

## INTRODUCTION

In terms of Legal Notice 167 of 2013 and Article 56(23) of the Income Tax Act, (Chapter 123 of the Laws of Malta) (ITA), a Global Residence Programme (GRP) has been introduced for individuals who are not nationals of the EU, EEA or Switzerland. The GRP grant applicants who fulfill specific conditions a special tax status.

The GRP replace the Residence Scheme for High Net Worth Individuals (HNWIs) applicable to non-EU/non-EEA/non-Swiss Nationals with effect from 1 July, 2013 and the scope of the GRP Rules are to set out more favourable conditions under the new programme.

## CONDITIONS FOR APPLICATION

An individual who is eligible to apply under the GRP must prove to the satisfaction of the Commissioner for Inland Revenue that such individual satisfies all of the conditions set out below:

- (a) The applicant holds a 'Qualifying Property Holding' which is defined as immovable property situated in the Maltese islands which was either (i) purchased in Malta for a consideration of not less than €275,000 or in Gozo or the South of Malta for a consideration of not less than €220,000; or, (ii) rented for not less than €9,600 per annum for a property situated in Malta or €8,750 for a property situated in Gozo or the South of Malta. In all cases, the said property must be occupied as the main place of residence;
- (b) The applicant does not benefit under the Residents Scheme Regulations, the High Net Worth Individuals –EU/EEA/Swiss Nationals Rules, the High Net Worth Individuals – Non-EU/EEA/Swiss Nationals Rules, the Malta Retirement Programme Rules, the Qualifying Employment in Innovation and Creativity Rules or the Highly Qualified Persons Rules;
- (c) The applicant must not be a "long-term resident" of Malta and consequently must not have long-term resident status under the Status of Long-term Residents (Third Country Nationals) Regulations, and must not have resided legally and continuously in Malta for five years;
- (d) The applicant is in receipt of stable and regular resources which are sufficient to maintain himself and his dependents without recourse to the social assistance system in Malta;
- (e) The applicant is in possession of a valid travel document;
- (f) The applicant is in possession of sickness insurance which covers himself/herself and his/her dependents in respect of all risks across the whole of the EU normally covered for Maltese nationals;
- (g) The applicant is a fit and proper person; and
- (h) The applicant is fluent in Maltese or English.

The above noted conditions must be satisfied on an ongoing basis.

The application by the individual may also cover the dependents and special carer, under certain conditions, of the said individual.

## TAX TREATMENT

An individual in possession of the relevant special tax status certificate issued in terms of the GRP would be subject to the following tax treatment in Malta:

- (a) Income from foreign sources would be chargeable to Malta income tax only if remitted to Malta ('remittance basis' of taxation) and at a flat rate of 15% with the possibility of claiming double taxation relief but subject to the minimum annual tax liability referred to below;
- (b) The income of a beneficiary, his spouse and children not chargeable at the rate of 15% is chargeable at the rate of 35%. Consequently, no separate tax computation is provided for;
- (c) Any other realised income that is not charged at the 15% income tax rate above and including realised capital gains arising in Malta on the transfer of a capital asset (other than immovable property situated in Malta) would be chargeable to Malta income tax at the rate of 35%;
- (d) Any realised capital gain arising in Malta on the transfer of immovable property situated in Malta would be subject to a final withholding tax of 12% of the transfer value (an exemption applies in special circumstances, including the disposal of immovable property occupied as an individual's "own residence" for a period of three years). An individual may opt for the 35% tax rate on the capital gain, if the property being transferred was acquired less than 12 years prior to the sale;
- (e) Any realised capital gain arising outside of Malta, even if remitted to Malta, would be exempt from Malta tax;
- (f) A minimum annual Malta income tax payment payable by the individual amounting to €15,000 inclusive of the number of dependents of the individual applies in terms of the GRP.

## PROCEDURE FOR APPLICATION

An application for special tax status in terms of the GRP may only be submitted to the Commissioner through the services of a person that qualifies as an Authorised Registered Mandatory (CS Advisory is an Authorised Registered Mandatory) and on the prescribed application form.

A non-refundable administrative fee of €6,000 is payable to the Commissioner on application. In the event that the qualifying owned property is situated in the South of Malta, the administrative fee is reduced to €5,500. A list of localities has been published for the purpose of identifying towns and villages defined in the rules as the "South of Malta" and is set out below:

Birzebbugia	Kirkop	Qrendi	Vittoriosa
Cospicua	Luqa	Safi	Xghajra
Fgura	Marsascala	Senglea	Zabbar
Ghaxaq	Mqabba	Sta. Lucija	Zejtun
Gudja	Paola	Tarxien	Zurrieq

## MINIMUM RESIDENCE PERIOD

There is no minimum residence period. However, an individual in possession of the relevant special tax status certificate may not reside in any other tax jurisdiction for more than 183 days in any calendar year.