

## **Malta - Sunshine and low taxes**

*by Dr. Marco Griscti*

The Maltese Islands have often been referred to as the islands of sunshine and history. With their warm, sunny Mediterranean climate and 6,000-year history, this is a fitting description. Malta offers many attractions for expatriates, among them an English-speaking population, first-class amenities and low taxes.

The population is just under 400,000 and the official languages are English and Maltese. The mainstay of the economy is tourism; financial services, manufacturing and a free trade zone are also important sources of revenue. Malta also offers generous tax incentives to existing companies and new firms relocating there. Malta has a sound infrastructure. Telecommunications, postal and courier services, banking and other key services are efficient and of a very high standard.

### **Residence in Malta offers many advantages**

Malta is one of the most attractive locations in Europe for tax-advantaged private residence. Persons of any nationality are eligible for Permanent Residence Permits with no discrimination whatsoever.

The English-speaking population makes integration and communication easy. All official documentation is in English, commercial and business relationships are in English, and laws are in English and Maltese. There are also private English-speaking schools, which offer a high level of education, and the University is open to children of Permanent Residents. There are also a number of private hospitals offering a high quality medical service. Malta has been

ranked 5<sup>th</sup> in the world by the World Health Organization for medical services and facilities.

While Malta has a high standard of living, the cost of living is generally lower than in Europe. Real estate is still relatively reasonably priced in Malta, compared to many parts of Mediterranean Europe where land and house prices have reached rather high levels. A comfortable three-room/two-bedroom apartment in a good area will cost from about US\$ 100,000 (but more if it has sea-views etc.) whereas a villa (independent, with three bedrooms and usually a swimming pool and garage) will cost from about US\$ 300,000 upwards. The legal costs and taxes for buying property are also relatively low and usually will be in the region of 10% of the purchase price. Once the property is purchased, there are no ongoing taxes, rates or other contributions required from property owners.

### **Low taxes for permanent residents**

Holders of a permanent residence permit pay a flat tax rate of 15% on all income brought into Malta. This is subject to a minimum payment of about US\$ 2,500 per annum. There is no tax on worldwide income or assets, so the permanent resident's global income which is kept outside Malta is not taxed in any way. Moreover, Malta has an extensive double taxation treaty system with more than thirty countries, including all the EU countries and most other European countries. This is of particular advantage to persons from these countries who can claim double taxation relief, thus further reducing their tax liabilities.

Once the permit is issued and the permit holder has registered with the Inland Revenue Department in Malta, the Maltese tax authorities will certify that for Maltese taxation purposes, the permit holder is resident in Malta. On the basis of this certificate, most countries (and in particular those which have a double taxation treaty with Malta), will consider the permit holder to be resident in Malta for tax purposes; the consequence of this varies from country to country. Some countries will not tax their citizens at all if they are resident in Malta; others will tax them at a much lower rate; others still will require their citizens who move their residence to Malta to sever all connections with their home country; again other countries will require their citizens not to be present in their home country for more than a certain number of days in one calendar year. It is impossible to list the conditions which each and every country imposes on its citizens who are resident outside of their country, because each country has its own taxation rules. However, in general, moving one's residence to Malta will almost always bring considerable tax advantages.

#### **Conditions for residence permits**

The permanent residence status is open to those foreigners who can provide evidence that they have an annual income equivalent to about US\$ 25,000, or that they own capital equivalent to US\$ 375,000. Once in possession of the permit, the Permanent Resident must within the first year from obtaining the permit either purchase a flat valued at least US\$ 75,000, or purchase a house valued at least US\$ 125,000, or rent property for at least US\$ 4,500 per annum. The Permanent Resident must annually remit to Malta from overseas a minimum income equivalent to US\$ 15,000, plus US\$ 2,500 for each dependent. The Permanent Resident must have a bank account in Malta into which account this money is transferred. The money can be

freely used for any purpose whatsoever. The Permanent Resident must not engage in business or employment nor engage in any form of political activity in Malta. However, Permanent Residents may use Malta as a base to work from, provided that they do not offer their services on the local market. Permanent residents may also be employed by or offer his freelance services to persons or companies outside Malta. Permanent Residents may also be directors of International Trading or Holding Companies registered in Malta. Of particular interest is the fact that unlike some other countries, Malta does not insist that a holder of a permanent residence permit spends any particular time actually residing in Malta.

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