2020





Life in Malta brings together the best of both worlds: the efficiency of a European workplace and the relaxed atmosphere of a Mediterranean island, further strengthened by a tax efficient framework and a bustling economy.



# 1. Introduction to Malta

# The Mediterranean's best kept secret

Since joining the EU in 2004 and the Eurozone in 2008, Malta has successfully attracted people from across the region and beyond. The island also presents plenty of opportunities for those looking at expanding or relocating their business.

In addition to its attractive residence and citizenship programmes, the cosmopolitan environment, and fantastic weather all year round make Malta a popular tourist destination and a highly sought after country in which to reside.

Grant Thornton has extensive experience in the areas of citizenship and residence planning and in the handling of legal and tax matters relevant to the structuring and planning of personal wealth and personal interests and business worldwide having built a sterling reputation.



## The ideal platform to do business from

There are many reasons why investing in Malta makes good business sense. Several factors work to the country's advantage including:

- robust export growth and a deficit under control;
- unemployment rate amongst the lowest in the Eurozone;
- debt as a proportion of GDP below the Eurozone average;
- highly-capitalised and profitable domestic banks funded mainly from the domestic retail deposit market;
- state of the art telecommunication network, coupled with excellent air and sea connections;
- general trend for Maltese treasury bonds to be purchased locally, reducing the risk of speculative investors influencing price movements.

# How can we help?

Upon assessing your relocation inquiry, we will strive to guide you and present you with a number of options that best suit your background and circumstances. We will also assist you in organising your banking and wealth management structures to ensure that these are in line with Malta's source and remittance basis of taxation for non-domicile residents, whilst staying aligned with your main objectives.

Grant Thornton Malta's residency and immigration services are targeted to both individuals and businesses with interests in Malta. The organisation has created a package of legal services that provides the investor and their family members with full round support with their investments and residency requirements – be it the procurement of citizenship or one of the attractive residence programmes the Maltese Islands have to offer.

We have always taken an active role in the promotion and inception of the various Malta residence and visa programmes. Our forefront participation ensures that we are fully abreast with all that the application process entails, so that our clients receive a quality service, carried out by experienced professionals, at reasonable fees.

## Discover our global scale capabilities

At Grant Thornton, we are in the business of making a difference. When you choose Grant Thornton as your partner and service provider, you will discover what so many individuals and organisations have already discovered - the power of enthusiasm, certainty and peace of mind.

Building on more than 40 years of experience, Grant Thornton Malta combines the international reach, depth and expertise of the global brand with the personal attention, value for money, focus and relationship approach of the local team. It is how we keep you moving forward. Initiative you can rely on and knowledge you can trust. We know that by applying our professional, yet personal business philosophy we will retain the trust and loyalty of our clients, our staff and the wider community.

In an increasingly complex and rapidly changing world, it is time to take the lead with Grant Thornton and unleash your potential for growth.





## 2. Residency programmes

# Permanent residence

An EU national that has lived in Malta for a continuous period of five years would be eligible to apply for permanent residence.

For residence in Malta to be considered continuous, one must not have been absent from Malta for more than six months each year in any given year of the said five-year period, and furthermore must not have been absent from Malta for more than a total of ten months throughout this five-year period.

In the case of a non-EU and non-EEA individual, in conformity with Council Directive 2003/109/EC, he may also apply for permanent residence after having lived in Malta for five years, and on the providing evidence that:

1. in the last twelve months immediately prior to the application for long term resident status the individual has attended a course organised by the competent authority of at least one hundred hours having as its subject matter the social, economic, cultural and democratic history and environment of Malta, and providing evidence certifying that the individual has attended at least one hundred hours of the lessons of these courses with satisfactory attention achieving an examination pass mark of at least seventy five percent;
2. the individual has obtained a pass mark of at least seventy five percent after being assessed by the competent authorities to have achieved the equivalent of Malta Qualifications Framework Level 2 in either Maltese or English;
3. the individual provides evidence that the necessary fees charged in relation to the courses, examinations and certificates referred to above have been paid.



# Residency programmes at a glance

	Ordinary residence	MIP	Global Residence Programme	Malta Residence Programme
Source of income	Foreign sourced income remitted to Malta	Foreign sourced income remitted to Malta	Foreign sourced income remitted to Malta	Foreign sourced income remitted to Malta
Applicable to EU/EEA nationals	YES	YES		YES
Applicable to non-EU nationals	YES	YES	YES	
Property required (purchase/rental)		YES	YES	YES
Minimum stay		YES		
Minimum tax	€5,000		€15,000	€15,000
Application fee		YES	YES	YES
Applicable tax rate	Up to 35% * (progressive rates)	Up to 35% * (progressive rates)	15%	15%
Applicable tax rate on income arising in Malta			35%	35%
Investment		€150,000		
Contribution		€650,000		

\*Conditions apply.

NB: specific conditions apply for dependants.



	Residence and Visa Programme	Retirement Programme	Residency by entrepreneurship	Highly Qualified Persons Rules	Qualifying Employment in Innovation and Creativity
Source of income	Foreign sourced income remitted to Malta	Foreign sourced income remitted to Malta	Qualifying income generated in Malta	Qualifying income generated in Malta	Qualifying income generated in Malta
Applicable to EU/EEA nationals		YES	YES	YES	YES
Applicable to non-EU nationals	YES		YES	YES	YES
Property required (buy / rent)	YES	YES			
Minimum stay		YES			
Minimum tax		€7,500			
Application fee	YES	YES			
Applicable tax rate	Up to 35% * (progressive rates)	15%	Up to 35% * (progressive rates)	15%	15%
Applicable tax rate on income arising in Malta		35%			
Investment	€250,000				
Contribution	€250,000				

\*Conditions apply.

NB: specific conditions apply for dependants.

	Permanent residence	Aviation Rule	Oil and Gas Industry Rule	Exceptional Services Rule
Source of income	Foreign sourced income remitted to Malta	Qualifying income generated in Malta	Qualifying income generated in Malta	
Applicable to EU/EEA nationals	YES	YES		YES
Applicable to non-EU nationals	YES	YES	YES	YES
Property required (purchase/rental)		YES	YES	
Minimum stay				
Minimum tax		YES	YES	
Application fee				YES
Applicable tax rate	Up to 35% * (progressive rates)	15%	15%	
Investment				
Contribution				

\*Conditions apply.  
 NB: specific conditions apply for dependants.



# Ordinary residence

Residence in Malta is normally calculated on the basis of physical presence, save for temporary absences that may be deemed reasonable, spread over a single period or over a number of visits during the tax year.

Any foreign citizen wishing to take up residence in Malta may do so by notifying the local authorities of their intention to stay, within 3 months from their date of arrival.

In the case of ordinary residence, this is available to all EU and EEA nationals as well as nationals of Switzerland, Liechtenstein, Norway and Iceland. Applications are approved for non-EU nationals at the discretion of the authorities.

Applicants for ordinary residence status need to demonstrate financial independence without being subjected to complex means eligibility testing which currently requires a minimum annual income of €14,000 (if single) or €23,000 if married by the applicants.

Ordinary residence can also be obtained through being employed or self-employed, in which case, once such individuals are granted an employment licence in Malta, they may also become tax residents in Malta. Once that tax residency status is achieved, the foreign national will be taxed on chargeable income and capital gains arising in Malta, and foreign income (excluding capital gains) that are remitted to Malta, on condition that he or she is not deemed to be domiciled in Malta.

Ordinary residence may also be obtained for non-EU nationals in special circumstances and subject to a number of criteria being met.

# The Malta Individual Investor Programme (MIIP)

The Malta Individual Investor Programme (MIIP) provides investors with an attractive opportunity to contribute to the local Maltese economy whilst at the same time benefiting from Maltese citizenship. This is granted by a certificate of naturalisation, which can also be extended to include their families and dependants.

## Benefits

The MIIP is the first EU approved citizenship programme. Eligibility automatically entitles the beneficiary to a Maltese and EU passport, which is granted after twelve months from the date of initial residency.

## Eligibility

- the main applicant must be at least 18 years of age;
- all individuals and families applying for the MIIP must make a significant contribution to the National Development and Social Fund established by the Government. This consists of a financial contribution of €650,000 for the main applicant and an additional €25,000 per direct dependent, including spouse and minor children;
- in the case of dependant children that are 18 to 26 years of age, or dependent parents over 55 years, a €50,000 contribution is applicable;
- the applicant must also commit to retain a residence in Malta for a period of at least five years, either through the purchase of a property for a minimum value of €350,000 or through renting out a property for a minimum annual rent of €16,000;
- a third contribution in the form of an investment is also required. This must be an investment of €150,000 in a government approved financial institution, which must be maintained for a minimum period of 5 years;
- beneficiaries need not spend 365 days in Malta before citizenship is granted, since residence is defined under Maltese law as an intention to reside in Malta for any fiscal year, usually evidenced by a stay of a minimum of 183 days or by the purchase or rental of property together with regular stays in Malta;
- applicants must show they are in good standing and repute and will undergo a 'fit and proper' test. In addition, a person that has been denied a visa to a country with which Malta has visa-free travel arrangements shall not be entitled to apply under the programme. Neither is a person who is deemed a potential national security threat or carrying reputational risk, or is subject to criminal investigation;
- as part of the immigration due diligence procedure, detailed background verification checks are run to determine if candidates are of good repute and that all funds have been derived from legitimate sources;
- applicants are not required to know Maltese or English, although a good knowledge of either of the two languages is recommended;
- applicants must show that they do not suffer from any contagious diseases and must also be covered by an international health insurance policy, with a minimum cover of €50,000



# The Global Residence Programme

The Global Residence Programme Rules (the “Rules”), enacted by Legal Notice 267 of 2014, provides for a Malta Special Tax Status which can be availed of by Third Country Nationals. The Rules entitle successful applicants to a Special Tax Status provided they comply with a number of criteria listed hereunder.

## Tax treatment

- all foreign sourced income received by the beneficiary or a dependant in Malta shall be taxable at 15%, with the possibility of claiming double tax relief on such income subject to a minimum tax of €15,000 annually;
- any other chargeable income received by the beneficiary will be charged to tax at the rate of 35%;
- possibility to claim double tax relief while any income arising in Malta is subject to tax at 35%.

## Eligibility

In order to qualify for the benefits provided for in the Rules the applicant must:

- hold a qualifying property which must be occupied only by the applicant and dependents:

A qualifying property means:

a property situated either in Malta for a value of €275,000 or situated in Gozo or the South of Malta for a value of €220,000;

- be in receipt of stable and regular resources which are sufficient to maintain himself and dependants;
- not be a Maltese or a EEA or Swiss national;
- not benefit under any other Malta Special Tax Status;

- be in possession of sickness insurance in respect of all risks across the whole of the European Union normally covered for Maltese Nationals for himself and his dependents;
- be in possession of a valid travel document;
- be able to adequately communicate in either one of Malta's official languages;
- be a fit and proper person.

### **Ongoing obligations**

In order to maintain one's special tax status, a beneficiary is required to:

- retain qualifying property holding (as defined above);
- not become a Maltese, EEA or Swiss national;
- not become a long-term resident;
- retain the necessary insurance;
- not stay in any other jurisdiction for more than 183 days; and
- adhere to all special reporting obligations and notifications.

### **Application process**

Applications for special tax status under the Rules are to be made to the Government of Malta through any Maltese Authorised Registered Mandatory. Grant Thornton is authorised and regulated by the Government of Malta to handle and submit applications for residence permits under the various residence programmes available under Maltese Law.



# The Malta residence programme

The Malta Residence Programme Rules (the “Rules”), enacted by Legal Notice 270 of 2014, provides for a Malta Special Tax Status which can be availed of by all EU/EEA/Swiss nationals. The Rules entitle successful applicants to a Special Tax Status provided they comply with a number of criteria listed hereunder.

## Tax treatment

All foreign sourced income received by the beneficiary or a dependant in Malta shall be taxable at 15%, with the possibility of claiming double tax relief on such income subject to a minimum tax of €15,000 annually;

Any other chargeable income received by the beneficiary will be charged to tax at the rate of 35%.

Possibility to claim double tax relief while any income arising in Malta is subject to tax at 35%.

## Eligibility

In order to qualify for the benefits provided for in the Rules the applicant must:

- hold a qualifying property which must be occupied only by the applicant and dependents:

A qualifying property means:

a property situated either in Malta for a value of €275,000 or situated in Gozo or the South of Malta for a value of €220,000;

a rented qualifying property of at least €9,600 per annum for a property situated in Malta or €8,750 per annum for a property situated in Gozo or the South of Malta;



- not be a Maltese or a third country national;
- not benefit under any other Malta Special Tax Status;
- be in possession of sickness insurance in respect of all risks across the whole of the European Union normally covered for Maltese Nationals for himself and his dependents;
- be in possession of a valid travel document;
- be able to adequately communicate in either one of Malta's official languages;
- be a fit and proper person.

### **Ongoing obligations**

In order to maintain one's special tax status, a beneficiary is required to:

- retain qualifying property holding (as defined above);
- not become a Maltese or third country national;
- not become a permanent resident of Malta;
- retain the necessary insurance;
- not stay in any other jurisdiction for more than 183 days; and
- adhere to all special reporting obligations and notifications.

### **Application process**

Applications for special tax status under the Rules are to be made to the Government of Malta through any Maltese Authorised Registered Mandatory. Grant Thornton is authorised and regulated by the Government of Malta to handle and submit applications for residence permits under the various residence programmes available under Maltese Law.

### **Registration fee**

A non-refundable one-off registration fee of €6,000 must be paid by the applicant upon submitting the application. This fee is reduced to €5,500 if the qualifying property is situated in the South of Malta.





# The Malta Residence and Visa Programme

The Malta Residence and Visa Programme (MRVP) offers non-EU nationals the possibility to settle, reside and stay indefinitely in Malta provided certain conditions are satisfied. Residence obtained under this programme allows individuals to travel freely within the Schengen area, without the need of applying for a Visa.

The main applicant for MRVP must be at least 18 years of age. Eligible dependants include:

- the spouse or partner in a long and durable relationship;
- children under 18 years of age;
- children between the age of 18 and 26 years who are unmarried and economically dependent on the main applicant;
- parents or grand-parents of the main applicant or spouse;
- children of the main applicant or spouse over the age of 18 who have been certified as having a disability and who are living with and fully supported by the main applicant.

Applicants must demonstrate a clean criminal record, satisfy all due diligence checks deeming them fit and proper persons as well as other general requirements. In order to qualify, the applicant has to pay a fee of €30,000, made up of a non-refundable sum of €5,500 on application and the balance upon the issuance of a Letter of Notification of Approval in Principle. A declaration on oath must also be provided stating that from the date of application onwards he has an annual income of not less than €100,000 arising outside Malta or has in his possession a capital of not less than €500,000. The main applicant must present a title to a qualifying property, which can be done through the purchase of a property of not less than €320,000 if situated in Malta, or €270,000 if situated in Gozo or the south of Malta. Alternatively, one may lease a property subject to a rent of not less than €12,000 per annum if the property is situated in Malta or €10,000 if situated in Gozo or the south of Malta.

The applicant is also required to invest at least €250,000 which needs to be retained for a minimum of 5 years from the date of certificate. This is only due on approval of the application. The individual must be in possession of sickness insurance in respect of all risks across the whole of the EU normally covered for Maltese nationals for himself and his dependants. The Malta

Residence and Visa Programme is only available to nationals that are not citizens of the EU, EEA or Switzerland. Once obtained, the certificate issued by Identity Malta under these regulations shall be monitored annually by a registered agent for the initial five years, and every other five years following that.

## Requirements

- €30,000 financial contribution;
- €250,000 investment in government bonds, to be held for first 5 years;
- purchase or rent of a property;
- clean criminal record and good standing;
- sickness insurance cover.

## Benefits

- Visa-free travel within Schengen area;
- right to reside indefinitely in Malta;
- fast 3 month process;
- family members and dependants included in same application;
- no minimum stay requirements;
- only Malta source income and remitted income is taxable in Malta.

# The Malta retirement programme (MRP)

The Malta Retirement Programme Rules (the “Rules”), enacted by Legal Notice 317 of 2012, provides for a Malta Special Tax Status which can be availed of by all EU/EEA/Swiss individual pensioners. The Malta Retirement Programme rules entitle successful applicants to a Special Tax Status provided they comply with a number of criteria listed hereunder.

## Tax treatment

All foreign sourced income which is remitted to Malta shall be taxable at 15%, with the possibility of claiming double tax relief on such income subject to a minimum tax of €7,500 annually;

A beneficiary with dependents must pay an additional €500 per year for every dependent and every special carer;

Any other chargeable income received by the beneficiary will be charged to tax at the rate of 35%;

Possibility to claim double tax relief while any income arising in Malta is subject to tax at 35%.

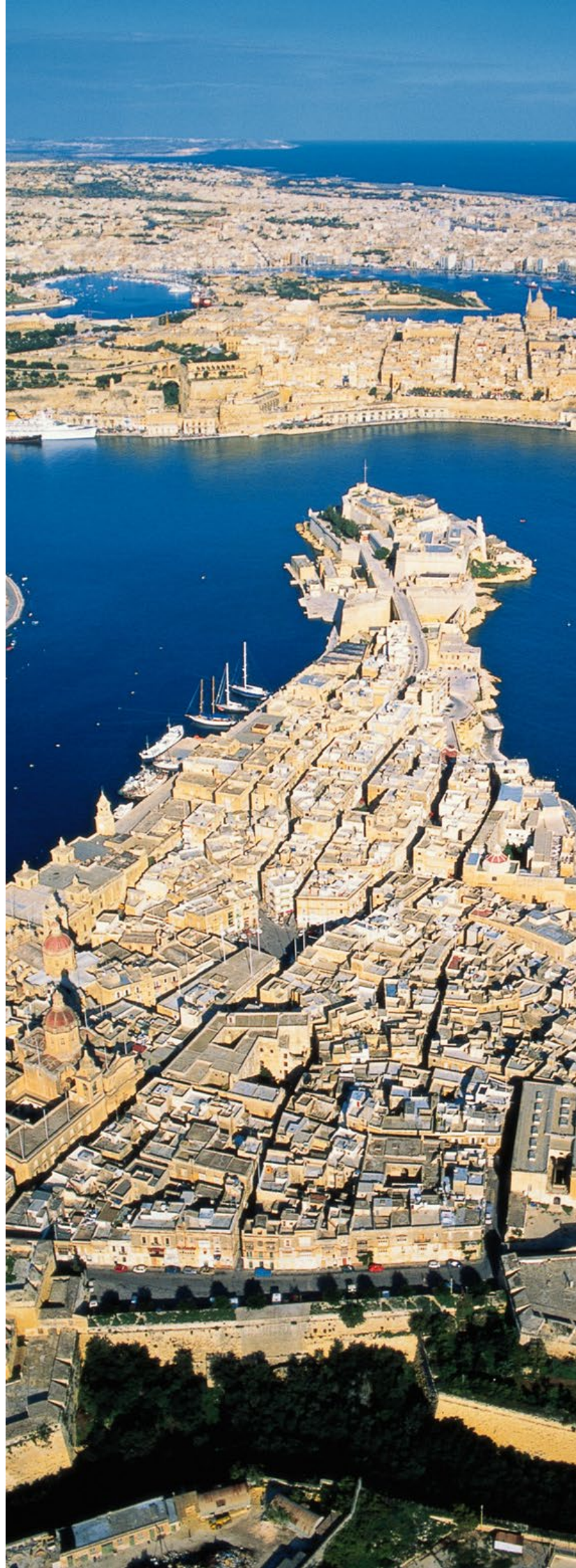
## Eligibility

In order to qualify for the benefits provided for in the Rules the applicant must:

- hold a qualifying property which must be occupied only by the applicant, dependents and/or carers:

A qualifying property means:

a property purchased after 1st January 2011 situated either in Malta for a value of €275,000 or situated in Gozo for a value of €250,000;



a property purchased after 1st January 2013 situated either in Malta for a value of €275,000 or situated in Gozo or the South of Malta for a value of €220,000;

a Special concession applies to property which was purchased before 1st January 2011, which considers the value of such property to be that as at the date of application;

a rented qualifying property of at least €9,600 per annum for a property situated in Malta or €8,750 per annum for a property situated in Gozo or the South of Malta.

- receive the whole amount of a pension in Malta, which pension constitutes at least 75% of the beneficiary's chargeable income;

- not be a Maltese or a third country national;

- not be domiciled in Malta nor intend to establish his domicile in Malta within 5 years from application date;

- not benefit under any other Malta Special Tax Status or be in employment;

- be in possession of sickness insurance in respect of all risks across the whole of the European Union normally covered for Maltese Nationals for himself and his dependents;

- be in possession of a valid travel document;

- be a fit and proper person.

### **Ongoing obligations**

In order to maintain one's special tax status, a beneficiary is required to:

- retain qualifying property holding (as defined above);

- not become a Maltese or third country national;

- not become domiciled in Malta;

- retain the necessary insurance;

- be physically present in Malta for more than 90 days a year averaged over a period of five years;

- not stay in any other jurisdiction for more than 183 days; and

- adhere to all special reporting obligations and notifications.

### **Application process**

Applications for special tax status under the Rules are to be made to the Government of Malta through any Maltese Authorised Registered Mandatory. Grant Thornton is authorised and regulated by the Government of Malta to handle and submit applications for residence permits under the various residence programmes available under Maltese Law.

## Employment in Malta

Individuals benefitting from this programme may only hold a non-executive post on the board of a company resident in Malta. This implies that the beneficiary would be prohibited from being employed by the company in any capacity.

Such individuals may also partake in activities related to any institution, trust or foundation of a public character and any other similar organisation or body of persons, which are also of a public character, that is engaged in philanthropic, educational or research and development work in Malta.

## Registration fee

A non-refundable one-off registration fee of €2,500 must be paid by the applicant upon submitting the application.



# Residency by entrepreneurship

Non EU/EEA nationals may also take up residence in Malta through employment, self-employment or by investing in a local business venture. An individual holding a residence permit and qualifying as resident in Malta for Maltese income tax purposes, is subject to the normal income tax rules and rates applicable for every Maltese resident. Therefore the applicant would need to submit a tax return on an annual basis. Personal income tax is charged at progressive rates from 0% up to a maximum of 35%.

## Employment

A third country national may also take up ordinary residence through active employment in Malta, in which case he would require a Single Permit Employment Licence which is issued in the name of the company that is employing the individual. The issuing of an employment licence takes between 6 to 13 weeks and needs to be renewed annually. Applying for a single permit may be daunting due to the number of bureaucratic practices one needs to go through but nevertheless it remains a viable option.

## Self-Employment

In order to qualify to apply for self-employed status and work for one's own business, a third country national must meet one or more of the following criteria:

- an investment of at least €500,000. The investment must consist of fixed assets and/or capital used for business purposes. Rental contracts are not eligible and the investment must take place within six months from the date on which the work permit is issued;
- status of a highly skilled innovator with a sound business plan, committed to recruiting at least three EU/EEA nationals within eighteen months of establishment of business;
- and/or he is a person leading a project that has been formally approved by Malta Enterprise and formally notified to the agency Jobsplus.

A firm commitment regarding the engagement of EU/EEA nationals as part of the applicant's staff will assist in the favourable consideration of an application.

## Shareholder/UBO of a Maltese Company

One may also take up Malta residency by investing and taking up share holding in a local enterprise. In such instance the individual must comply with the following rules:

- fully paid up share capital of at least €500,000 which may not be redeemed, reduced or transferred to a third party during the first two years following the issuing of the Employment Licence. The share capital must be through a cash/stock injection in Malta;
- a capital expenditure (fixed assets) of at least €500,000 that is to be used by the company and/or, he is a person leading a project that has been formally approved by Malta Enterprise and formally notified to the agency Jobsplus.

# The highly qualified persons rule

Malta is positioning itself as a leader in the services industry raises the need for quality and specialised talent to manage and run the generated investment. As such, one of the key incentives introduced by the local authorities is the High qualified persons rules, introduced in 2011, and recently updated in 2015. This programme allows its beneficiaries to enjoy a 15% flat personal tax rate on income generated from their direct employment in Malta in the financial services, gaming and aviation industries.

For a candidate to qualify, his annual income must exceed €75,000 which amount is adjusted annually in line with the Retail Price Index. This does not include the value of fringe benefits and applies to the derived income received in respect of work or duties carried out in Malta, or in respect of any period spent outside Malta in connection with such work or duties.

The flat 15% tax rate applies for a consecutive period of ten years for EU, EEA and Swiss nationals or four years in the case of third-country nationals. This period commences in the year in which the individual is first liable to tax in Malta. Any income derived after this timeframe has expired would be charged at the standard rates of tax applicable to the said beneficiary. Also, any income in excess of €5 million is exempt from tax in Malta.

Individuals must be in possession of relevant professional qualifications or adequate professional experience relevant to the profession or sector specified in the work contract and employment shall be with a company that is licensed and/or recognised by the Malta Financial Services Authority, the Gaming or the Transport authorities. The rules do not apply where the employer benefits from incentives granted in terms of the Malta Enterprise Act and the Business Promotion Act.

The reduced rate of tax claimed by third country nationals will be deemed not to apply, with retrospective effect, if such individual either physically stays in Malta, in the aggregate, for more than 1,460 days; or acquires directly or indirectly, real rights over immovable property situated in Malta, or holds a beneficial interest directly or indirectly consisting in, amongst others, real rights over immovable property situated in Malta. Prior to engagement, the employee is to submit an application to the Malta Financial Services Authority for a formal determination as to eligibility to benefit under these rules.

## Qualifying criteria

A beneficiary must meet the following criteria:

- not be domiciled in Malta;
- derive employment income subject to tax and received in respect of work or duties carried out in Malta (or in respect of any period spent outside Malta in connection with such work or duties);
- is protected as an employee under Maltese law;
- proves to the satisfaction of the competent authority that he/she is in possession of professional qualifications and can perform the activities of the eligible office being applied for;
- is in receipt of stable and regular resources which are sufficient to maintain him/herself and the members of his/her family (without recourse to the social assistance system in Malta);
- resides in accommodation regarded as normal for a comparable family in Malta and which meets the general health and safety standards in force in Malta;
- is in possession of a valid travel document;
- is in possession of sickness insurance (for him/herself and the members of his/her family).



### **Typical eligible roles that benefit from the 15% tax rate**

- foreign-domiciled chief executive officers;
- chief risk officers;
- chief financial officers;
- chief operations officers;
- chief technology officers;
- portfolio managers;
- chief investment officers;
- senior traders;
- senior analysts (including structuring professionals);
- actuarial professionals;
- chief underwriting officers;
- chief insurance technical officers;
- marketing heads and investor relations heads;
- aviation continuing airworthiness manager;
- aviation flight operations manager;
- aviation ground operations manager;
- aviation training manager.

# Qualifying employment in innovation and creativity

Malta offers for a favourable tax treatment for certain individuals in terms of the Qualifying Employment in Innovation and Creativity (Personal Tax) Rules through which individuals benefit from a flat rate of 15% tax on income derived from a qualifying contract of employment in a role directly related to the development of innovative and creative digital products.

The special tax rate applies to income up to a maximum €5 million and any income in excess of this which is derived from a qualifying contract is exempt from tax. A minimum taxable income of €45,000 is required, adjusted annually in line with the Retail Price Index.

The 15% rate of tax is a final tax and cannot be reduced by means of any relief, deduction, reduction, credit or set-off of any kind.

This scheme applies for a consecutive period of up to three years irrespective of the nationality of the individual, given that he is a non-resident of Malta. This measure is active until 31 December 2017.

Prior approval in writing is required by Malta Enterprise, which must be satisfied that the employer or a person related to the employer has not benefitted from any business incentive laws and/or any arrangement in terms of the business incentive laws.

The roles covers posts related to:

- industrial research and experimental development;
- product development and product or process innovation;
- senior management roles in so far that the person's responsibility;
- within the firm is directly related to creativity and innovation tasks.







## Qualifying criteria

A beneficiary must meet the following criteria:

- applicant must derive employment income in respect of work or duties carried out in Malta, or in respect of any period spent outside Malta in connection with such work or duties, or on leave during the carrying out of such work or duties;
- be in possession of the requisite qualifications and experience to be able to hold the eligible office be protected as an employee under Maltese law for the purpose of exercising genuine and effective work for or under the direction of someone else and has the requisite adequate and specific competence as approved by Malta Enterprise;
- declare for Maltese income tax purposes all his income received under the qualifying contract of employment and all income received from a person related to his employer;
- prove to the satisfaction of Malta Enterprise that he is in receipt of stable and regular resources which are sufficient to maintain himself and his family;
- have a sickness insurance policy in place which covers him and his family in respects of all risks while in Malta;
- reside in a suitable accommodation;
- not be domiciled in Malta;
- be in possession of a valid travel document.

## Typical eligible roles

- chief executive officer;
- chief technical officer;
- chief creative officer;
- head of writing;
- lead in-world writer;
- lead game programmer;
- software engineering director;
- game developer;
- director of online community;
- head of art design and visualization;
- art director;
- digital artist;
- commercial director (digital licensing);
- head of game design;
- game director;
- game designer;
- audio director;
- video director;
- producer;
- head of marketing.

# Qualifying employment in aviation rule

Malta provides qualified persons employed in the field of aviation with an opportunity to enjoy a 15% flat personal tax rate on income generated from their direct employment in Malta. For a candidate to qualify, their annual income must exceed €45,000. This does not include the value of fringe benefits and applies to the derived income received from an eligible office.

The flat 15% tax rate applies for a consecutive period of five years for EU, EEA and Swiss nationals or four years in the case of third-country nationals. This period commences in the year where the individual is first liable to tax in Malta. Any income in excess of €5 million is exempt from tax in Malta.

Individuals must be in possession of relevant professional qualifications or adequate professional experience relevant to aviation as specified in the work contract and employment shall be with a company that is licensed and/or recognised by the Transport authorities.

## Qualifying criteria

In addition to the minimum annual income requirement, a beneficiary must satisfy the following criteria which requires that they:

- are not domiciled in Malta;
- do not derive employment income subject to tax and received in respect of work carried out in Malta or any period spent outside Malta in connection with such work or duties;
- are protected as an employee under Maltese law;
- prove to the satisfaction of the competent authority that they are in possession of professional qualifications;
- are in receipt of stable and regular resources which are sufficient to maintain them and the members of their family (without recourse to the social assistance system in Malta);
- reside in accommodation regarded as normal for a comparable family in Malta and which meets the general health and safety standards in force in Malta;
- are in possession of a valid travel document;
- are in possession of sickness insurance (for themselves and members of their family).



# Qualifying employment in maritime and offshore oil & gas industry rule

Malta provides qualified persons employed in the field of aviation with an opportunity to enjoy a 15% flat personal tax rate on income generated from their direct employment in Malta. For a candidate to qualify, their annual income must exceed €65,000. This does not include the value of fringe benefits and applies to the derived income received from an eligible office.

The flat 15% tax rate applies for a consecutive period of five years for EU, EEA and Swiss nationals or four years in the case of third-country nationals. This period commences in the year where the individual is first liable to tax in Malta. Any income in excess of €5 million is exempt from tax in Malta.

Individuals must be in possession of relevant professional qualifications or adequate professional experience relevant to aviation as specified in the work contract and employment shall be with a company that is licensed and/or recognised by the Transport authorities.

## Qualifying criteria

In addition to the minimum annual income requirement, a beneficiary must satisfy the following criteria which requires that they:

- are not domiciled in Malta
- do not derive employment income subject to tax and received in respect of work carried out in Malta or any period spent outside Malta in connection with such work or duties;
- are protected as an employee under Maltese law;
- prove to the satisfaction of the competent authority that they are in possession of professional qualifications;
- are in receipt of stable and regular resources which are sufficient to maintain them and the members of their family (without recourse to the social assistance system in Malta);
- reside in accommodation regarded as normal for a comparable family in Malta and which meets the general health and safety standards in force in Malta;
- are in possession of a valid travel document;
- are in possession of sickness insurance (for themselves and members of their family).

# The exceptional services rule

Malta has enacted legislation which extends to individuals providing excellent or manifestly superior contributions in the fields of science, research, sports, arts and culture as well as people of exceptional interest to the Republic of Malta the right to become Maltese citizens.

Within this framework, an evaluation board will consider the persons' contributions and decide on whether the person is eligible for naturalization under this framework.

The Board will evaluate the applications within 180 days from the receipt of the documents and then relay their report to the Minister responsible for Citizenship, who must then evaluate and decide on whether the applicant will become a Maltese citizen within 60 days.

## Qualifying criteria

A beneficiary must satisfy the following criteria:

- be resident in Malta for at least 8 months prior to the application;
- have provided exceptional services to the Republic of Malta or to humanity;
- be recommended by two people who are qualified to act as sponsors.

## Administrative fee

A non-refundable application fee of €1,000 and a certificate fee of €50 are applicable for each application.





# 3. Corporate tax

# The company tax system in Malta

Investment funds are generally exempt from tax, while Malta's tax imputation system could enable the shareholder of a trading company to benefit from a 6/7th refund of the Maltese 35% corporate tax. Malta has double taxation treaties with over 60 countries (most recently with India, Mexico and Russia) including most of the major European trading nations, and is in the process of negotiating others. Income originating from overseas is not subject to double taxation, even if there is no double taxation agreement. Company set up is straight forward and can be completed in less than a week.

## Tax facts

The taxable profits of companies are subject to the standard 35% corporate tax. However, upon certain conditions being met, the shareholder of a Maltese company could be entitled to certain tax credits and refunds of all or part of the tax paid by the company on its profits which can reduce the overall tax burden to between 0% and 10%. Economic double taxation is relieved through the full imputation system. Malta also applies the participation exemption in respect of dividend income or capital gains received from a qualifying subsidiary, and any overseas tax suffered by a Malta company would generally be eligible for relief against the Malta tax liability arising on the corresponding source of income. Through the application of this refund mechanism, the combined overall effective tax rate in Malta is reduced.

This presents advantageous tax planning opportunities for:

- dividends received from a participating holding
- capital gains made from the disposal of a participating holding
- dividends from non-participating holdings
- trading income
- passive income (interest, royalties etc).

## Other benefits that Malta offers

- free trade within the EU;
- including EU VAT registration;
- a reliable jurisdiction;
- no withholding taxes, stamp duties, or exchange control restrictions apply on distribution of the profits or dividends to the shareholders;
- no thin-cap rules or debt to equity ratios;
- no transfer pricing rules;
- no capital duties or wealth taxes;
- access to treaties & EU directives;
- extensive tax treaty network;
- 48-hour company registration.

# Corporate tax options at a glance

## **0% on dividends received from a Participating Holding where:**

- foreign entity is registered or tax resident in an EU jurisdiction; OR
- income of foreign company does not consist of more than 50% of passive interest and royalties; OR
- profits of foreign entity are subject to tax at the rate of at least 15%; OR
- holding in foreign entity is not a portfolio investment and passive interest and royalties of the said foreign entity have suffered tax of at least 5%.

A company may choose either participation exemption or declare gain in tax return and shareholder/s then claiming 100% refund of tax credit upon receipt of dividends.

## **0% on capital gains made from the disposal of a Participating Holding. No conditions.**

### **Nil to 6.25% where double tax relief is claimed.**

The 2/3 refund applies only in scenarios where a Malta company claims double tax relief in respect of its income from investments outside Malta. Double tax relief is not limited to tax treaty relief but also refers to unilateral relief provided by Malta as well as Flat Rate Foreign Tax Credit.

## **5% - 6.25% on dividends from non-participating holdings**

### **5% on active income**

6/7 refund available in all other cases except where MaltaCo receives 'passive interest or royalties' or claims double tax relief in respect of its income from investments outside Malta

### **Flat rate foreign tax credit**

credit of tax of 25% which is deemed to have been paid outside Malta calculated on the net foreign income received and allocated to the Foreign Income Account, restricted to 85% of the Maltese tax payable on the relevant foreign source income.

### **10% on passive income (interest, royalties etc)**

5/7 refund - available when MaltaCo receives 'passive interest or royalties' which are not derived from trade or business and have suffered tax at a rate less than 5%.

### **Notional Interest Deduction (NID)**

A Maltese resident company may opt to deduct from its chargeable income interest on risk capital at a rate established by reference to the current yield to maturity on Malta Government Stocks with a remaining term of approximately 20 years plus a premium of 5%. Such NID is capped at a maximum of 90% of the chargeable income with any unused excess being available to carry forward and deductible in subsequent years. When a company opts for the NID, its net effective tax rate after claiming a tax refund, will be lower than 5%.

# 6/7ths refund for active income

Malta operates the full imputation system of company taxation whereby corporate profits are taxed in the hands of the company at the flat rate of 35%. However, when dividends are distributed to the shareholders out of taxed profits, the dividend carries an imputation credit of the tax paid by the company on the profits so distributed. Shareholders receiving dividends from active income are entitled to claim refunds of 6/7th of the Malta tax paid by the company. Taking into account such refunds, this results in an effective rate of Malta tax of 5%.

## Taking as an example a company which makes taxable profits of 1,000:

Taxable profits of company	€1,000
Corporate tax thereon at 35%	€350
Profits after tax	€650

The company distributes all the post tax profits to its shareholder who is an individual resident in Malta. The company is obliged in terms of the provisions of the Income Tax Act to issue a dividend warrant which must contain the following information:

- dividends received from a participating holding
- capital gains made from the disposal of a participating holding
- dividends from non-participating holdings
- trading income
- passive income (interest, royalties etc).

## Dividend Warrant

Deemed gross dividend	€1,000
Tax at source (imputation credit)	€350
Net dividend	€650

The shareholder can then file a claim for refund to the authorities.

## Continuing from the previous example:

No foreign Tax	
Dividends	€1,000
Malta Tax at 35%	€350
Refund 6/7th on €350	€300
Effective final tax	€50





# Exemption or 100% refund for participating holdings

Malta is one of the leading jurisdictions for the setting up of holding companies, especially following the introduction of full tax sparing. Under the Maltese tax system, the income and capital gains derived by a Maltese registered company from a Participating Holding, qualifies for a full refund of the Maltese tax paid by the company when distributions are made to company shareholders. Through the notion of participation exemption, such dividend income may also be exempted from Maltese tax provided certain conditions are satisfied, including rigorous anti-abuse provisions.

In those instances where the participating holding qualifies as a 'participation exemption', the Maltese company has the option not to declare the income in its tax return resulting in no tax being payable in Malta. If the company, however, elects to include the income from its participating holding in its tax return, it will then still qualify for a full refund of the tax paid by the Maltese company.

For companies having income derived from non-participating holdings or from passive interest and royalties, the Maltese tax system still provides for refunds of the tax paid by the Maltese company when distributions are made to shareholders.

## Passive interest and royalties

When distributions are made out of profits earned from passive interest and royalties, the shareholders of a Maltese company may claim a refund of 5/7ths of the tax paid by the company when distributions are made to them.

In the case of a company which did not claim any form of double taxation, it may also apply for six-sevenths and five-sevenths refunds. When dividends are paid out of profits allocated to the foreign income account and in respect of which profits the company has claimed double tax relief, the shareholders may apply for a refund of two-thirds of the tax paid by the Maltese company.

## Tax consolidations

*From year of assessment 2020, a Parent Company and its 95% subsidiary which have same accounting periods commencing in calendar year 2019 and subsequent years may opt to prepare and file a consolidated tax return. Where a parent company makes an election for its 95% subsidiary, and the 95% subsidiary is itself a parent company of one or more other subsidiaries, the 95% subsidiary and its transparent subsidiaries shall join the fiscal unit of the parent company of the said 95% subsidiary. However, no company shall form part of more than one fiscal unit at any one time.*

*One of the main advantages of fiscal unity is that tax refunds and tax payments are netted off and only the tax due balance of 5% would be payable. Thus, if the underlying subsidiaries of the Parent company distribute a dividend out of their taxed profits in respect of which the holding company is entitled to claim a tax refund of the tax credit on the dividend, the amount payable by the subsidiaries is netted off against the tax refundable to the holding company.*

# Uplift in base cost

Where a company or other entity migrates its residency or domicile to Malta, the base cost of any assets owned by the said entity may be restated from historic cost to their market value as at the date of their migration. Any gains on a subsequent sale of these assets are calculated by deducting the revised value from the proceeds.

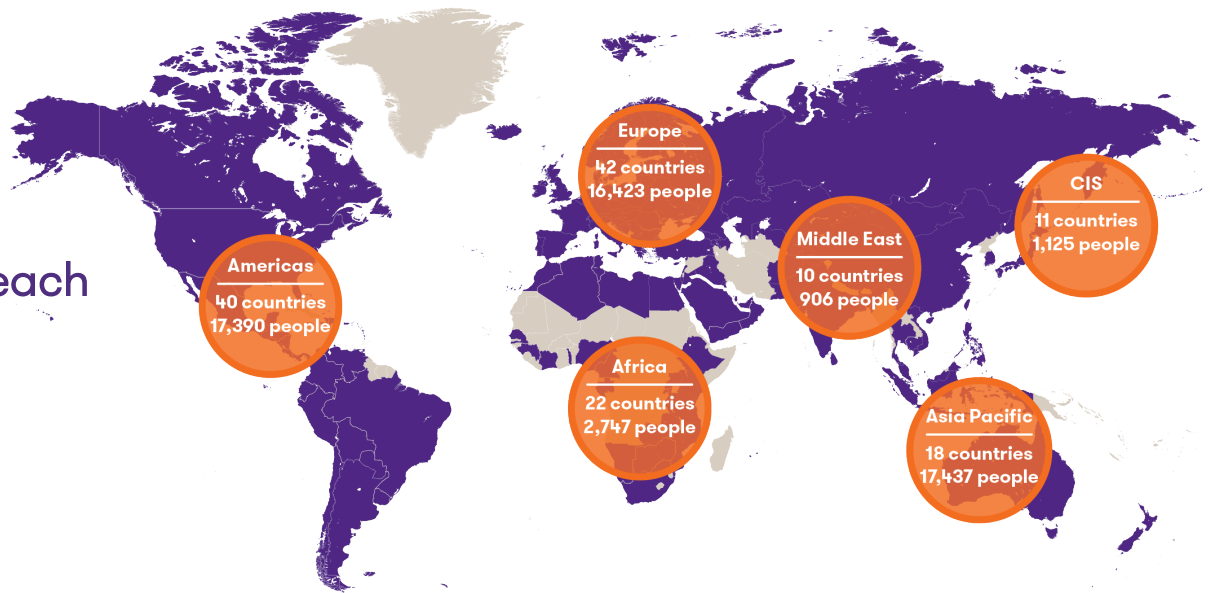
The uplift is also available where a foreign company is merged with a Malta company in terms of the EU cross border merger directive.





## 4. Our global reach

## A global reach



### We discover what is important to you and make it important to us

Our culture is built on a genuine interest in our clients – their challenges, growth ambitions and wider commercial context. You get the attention you deserve from approachable, senior professionals who ask the right questions, listen and provide real insight and a clear point of view.

#### The bottom line

- A relationship-led approach with more time and attention from partners and senior advisers
- A deeper understanding of your business for more meaningful advice and recommendations.

### Agile and responsive service

Our size and structure creates advantages for you. We adopt a flatter structure, with shorter decision making chains, empowered teams and no complex chain of command. We have all the necessary processes and controls in a streamlined, efficient and responsive environment.

#### The bottom line

- A faster response when you need quick answers and clarity
- Anticipating the answers you will need before you ask.

### Pragmatic solutions to help you improve and grow

Our teams bring ideas to the table, going beyond the technical issues to recommend ways to make your business better. We balance a desire to do what's best for you in the future with an experienced sense of what is going to help you now.

#### The bottom line

- Helping you think ahead and think more broadly
- Proactively identifying opportunities for improvement and growth

### Collaborative teams with a different mindset

Our people are open, accessible and easy to work with. We work through the issues alongside you and challenge your ideas where necessary, whilst keeping an independent perspective. Our collaborative style also enables us to assemble teams across service lines, industries and geographies to tailor our capabilities to your requirements.

#### The bottom line

- Teams and solutions built around your needs not our structures
- A better working relationship with you and your team



Our distinctive client experience sets us apart



USD5.72bn  
(2019 revenue)



56,028  
people



756  
offices



143  
countries



## 5. Related experts

## Related experts



Austin Demajo

Partner – Tax Services

E [austin.demajo@mt.gt.com](mailto:austin.demajo@mt.gt.com)

M: +356 9943 7892

D: +356 2093 1601

T: +356 2093 1000

Austin joined the firm in 1982 and was initially mainly involved on audits in Malta. He later underwent training at the Milan office of the then Deloitte Haskins and Sells for 15 months following which he resumed his duties in the Malta office. He was admitted partner at Grant Thornton Malta in 1993 and is currently Head of Tax Services. During the past 20 years Austin has taken up further studies and specialised in the local and international taxation and in the financial services sector. Apart from being in charge of the local tax and VAT services, Austin is also responsible for services given to foreign owned companies setting up businesses in Malta and has provided tax advice to international clients involved in cross border business ventures. Austin is a Fellow of The Chartered Association of Certified Accountants, a Fellow of the Malta Institute of Accountants and holds a Practising Certificate in Auditing. He is currently a member of the Tax Experts Group within Finance, as well as a member of the Direct Tax Committee of the Malta Institute of Accountants, and of the Council of the Institute of Financial Services Practitioners. Austin regularly attends tax conferences organized by Grant Thornton International, and is a customary speaker at local conferences related to VAT and tax matters, including those organised by the Malta Institute of Management and the Malta Institute of Accountants.



Wayne Pisani

Partner – Regulatory, Corporate & Financial Services

E [wayne.pisani@mt.gt.com](mailto:wayne.pisani@mt.gt.com)

M: +356 9942 3253

D: +356 2093 1602

T: +356 2093 1000

Wayne Pisani is the Grant Thornton partner responsible for the corporate and financial services team in Malta where he deals with a wide range of asset protection and cross-border regulatory and tax planning engagements for clients ranging from private clients, including family offices and high-net-worth individuals, to NASDAQ listed companies in various industry sectors. He conducts an active consulting practice on the legal and tax implications involved in the structuring of both local and international financial institutions, M&A and project finance transactions. Wayne is the President of the Malta Institute of Financial Services Practitioners and a council member of the Malta Institute of Management. He is also a member of the International Fiscal Association, the International Bar Association and the Maltese Chamber of Advocates. He was admitted to the Bar in 2001 following a Bachelor of Arts Degree in Law and International Relations, and a Doctorate in legal studies from the University of Malta in 2001 after researching and submitting a thesis on "Merger control: a comparative study of regulatory systems for potential implementation into the Maltese legal system." Wayne also read for a Masters in Financial Services at the University of Malta, graduating in 2003 after submission of a thesis entitled "The Impact of Information Technology on Financial Services". He is an active thought leader in the financial technology space, making regular contributions at fintech conferences, and has a passion for the security and technological aspects of distributed ledger technology. He is also a joint contributing author to "European Competition Laws: A Guide to the EC and its Member States, the leading legal compendium with respect to Competition law in Europe", published by Lexis Nexis and revised annually.



**Michael Agius**  
**Associate Director – Tax Services**  
E: michael.agius@mt.gt.com  
M: +356 9999 7891  
D: +356 2093 1610  
T: +356 2093 1000

Since 2003, Michael has been involved in Indirect and Direct tax matters, initially at the Inland Revenue Department's Tax Investigations unit, followed by his employment with Grant Thornton's tax advisory department in 2007.

Since joining Grant Thornton, Michael has been involved in providing tax assistance to a portfolio of local and international clients with special reference to the preparation of tax assessment, tax planning and consultancy services, Value Added Tax compliance, expatriate and personal tax services, tax litigation and investigations, and also buyers' and vendors' cross-border due diligence assignments.

Michael is an ACCA affiliate and has recently completed his studies with the Chartered Institute of Taxation where he obtained an Advanced Diploma in International Taxation. Michael is also a member of the Malta Institute of Accountants and the Malta Institute of Taxation.



**Russel Camilleri**  
**Senior Manager – Accounts and Tax**  
E: russell.camiller@mt.gt.com  
M: +356 7990 2975  
D: +356 2093 1615  
T: +356 2093 1000

Russel leads Grant Thornton's team of accounting professionals where he applies his expertise in accounting, VAT and taxation matters, whilst also assisting the firm's international clients. Prior to joining Grant Thornton he occupied similar roles with other accounting firms, as well as that of group accountant for a leading group of companies operating in the fashion industry.



**Stefan Micallef**  
**Senior Executive – Accounts and Tax**  
E: stefan.micallef@mt.gt.com  
M: +356 9921 2959  
D: +356 2093 1622  
T: +356 2093 1000

Stefan joined a big four firm immediately after commencing his ACCA studies. After four years and subsequent to becoming a member with the Malta Institute of Accountants, he joined Grant Thornton's Accounts and Tax department as a senior executive. His work with the firm includes assisting local and international based clients with accounting, VAT and taxation matters.



Deniz Kepenek

Lead Associate – Regulatory, Corporate and Financial Services

E: [deniz.kepenek@mt.gt.com](mailto:deniz.kepenek@mt.gt.com)

M: +356 7921 9737

D: +356 2093 1618

T: +356 2093 1000

Deniz obtained his LLB from the Istanbul Bilgi University Faculty of Law in 2017 and subsequently became a lawyer registered to the Istanbul Bar Association in 2018. During the first year of his professional career, Deniz worked with a Legal 500 company in Istanbul wherein he gained hands-on experience with corporate & financial services as well as regulatory law. Deniz started his Grant Thornton journey in 2019 and has the role of Lead Associate in the legal, tax and regulatory team.

He presently forms part of the legal team where we service a varied portfolio of Maltese and overseas clients. His primary role within Grant Thornton is that of assisting clients with Citizenship & Residency services as well as corporate matters.

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Grant Thornton  
Fort Business Centre, Level 2  
Triq l-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD1050,  
Malta

T +356 2093 1000  
E [grantthornton@gt.mt.com](mailto:grantthornton@gt.mt.com)



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[grantthornton.com.mt](http://grantthornton.com.mt)

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