

Residence in Malta for EU/EEA/Swiss Pensioners

EU/EEA/Swiss nationals may take up residence in Malta in terms of the Malta Retirement Programme (MRP) Rules. Such individuals will be granted a special tax status by the Maltese tax authorities and will be subject to tax in Malta at a flat rate of 15% as described hereunder.

Conditions / criteria to be satisfied by the applicant

An individual may apply for residence in Malta if he / she satisfies the following conditions:

- (i) he/she is an individual who is primarily a pensioner is in receipt of pension income;
- (ii) he / she is not domiciled in Malta and must have no intention of establishing domicile in Malta within 5 years from the date of application for this special tax status
- (iii) he / she is an EU/EEA/Swiss National.

Furthermore the eligible applicant must also satisfy the following criteria:

- (i) all the pension income must be received in Malta and constitutes at least 75% of the beneficiary's chargeable income;
- (ii) hold 'qualifying owned property' of €275,000 in Malta or €220,000 in Gozo or in the south of Malta or a 'qualifying rented property' of €9,600 per annum in Malta or €8,750 in Gozo or in the south of Malta;
- (iii) satisfy the 'fit and proper person' test;
- (iv) must not be in an employment relationship, but may hold a non-executive post on the board of a Maltese-resident company or take part in certain activities such as for example activities organized for a philanthropic cause;
- (v) be in possession of health insurance which covers him/herself and his/her dependents in respect of all risks across the EU as are normally covered for Maltese nationals;
- (vi) be in possession of a valid travel document;
- (vii) cannot benefit from any other scheme applicable in Malta.

Taxation

Once an application has been approved, the pensioner is deemed to be resident for tax purposes in Malta and is chargeable to tax on his/ her income as follows:

- (i) All income, arising outside Malta, which is received in Malta by the beneficiary or dependents is taxable in Malta at the rate of 15% with the possibility of claiming double tax relief on such income subject to the minimum annual tax liability referred to below;

(ii) Pension income in the form of a lump sum without periodic pension payments and any capital sum received by way of commutation of pension, retiring or death gratuity or received as consolidated compensation for death or injuries are exempt from Maltese income tax even if remitted to Malta;

(iii) The applicant must pay a minimum tax of €7,500 per annum and €500 per annum for every dependent and special carer payable by 30 April of the year immediately preceding the relevant year of assessment. Such minimum tax is payable in full in both the year when the special tax status is granted and the year when it is revoked.

(iv) Income of the beneficiary or dependents arising in Malta is charged as separate income at a flat rate of 35%.

Preparing an application in terms of the MRP rules

The application procedure is a relatively straight forward one. The application should be made through the services of a person that qualifies as an Authorised Registered Mandatory (ARM). ACT is an ARM and is recognized as such by the Maltese tax authorities.

A non-refundable one-off registration fee of €2,500 must be paid.

Other considerations

The applicant must reside in Malta for a minimum of 90 days a year averaged over any five year period and must not reside in any other jurisdiction for more than 183 days in any calendar year. The applicant must continue to receive in Malta all the pension income declared when applying under the scheme.

For further information and on how ACT may assist you and your family in taking up residence in Malta, please contact the firm's tax partners, Stephen Balzan on sbalzan@act.com.mt or Elaine Camilleri on ecamilleri@act.com.mt. You may also read our brochure on taking up residence in Malta by clicking on the following link:

<http://www.act.com.mt/media/images/active/factsheetsmalta/Taking%20Up%20Residence%20in%20Malta.pdf>

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