



Malta your EU Hub and Base

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Malta is a jurisdiction of choice for companies seeking to explore beyond their traditional borders, diversify their business interests and looking for a hub from which to explore new markets. It is also the jurisdiction of choice for founders and entrepreneurs to base themselves and their families within Europe. The lifestyle, climate and competitive tax system are all key components of Malta's attractiveness.



Malta Tax System

Maltese tax Law finds its origins in the UK tax system and is based on the UK tax principles.

A person's liability to Maltese income tax is dependent upon two concepts, namely, domicile and residence.

Individuals that are both ordinarily resident and domiciled in Malta are subject to income tax on their worldwide income and certain capital gains. Persons resident but not domiciled in Malta are taxable on any income and certain capital gains arising in Malta and on income arising outside Malta that is received in Malta. Such persons are not taxable on any capital gains arising outside Malta, whether received in Malta or not. Individuals are subject to income tax at progressive rates of tax up to 35%, depending on their marital status for tax purposes (i.e. Single, Married or Parent), unless the respective individual is beneficiary of a special tax status or scheme, which would generally provide for a beneficial reduced rate of tax of 15% upon qualifying income.

Companies are subject to tax in Malta on their chargeable income at a flat rate of 35%. Maltese tax law provides for the **full imputation tax system** which completely eliminates the economic double taxation of company profits. Shareholders in receipt of dividends are entitled to a tax credit equal to the tax borne on the profits out of which the dividends are paid. Since the tax rate of 35% applicable to companies is also the highest tax rate in Malta, shareholders will not suffer any additional tax on the receipt of dividends.

Further, upon a distribution of profits by a company registered in Malta (i.e. a company resident in Malta or a non-resident company with a branch in Malta), its shareholders may claim partial tax refund. The most common tax refund is of 6/7ths, i.e. 30% (6/7ths of 35%) of the taxable profits. Where no double taxation relief has been claimed, the effective tax suffered in Malta on distributed profits will be 5%.

Malta's tax refunds system is applicable to both resident and non-resident shareholders in respect of the tax borne on profits derived from both domestic and international activities, with the exception of profits derived, directly or indirectly, from immovable property situated in Malta. The partial tax refund mechanism has been further reinforced in 2019 through the introduction of **fiscal unity**, which rules allow for group entities to form a tax group for Maltese income tax purposes, with the main benefit of fiscal unity arising from the cash flow advantage when compared to the current operation of the partial shareholder tax refunds. Through the fiscal unit the group may achieve an identical effective tax rate (i.e. 5% or lower) without the time lapse between the payment of the standard corporate income tax rate of 35%, and the receipt of the shareholder refund at the level of the shareholder, as the new rules will immediately reduce the tax due by the principal taxpayer to the lower effective tax rate.

In 2018, Malta also introduced the **Notional Interest Deduction (NID)** to address the disparity in income tax treatment between debt and equity, by granting a deduction for the return on equity financing. The NID can be claimed by companies and partnerships resident in Malta, including Maltese permanent establishments of foreign entities, against their chargeable income for the year. Whether claiming the NID may be beneficial depends on the debt / equity financing mix of the business.

Maltese tax law also includes the **participation exemption** providing for a 100% exemption with respect to profits (namely dividends) derived from a participating holding, as defined in the Income Tax Act, or from the transfer thereof (gains on transfer). The application of the participation exemption is subject to the satisfaction of a number of conditions, depending on the underlying transaction.

Malta has entered into **double tax treaties** with close to 80 countries, which treaties are still active.

Immigration Pathways

Several programmes are available under Maltese tax law which offer qualifying applicants and their dependants various residence/ immigration rights in Malta, and/ or special tax statuses.

The Shareholder/Investor Status

A Maltese Resident Company may apply for an employment licence for the company's Non-EU shareholder/s, provided that the company meets the one or more of the below listed criteria. Beneficiaries of an employment licence are granted residence rights.



Each Non-EU shareholder must have a fully paid up share capital of at least EUR 500,000



Have made a capital expenditure of at least EUR 500,000 that is to be used by the company, such as immovable property, plant and machinery



The company is leading a project that has been formally approved by the relevant authorities

The Global Residence Programme (GRP)

While allowing non-EU nationals to travel, reside and settle in Malta from an immigration perspective, the GRP is a special tax status which entitles the beneficiary and his dependants to a reduced rate of tax of 15%, upon taking up residence in Malta, on any income which is considered to arise outside of Malta for Maltese tax purposes and which is remitted to Malta (subject to a minimum annual tax of €15,000). Any income and capital gains considered to arise in Malta for Maltese tax purposes, would be subject to a flat rate of 35%. In order for one to benefit from such a status he is to take up tax residence in Malta and satisfy the respective criteria.

As to the timeline for application, generally the tax authorities take between 3-6 months from the date when the application for a special tax status and any supporting documentation is submitted to the CfR, in order to process the application and grant the status.

The Malta Permanent Residence Programme (MPRP)

The MPRP is a route to residence for beneficiaries and their qualifying dependents to permanently reside in Malta subject to satisfying the programme's various criteria. An overview of the highlights of the programme are as follows:

- economic stability by means of being in possession of a capital of a minimum of €500,000, of which at least €150,000 is in the form of financial assets OR being in possession of a capital of a minimum of €650,000, of which at least €75,000 is in the form of financial assets;
- a non-refundable administrative fee of €50,000 in respect of the main applicant and €5,000 in respect of each dependant included in the application;
- rental of a property for a minimum of €14,000 per annum; or purchase a property for a minimum value of €375,000 in Malta or in Gozo; plus a government contribution of €60,000 if the property is rented or of €30,000 if the property is purchased;
- a Government contribution of €5,000 in respect of each dependant.
- to hold a qualifying property for a minimum period of 5 years from the date of granting of the status;
- a donation to local charity/ies of €2,000 (one-time payment);
- all Applicants included in the application must be in good health condition and hold a health insurance policy to cover all risks across Malta and the EU;
- an eligibility assessment is conducted by the Government in respect of all Applicants included in the application. Candidates must be proper and fit persons being in possession of a clean criminal record and not listed under any sanctions list.



Naturalisation to Exceptional Services by Direct Investment (NESDI)

As part of the Maltese government's ongoing drive to attract, foster and build a global network of talent and connections, it has published the Granting of Citizenship for Exceptional Services Regulations which sets out a number of pathways for the granting of citizenship by way of naturalisation for various categories of individuals of exceptional interest to Malta such as scientists, researchers, athletes, sports people, artists and cultural performers who have made exceptional contribution to Malta and/or Humanity. One of these routes, targeted at exceptionally successful and connected individuals is the exceptional direct investment route, the key requirements of which are:

Completion of an appropriate period as a resident of Malta prior to being eligible to apply. This requirement is compulsory for all adult applicants included in the application

A positive outcome on an application for assessment of eligibility – this would include a full due diligence assessment of the individual's background, history, business and personal associations with a focus on the source of wealth and funds

An Investment of EUR 750,000 increased by an additional EUR 50,000 per dependant included in the application

Holding global health insurance policy

Holding an appropriate accommodation in Malta for the family which must be held for a minimum period of 5 years post-naturalisation

Donation to local charity/ies of EUR 10,000 (one-time payment)

Both the NESDI and the MPRP are immigration statuses and do not of themselves have any impact on an individual's tax status, which should be assessed separately based on the criteria applicable for tax residence in terms of domestic law and any applicable double tax treaty.





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