



Grant Thornton

An instinct for growth™

# Malta wealth management and residency options

A vibrant economy to complement your lifestyle





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# The Mediterranean's best kept secret

'Malta' is a buzzword at the moment. From international magazines to huge global blockbusters, the island has taken its place in the spotlight and has found its time to shine.

The island provides a plethora of fantastic aspects and amenities that make it the ideal place to live, do business and invest in. Since joining the EU in 2004 and the Eurozone in 2008, it has successfully attracted people from across the region and beyond. Malta 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, crime free environment, warm friendly people and fantastic weather all year round make Malta a popular tourist destination and a highly sought after country in which to reside. Crystal clear seas offer world class diving, sailing and other water sports, while the long stretches of white sandy beaches are a popular draw-card to holiday makers.

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.

## A great platform to do business from

There are many reasons why investing in Malta makes good business sense. Alongside a number of government incentives for investment and a highly efficient tax system, several factors work to the country's advantage including:

- robust export growth and a deficit under control
- a highly skilled workforce
- 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.

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## Why Malta?

great all year round weather

easy integration within local communities, thanks to a friendly and hospitable nation

relatively crime free and very safe to live in

EU Member country offering political stability

access to the Schengen zone

English being an official language of the Islands, with other languages also commonly spoken

excellent national and private hospital and medical services

abounding with heritage and cultural life, thanks to over 7,000 years of history

excellent social life for all age groups

very good sporting facilities, including golfing, world class diving, sailing and other outdoor sports

excellent schooling in English speaking schools and universities

low cost of living and a wide variety of properties available in all price ranges

very stable property market offering steady capital growth

daily flights to all major European and North African airports, including a strong presence of popular low cost airlines

excellent residency conditions with very low taxation.

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# Discover our global scale and 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.

**29% growth**  
since 2012

presence in  
**133**  
countries

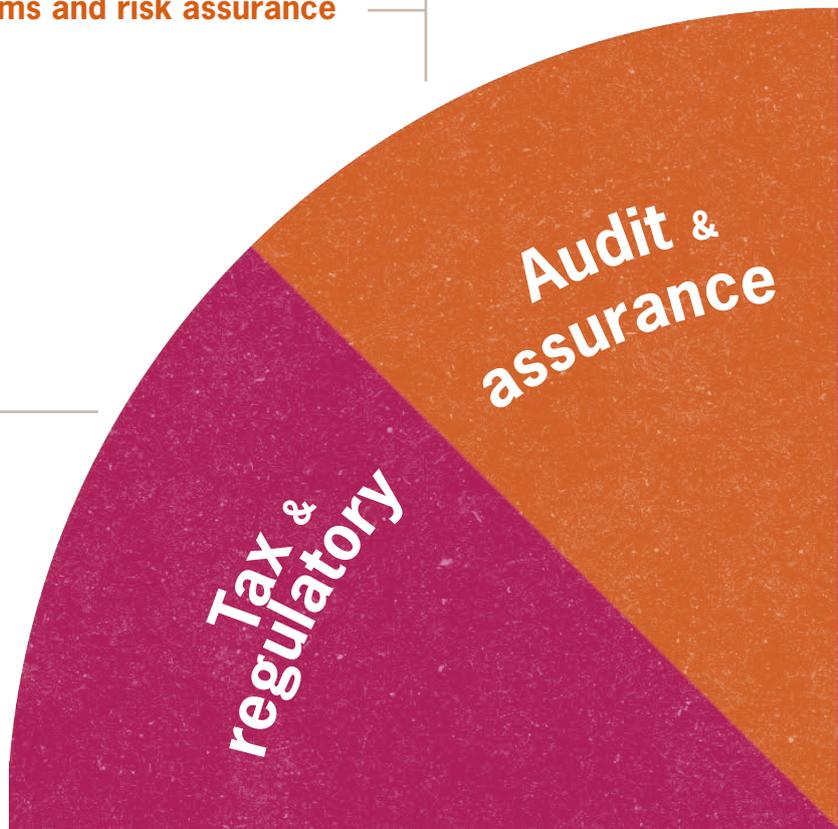
**\$4.6bn**  
global revenue  
in 2015



- audit and assurance
- IFRS
- audit quality monitoring
- global audit technology
- systems and risk assurance



- tax compliance
- transfer pricing
- direct international tax
- global mobility services
- estate planning
- indirect taxes
- regulatory and legal
- corporate finance
- ship and aircraft registration
- company formation
- trusts and fiduciaries





**730**  
offices  
and growing

**42,000**  
people  
and growing

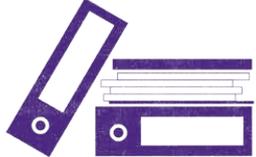
One of the six  
**global**  
accountancy firms  
as recognised by  
**Wall Street**

Named  
**global**  
employer  
of the year 2015  
by the International  
Accounting Bulletin

**25**  
M&A deals  
in 2015  
adding revenues of  
**\$76m**

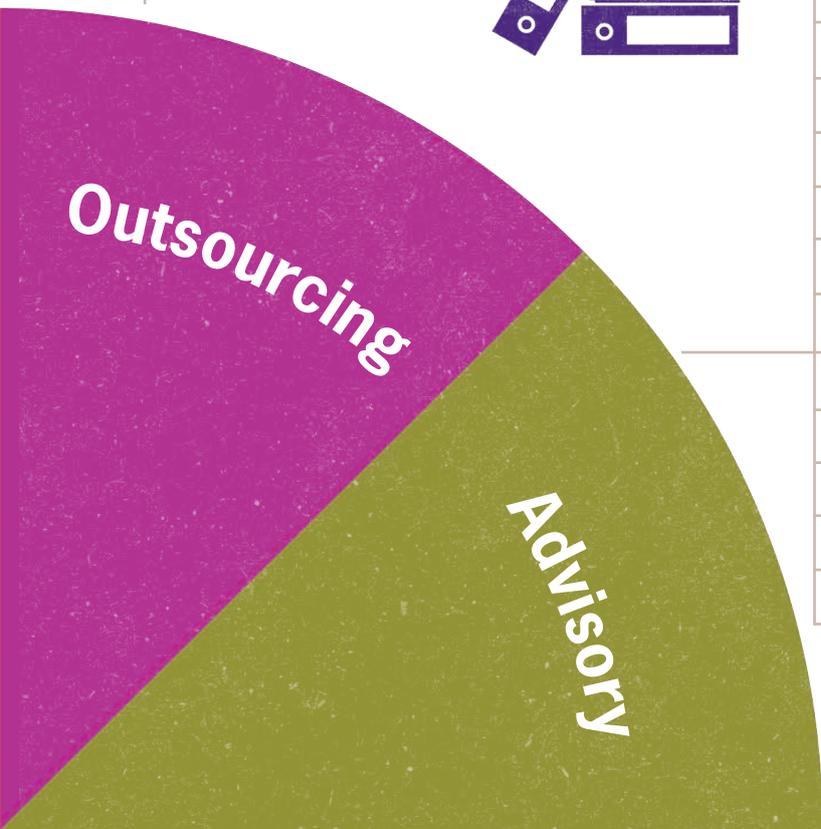
outsourcing

- bookkeeping and financial accounting
- payroll
- family business
- compiling of financial statements
- back office and secretarial



advisory

- human resource consulting
- business process outsourcing and consulting
- business planning and performance improvement
- business valuation and litigation support
- internal audit
- risk management and internal controls consulting
- business risk services
- mergers and acquisition
- business consulting
- due diligence
- IT consultancy
- restructuring and reorganisation
- forensic and investigation
- transaction advisory services
- foreign direct investment
- EU funding
- IPOs and other financing
- market research

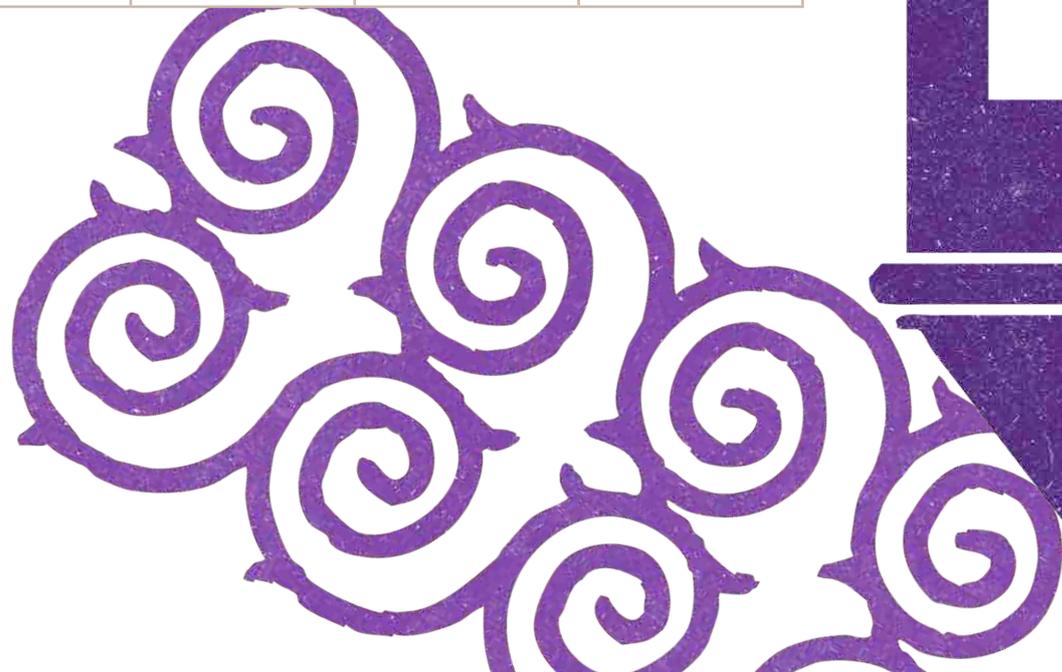


# Malta residency programmes at a glance

	Ordinary Residence	Malta Individual Investor Programme	The Global Residence Programme	EU/EEA Malta Residence Programme
Source of income	Foreign sourced income remitted to Malta			
Applicable to EU/EEA nationals	Yes	Yes		Yes
Applicable to non-EU nationals	Yes	Yes	Yes	
Property required through acquisition or rental		Yes	Yes	Yes
Minimum stay		Yes		
Minimum tax			Yes	Yes
Application fee		Yes	Yes	Yes
Applicable tax rate	35%*	35%	15%	15%
Investment		€150,000		
Contribution		€650,000		



Malta Residence and Visa Programme	Malta Retirement Programme	Residency by Entrepreneurship	Highly Qualified Persons Rules	Qualifying Employment in Innovation and Creativity
Foreign sourced income remitted to Malta	Foreign sourced income remitted to Malta	Income from qualifying employment	Income from qualifying employment	Income from qualifying employment
	Yes	Yes	Yes	Yes
Yes		Yes	Yes	Yes
Yes	Yes			
	Yes			
	Yes			
Yes	Yes			
35%	15%	35%	15%	15%
€250,000				
€30,000				



# How can we help?

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.

Through our global network with over 130 offices in key regions around the world, we provide an unparalleled service to private clients and companies seeking an alternative residence in Malta.

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.



## 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.

# 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.

## Double taxation relief

Malta has an extensive tax treaty network with many major countries enabling tax efficient structures and relief from double taxation on cross-border transactions. Additionally, by virtue of its membership with the EU, Malta has access to the EC Parent-Subsidiary directive, Interest & Royalties directive and Mergers directive, and the fundamentally important freedoms within the EU.

Tax Information Exchange Agreements are in force with Bahamas, Bermuda, Cayman Islands, Gibraltar, USA and Macao. Where there is no double taxation treaty, other forms of relief from double taxation are often available under domestic law, namely unilateral relief, which largely achieves the same outcome.

For up to date information regarding double taxation relief, one is to visit [www.mfsa.com.mt](http://www.mfsa.com.mt)

There are no annual estate taxes in Malta, however in the eventual sale of a property, tax on capital gains may be charged.

## Inheritance tax

Malta does not require that inheritance tax is paid. Transfer duty is however payable on the transfer of title to the heirs of immovable property situated in Malta and securities.

Duty on transfer of immovable property is chargeable at 5% of the open market value of the property and at 2% on the value of securities.

In the event that the underlying value of securities is derived mainly from immovable property situated in Malta, the rate of duty is increased to 5%.

# The Malta Individual Investor Programme

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

eligibility



main applicant at least 18 years of age

+



financial contribution of €650,000

+



purchase or rental of property

+



investment of €150,000

+



genuine connection to Malta

+



good standing and repute

+



international health insurance policy

=



# the application process

## < 30 days preparation period

compiling of application forms and supporting documentation

preliminary due diligence process

preparation for proof of residence

settlement of due diligence fees

## c. 120 days processing of application

review and assessment by Identity Malta and issuance of a letter of approval in principle

## c. 120 days compliance period

payment of contribution

purchase or lease of property

investment in bonds

health cover submittance

## < 360 days adjudication of citizenship

issuance of certificate of naturalisation, subject to the applicant having been resident of Malta for twelve months and having taken the oath of allegiance



# The Global Residence Programme and the Malta Residence Programme

The Global Residence Programme (GRP) presents a number of incentives for applicants who are non-EU nationals interested in moving to Malta, with the principal benefits being a flat tax rate of 15% on any foreign source income remitted to Malta. The Malta Residence Programme (MP) is a similar programme available to EU, EEA and Swiss nationals. This beneficial rate applies also to income remitted by the spouse or dependent children of the beneficiary.

The two programmes provide for freedom of movement within the Schengen Zone for such applicants and their family. Qualifying individuals are entitled to reside in Malta together with family members and their dependents, and it is also possible for the applicant to engage in gainful employment and business activities in Malta, subject to certain conditions.

## key benefits



long term residence



15% flat tax rate



work permit entitlement



no minimum stay



family members and dependents



very fast application process

## Qualifying conditions

The applicant is required to have a physical address in Malta, either through purchase of a property which must not be less than €220,000 (€250,000 for properties in Gozo and €275,000 for properties in Central and Northern Malta), or by renting a residential property for an annual rent of not less than €8,750 (or €9,600 in Central and Northern Malta). This is subject to minor changes, in accordance with Malta's inflation index. The lease must be taken for not less than twelve months evidenced by a certified lease agreement.

The applicant must show receipt of regular resources that are sufficient to maintain him as well as his dependants without need to have recourse to Maltese social assistance.

The main applicant and dependents must be in possession of sickness insurance recognised across the EU in respect of all risks normally covered for Maltese nationals.

The applicant must be a fit and proper individual. Therefore an international due diligence will be carried out beforehand, on considerations of good conduct and morals, criminal record, bankruptcy issues and governmental investigations. Other requirements include valid travel documentation and ability to communicate in English or Maltese.

## No minimum stay requirements

The programme carries no minimum stay requirements in Malta. However the applicant cannot stay in any single other jurisdiction for more than 183 days in a calendar year.

## Administrative fee

A non-refundable administrative fee of €6,000 is applicable, or €5,500 where the qualifying owned property is situated in Gozo or the South of Malta.

### Tax treatment

Foreign source income remitted to Malta	15%
Capital gains outside Malta	Nil
Malta based employment and business activities	35%
Certain investment / rental income	15%
Minimum tax	€15,000
Taxation per dependent	Nil
Double tax treaty relief	applicable
Inheritance Tax	Nil

# 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.

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## Requirements

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€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.

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## Benefits

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Visa-free travel within Schengen area.

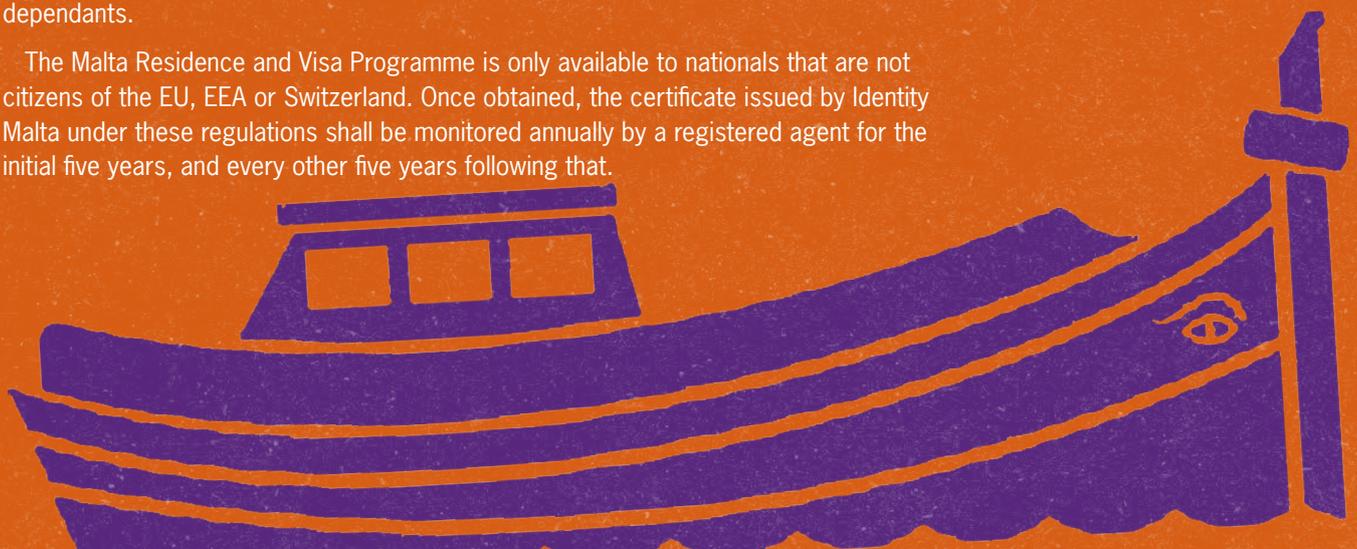
Right to reside indefinitely in Malta.

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

The Malta Retirement Programme (MRP) was introduced in 2012 and is available to EU, EEA and Swiss nationals. Beneficiaries taking up this programme will be granted a special tax status which entitles them to a personal Malta tax liability of 15% on any income arising outside Malta which is remitted to Malta, subject to a minimum Malta tax liability of €7,500 per year of assessment, plus €500 per dependent. Other chargeable income (essentially local source income) would be subject to a flat rate of 35%.

Beneficiaries must not be in an employment relationship and need to be in receipt of a pension as their regular source of income. Individuals benefiting from the MRP may still hold non-executive posts on the board of companies resident in Malta but is prohibited from being employed by the company in any capacity.

## Qualifying conditions

- the applicant must hold a **qualifying property** occupied only by the main applicant, family members and/or carers. The property can either be purchased or rented out. If purchased, the property must be of a minimum value of €275,000 if located in Malta, or €250,000 if in Gozo, or in the case of rentals, a minimum annual rent of €9,600 or €8,750 is applicable, if situated in Malta or Gozo respectively. The lease must be taken for not less than a twelve month period and must be evidenced by a certified lease agreement submitted together with the application
- the applicant must also receive his **entire pension in Malta**, which pension must constitute at least 75% of the beneficiary's income chargeable to tax in Malta
- the applicant must not be domiciled in Malta and does not intend to establish his domicile in Malta within 5 years from application date. The applicant may not benefit from any other Malta Special Tax Status
- the applicant must 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
- a **minimum of 90 days per annum** must be spent in Malta by the applicant, averaged over any five year period. In addition the applicant cannot stay in any one other jurisdiction for more than 183 days in a calendar year.

Applications need to be submitted by an authorised registered mandatory approved by the Inland Revenue Department.



# 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:

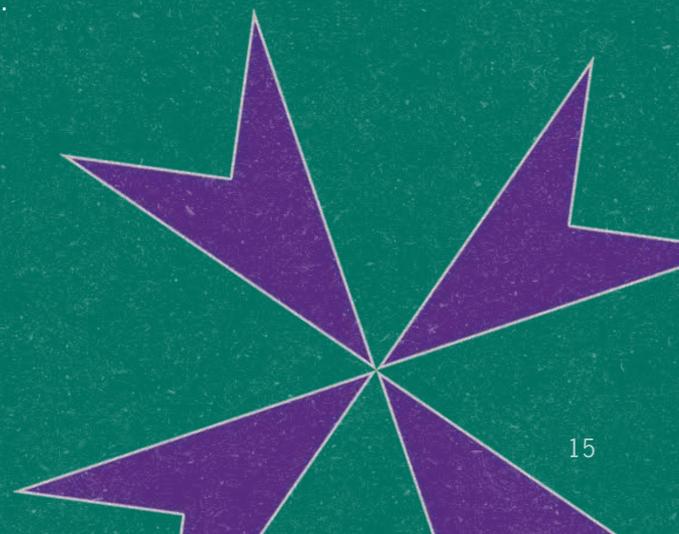
- an investment of at least €500,000. The investment must consist of fixed assets and/or capital used for business purposes. Rental contracts are not eligible and the investment must take place within six months from the date on which the work permit is issued
- status of a highly skilled innovator with 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 Rules

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.

## 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 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).

# 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.

## 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

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.

## Qualifying criteria



# 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.

**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

**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%

**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.

Flat rate foreign tax credit – a 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

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

# 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 6/7<sup>th</sup> 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 6/7 <sup>th</sup> 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.

## 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.

# Industry benefits

Malta also offers extensive benefits to companies in the following industries:



manufacturing



pharmaceutical



patents and  
research



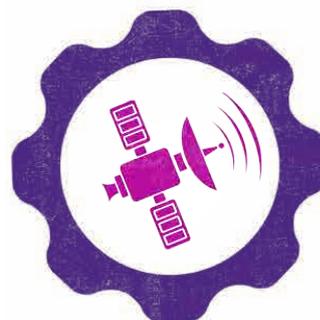
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chartering



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services



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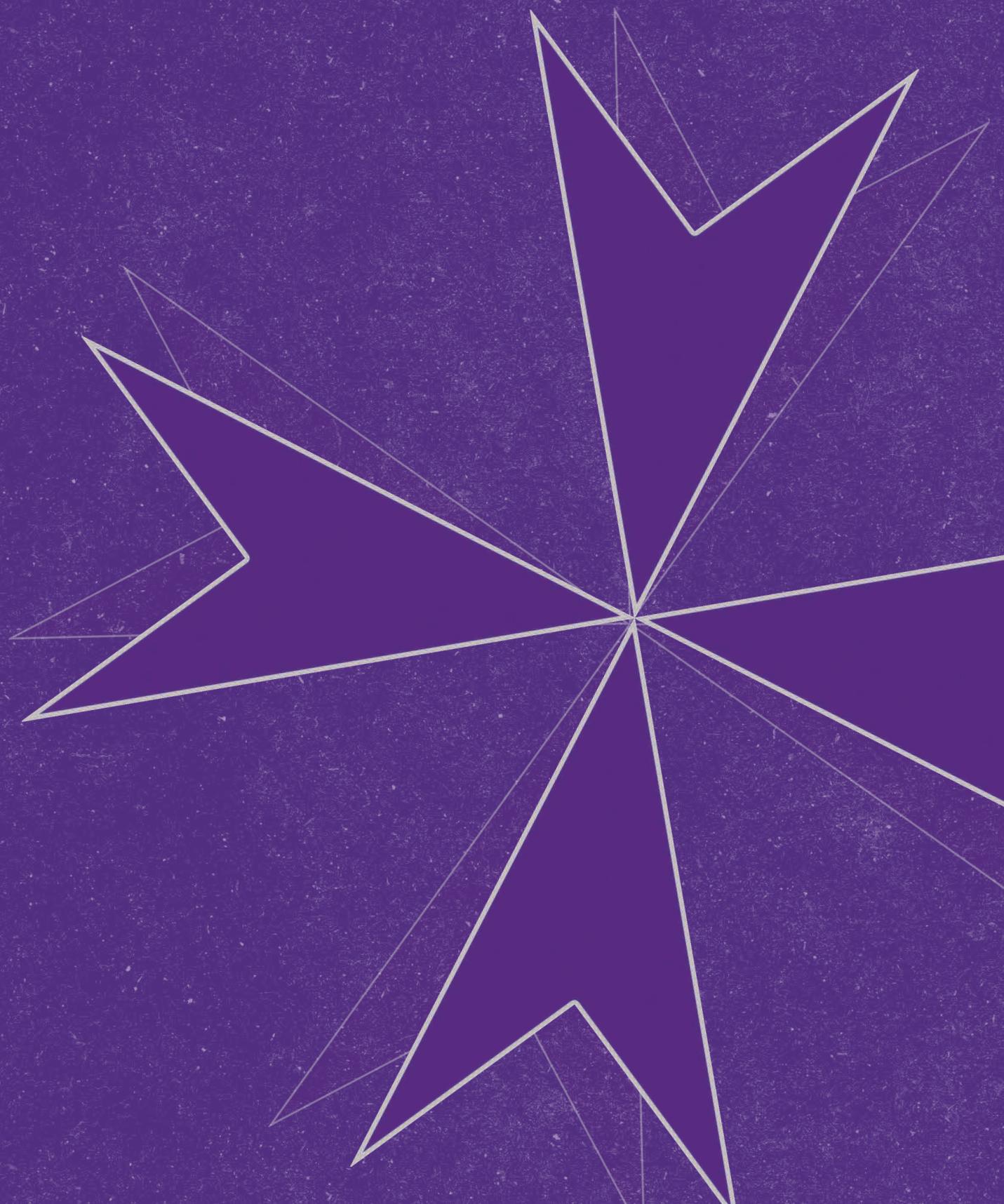
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