

MALTESE RESIDENCY

SYNOPSIS

Malta offers an idyllic Mediterranean climate, extremely low levels of taxation, moderate property prices, reasonable living costs, excellent communications and a picturesque and friendly environment. For these reasons Malta continues to attract wealthy foreign nationals to take up residency under the relatively simple procedures available.

Malta is an independent republic, having gained independence from the United Kingdom in 1964. Situated in the centre of the Mediterranean Sea about 60 miles south of Italy and 180 miles north of North Africa, Malta is ideally situated with an international airport offering regular direct flights to most major European cities including Rome (1 hour), Paris (2.5 hours) and London (3 hours).

Government is exercised by a democratically elected parliament with elections being held every five years. Population is approximately 365,000. English and Maltese are the official languages but Italian is also widely spoken. English is the business language. Malta is a member of European Union and of the British Commonwealth.

The legal system is based on the Napoleonic code but public, constitutional, fiscal and commercial law are all based on British Common Law. The official currency is the Maltese Lira (Lm) and Lm1 equals approximately US \$2.70.

Malta has signed tax treaties with Australia, Austria, Belgium, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Italy, Korea (Rep. of), Lebanon, Libya, Luxembourg, The Netherlands, Norway, Pakistan, Poland, Romania, Slovakia, South Africa, Sweden, Switzerland, United Kingdom, U.S.A. (limited to profits derived from operation of ships or aircraft in international traffic).

REQUIREMENTS FOR OBTAINING PERMANENT RESIDENCY UNDER THE RESIDENTS SCHEME REGULATIONS, 2004

1. Proof of Income/Capital

Applicants must have an annual income of at least Lm 10,000 (c. US\$27,000) or capital of Lm150,000 (c. US\$405,000). Capital may comprise assets of any description anywhere in the world.

2. Annual remittances to Malta

The law requires a minimum sum to be remitted annually to Malta to cover what the authorities deem necessary for living in the country. This sum varies according to the size of the family unit but is Lm 6,000 per annum for a sole applicant and a further Lm 1,000 for every additional person forming part of the family unit.

3. Purchase or lease of property

A resident must either, (a) purchase a house valued at not less than Lm 50,000 or a flat valued at not less than Lm 30,000 OR (b) lease

a property for not less than Lm 1,800 per annum.

A new resident must travel to Malta to formally take up resident status within 12 months of the date of issue of the Residency Certificate. Consequently the decision to purchase or lease property may be delayed until the same time. Within 15 days of taking up residence, the Permit Holder is to notify the tax authorities on a specific form.

4. Professional activity clause

Employment or engagement in business in Malta is only allowed if authorised by the competent authorities by way of an exception.

5. Physical presence requirement

In contrast to other jurisdictions, there is no specific obligation to spend a minimum amount of time in Malta in order to maintain resident status in Malta. Considerations regarding the 'centre of ones vital interests' will however have to be kept in mind.

TAXATION AND OTHER FISCAL MATTERS

1. Taxation

Holders of Residency Certificates of Malta are taxed on a remittance basis. A flat rate of 15% is imposed on all income remitted to Malta, subject to an annual minimum income tax of Lm 1,800. Thus, if a person remits the bare minimum of Lm 6,000 referred to in paragraph 2 above, the income tax payable would normally be 15% of Lm 6,000. As this would

ordinarily result in a tax bill below the minimum mentioned here, the minimum tax of Lm 1,800 applies nonetheless.

Capital remitted to Malta including capital remitted for the purchase of immovable property is not subject to tax. Income earned outside of Malta and not remitted to Malta is not subject to tax. Malta does not levy estate/inheritance tax. Additionally, the advantageous range of tax treaties signed by Malta may serve to reduce withholding taxes on investments or pensions held or paid out of the new resident's previous country of residence. All foreign tax withheld by tax treaty partners outside of Malta will be given as credit against local taxes on the same income.

2. Customs duty and VAT exemptions

All used personal and household effects and furniture may be imported into Malta free from Customs Duty and/or VAT within six months of the resident's arrival in Malta.

3. Repatriation of capital and income

Malta retains a limited system of exchange control but new residents are largely exempt from these restrictions. Any unspent income or capital remitted to Malta and any income accumulated thereon during the resident's stay and proceeds from the sale of the resident's dwelling and other investment may be repatriated freely.

APPLICATION PROCEDURE

A completed application form must be submitted to the competent authorities, together with:-

a) A Police Good Conduct Certificate, obtained from the Police authorities nearest to the resident's current residence. If such certificates are not issued in the applicant's home country then three character references will be required instead – preferably from a banker, lawyer, medical practitioner, accountant or previous/current employer.

b) An Affidavit of no criminal conviction sworn before a notary.

c) A certificate from a Banker or a Firm of Accountants confirming that the applicant earns the annual income specified and/or has capital of Lm 150,000. The certificate must also state that the applicant is able to remit to Malta per annum a minimum of Lm 6,000 p.a. plus Lm1,000 p.a. per family member included.

Marriage and birth certificates of applicant and any spouse or children who are to be included within the application.

d) Three passport sized photographs of each person included within the application.

The permit is generally issued within to eight to ten weeks of application. It is issued

without limit in time subject to an annual confirmation that the conditions relating to its granting have been honoured.

OUR SERVICES

Prior to Release of Permit

- Meeting clients in Malta and organising familiarisation visits.
- Detailed explanation of Permanent Residency Scheme.
- Handling of all formalities relating to the application.
- Submission of application and liaising with Maltese authorities to ensure successful and timely issue of permit.

Upon Issue of Permit

- Attendance at Police immigration to stamp passport with permit.
- Attendance at Inland Revenue authorities for registration.
- Attendance at bank for opening of accounts.
- Introduction to Real Estate Agencies, if required.
- Negotiation and Drafting of Lease Agreement.
- Assistance with customs formalities on arrival of personal effects.
- Assistance with practical 'settling-in' issues such as health insurance, schooling for children, household staffing.

During the First Year and Annually Thereafter

- Ensuring that the criteria for retaining Permanent Residency status are complied with.
- Acting as tax representative.
- Preparation and submission of annual tax return and obtaining tax residency certificates from tax authorities.
- Submission of Annual Declaration to immigration authorities to be signed by resident and certified by a public accountant.
- Receipt of mail if required.
- Payment of local bills.
- Handling of Banking transactions if required.
- Handling of Salaries of employees/ staffing, payment of social service contributions and withholding taxes.

Procedure following approval of application

Upon notification by the authorities of the approval of the application, applicant has to pay the sum of LM 1800 within 30 days from the

date of such notification. This sum corresponds to the minimum tax due per annum and shall be available as a credit for the year in which the applicant takes up residence in Malta.

A Certificate of Residency is then issued within 30 days of payment and the Certificate holder has a maximum period of 12 months to come to Malta and take up formal residence. Notice of date of arrival has to be given to the authorities on a specific form within 15 days of taking up residence.

FEES

Fees for processing the residency application will depend on the complexity of the work involved but will be in the region of 5,000 Euros and include the first year services described above. For subsequent years we charge an annual retainer of 3,000 Euros for attending to the annual ongoing requirements listed within these pages.