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Malta – New Budget Law Introduces Changes to Personal Taxation

by KPMG, Malta (a KPMG International member firm)

Malta's Budget Measures Implementation Act, 2012, published on 14 May 2012, introduced several important changes to the Income Tax Act, including the much-anticipated parental tax rates and a reduced rate of tax for highly-qualified returning migrants. We highlight below the important changes impacting individuals and their multinational employers.

- Individuals who were ordinarily resident in Malta for at least 20 years, and return to Malta after being absent for at least 10 years, may benefit from a preferential flat tax rate of 15 percent on their employment income in lieu of the progressive tax rates applicable to individuals. Regulations expected to be published in the near future will provide additional guidance on claiming the 15-percent preferential rate. (For prior coverage, see *Flash International Executive Alert* 2011-195, 22 November 2011.)

- The exemption from certain fringe benefits available to expatriates working in the financial services and insurance industry is now an option – the expatriate employee may choose. The law did not previously provide for an option, but was automatically applicable. Should expatriates opt to benefit from the exemption from certain fringe benefits, they will be ineligible for the application of the Highly Qualified Persons Regulations entitling them to benefit from a flat 15-percent preferential rate of tax on their employment income. (For prior coverage, see *Flash International Executive Alert* 2011-087, 7 June 2011.)

- Parental rates of 0, 15, 25, and 35 percent were introduced for all parents having in their custody, or paying maintenance in respect of, children not over 18 years of age (or, if receiving full time education, not over 21 years of age) and not earning more than €2,400 a year. (See the full article noted below for the applicable thresholds.)

- The maximum personal tax deductions available with respect to certain personal expenses have been adjusted upwards for expenses such as those for children in private child-care, private kindergarten, and private primary and secondary schools, as well as for seniors who are in retirement/nursing homes.

For all the changes introduced by the Budget Measures Implementation Act, 2012, read the article "Income Tax Updates" (May 2012) published by the KPMG International member firm in Malta:
http://www.kpmg.com/MT/en/IssuesAndInsights/ArticlesPublications/Documents/Budget%20Measures%20Implementation%20Act%202012.pdf .

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The information contained in this newsletter was submitted by KPMG International member firm in Malta. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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