



**ACQUIRING RESIDENCE IN MALTA:
AN OVERVIEW OF THE OPPORTUNITIES**

2017

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A. INTRODUCTION

Having a strategic geographical location, idyllic climate and a budding financial services industry, Malta has always been a natural choice for foreign nationals seeking to acquire EU residence.

In addition, the combination of having English as an official language, coupled with an advantageous tax regime and a particularly safe living environment has made the Mediterranean island even more enticing.

Acquiring a Maltese residence may offer a multitude of benefits and the various schemes available provide an interesting choice to the prospective applicant.

B. WHY ACQUIRE AN ADDITIONAL RESIDENCE?

One of the main reasons to acquire another residence is for fiscal purposes. In essence, most jurisdictions assert their right to tax a person (being either an individual or a company) based on residence. Hence, relocating or else, having another alternative residence may offer the client interesting tax planning opportunities.

The following are some reasons for which considering an additional residence can be deemed to be beneficial for the client:

- Alternative fiscal jurisdiction for individuals
- Advantageous tax regime to attract individuals to acquire Malta residence
- Adds substance for companies – a client can acquire Maltese residence and manage a company from Malta by being appointed as a director, hence increasing proper substance in Malta
- BEPS-friendly setup and hence comply with international tax developments
- More cost-efficient than having to appoint nominee directors
- Benefiting from EU's Freedom of Movement

C. DE-MYSTIFYING THE MYTHS OF MALTESE RESIDENCE

Acquiring residence does not mean having to live in Malta all year round. Neither does this mean having to live in Malta for a minimum prescribed period. In reality, what this entails is that Malta has to be considered the 'primary home' of the client. As international tax regulations are moving away from artificial set-ups, it is hence important to substantiate the links with Malta.

With careful planning and some consideration, the client can successfully achieve such a requirement and hence be treated as a residence in Malta for tax purposes.

D. RESIDENCE PERMIT REQUIREMENT

By way of a general rule, the Maltese laws prescribe the requirement to obtain a residence permit in order to reside in Malta for more than three months. Such residence permit is granted upon satisfying stipulated rules, depending as to whether the individual is an EU or non-EU national. This distinction is crucial to keep into account in order to determine which relevant scheme and its conditions are applicable.

Applications, with all the forms and supporting documentation, must be submitted in person. Biometric data will also be collected for the applicant and his dependents. The required supporting documentation and criteria depends under which scheme the applicant intends to qualify.

The table overleaf illustrates the main schemes and programmes applicable to foreigners who seek to acquire Maltese residence.

E. METHODS OF ACQUIRING MALTESE RESIDENCE

Schemes available for EU and Non-EU nationals	
1. Economic Self-Sufficiency Test	Requirement to prove that applicant is financially stable
2. Employment in Malta	Applicant will be given a work permit
3. Self-Employment in Malta	Applicant proves that he can work as a self-employed in Malta
4. Studying in Malta	Temporary permit given to students and parents and might be also extended to family members
5. Family Members	This refers to family members of successful applicants who are residing in Malta
6. Highly Qualified Persons Rules	Applicant who holds an eligible office in Financial Services, Gaming or Aviation will be given a beneficial tax rate of 15% on employment income.
7. Qualifying Employment Rules	Applicant who holds an eligible office in digital products will be given a beneficial tax rate of 15% on employment income.
8. Malta Individual Investor Program	Applicant will acquire a Maltese Passport

Schemes available only for EU nationals	
9. Residence Program Rules	Beneficial Tax Scheme granted also residence
10. Retirement Program Rules	Beneficial Tax Scheme granted also residence

Schemes available only for Non-EU nationals	
11. Malta Residence and Visa Program	Applicant will acquire a residence permit
12. Global Residence Program	Beneficial Tax Scheme granted also residence
13. Blue Card Scheme	Applicable for highly qualified employment and grants an EU-wide work permit

SCHEME 1 – ECONOMIC SELF SUFFICIENCY TEST

The applicant will be given a residence permit if he proves that he is financially stable and does not require any financial support from the Maltese Government.

To this effect, the applicant must have as a minimum one of the following:

- Minimum capital of €14,000; OR
- Weekly income of €92.32

If married couples are applying under the Economic Self Sufficiency Test, the minimum are:

- Minimum capital of €23,000; OR
- Weekly income of €108.63

The following documentation must be provided when applying for the residence permit:

- Original and Copy of the Passport or Foreign ID Card
- Original and Copy of proof of sufficient means of subsistence (copy of pension / secure bonds / bank statements) in the minimum amount as indicated above
- Original and Copy of comprehensive health insurance or Certificate of Entitlement (in the case of UK residents)
- Proof of Maltese address – lease agreement, together with the consent of landlord (in required format)

In addition to the above, non-EU applicants must provide a covering letter giving the reasons for the request to reside in Malta in detail.

SCHEME 2 – EMPLOYMENT IN MALTA

In order to benefit from this scheme, both the employer and employee must be registered with the Tax, Employment and Citizenship authorities. Monthly tax reports must be submitted while tax and social security contributions are to be withheld accordingly every month with the salary.

For non-EU employees, the following documentation must be provided:

- Detailed explanation about the position to be offered
- Explanation why the job position cannot be filled by a Maltese/EU national
- Indication how the employer will train EU counterparts to fill such position in the future
- Proof that employer made adverts for the employment with both the authority and by other local means (newspapers etc) to first target Maltese/EU workers
- Submission of detailed CV of applicant in prescribed format
- Submission of qualifications of the applicant
- Health Insurance for all risks
- Other documentation as the authorities might require (e.g. Police Conduct Certificate etc)

Apart from the documentation mentioned above, the following must be provided when applying for the residence permit:

- Full details of Employer, – Company details, VAT number, Tax number
- Employee Number issued by the Employment Authorities
- Trade License
- Social Security Number
- Original and Copy of the Passport or Foreign ID Card
- Copy of Employment Contract or ETC Engagement Form
- Proof of Maltese address – lease agreement, together with the consent of landlord (in required format)

At this stage, it is important to note that the authorities in Malta do not easily grant a permit to non-EU nationals, as the conditions for such applicants are rather onerous. Processing time varies between 2-4 weeks for EU nationals and between 4-8 weeks for non-EU Nationals.

SCHEME 3 – SELF-EMPLOYMENT IN MALTA

In order to benefit from this scheme, both the applicant must be registered with the Tax, Employment and Citizenship authorities. VAT registration in this case might also be applicable, and this also entails quarterly VAT reporting. Such a person must also pay social security contributions on a monthly basis.

There are no further criteria for EU applicants for them to benefit under this scheme.

However, non-EU applicants must satisfy **ONE** of the following criteria:

- Make a minimum **investment of €500,000 within 6 months** of acquiring the employment license. The investment shall solely consist in fixed assets for business-related activities.
- Applicant is a highly-skilled innovator with a **sound business plan** and commits to recruit at least **3 EEA/Swiss nationals within 18 months**.
- Applicant is a sole representative of a **reputable foreign company** (established for minimum 3 years) opening a branch in Malta.
- Applicant is a person leading a **project approved by Malta Enterprise**.
- Applicant is a shareholder **share capital of €500,000 paid in full** in a Malta Company.

Apart from the documentation mentioned above, the following must be provided when applying for the residence permit:

- Original and Copy of the Passport or Foreign ID Card
- Proof of Maltese address of business
- Original and Copy of the VAT Certificate, Trading License, Income Tax Registration and Social Security registration
- ETC Engagement Form
- Proof of Maltese address – lease agreement, together with the consent of landlord (in required format)

SCHEME 4 – STUDYING IN MALTA

Foreign students who intend to visit Malta for educational purposes in a Private School or University of Malta are granted a temporary residence permit that covers the duty period in Malta.

The main documentation that will be required is the following:

- Original and Copy of the Passport or Foreign ID Card
- Details of the Educational Establishment
- Letter of Acceptance from the Educational Establishment which Establishment must be recognized by the National Commission for Further and Higher Education
- Original and Copy of a comprehensive health insurance
- Original and Copy of a declaration of proof of sufficient financial means of subsistence – a written declaration or otherwise that s/he has sufficient resources not to become a burden on the social system in Malta
- For non-EU applicants, proof of financial means of subsistence which must be equivalent to 75% of the minimum wage.

SCHEME 5 – FAMILY MEMBERS

Family members of residents in Malta have the right to apply for a residence permit. In such cases, sufficient evidence (official birth / marriage certificates etc) must be provided that proves the relationship to the resident as well as proof of dependency (where applicable).

For EU applicants, a family member includes spouses, ascendants, minor descendants, dependent children over 21 years of age and partners. Partners (i.e. not spouses) in this case need to provide a declaration that they have been in a durable relationship for a minimum 2 years.

For non-EU, the term family member is restricted to spouses, minor children and dependent children over 18 years of age. In this case, the authorities also require a letter from a sponsor indicating the reason of the applicant's stay in Malta and proof of the sponsor's financial resources. All family members must be covered by a comprehensive health insurance.

SCHEME 6 – HIGHLY QUALIFIED PERSONS RULES

This Scheme relates to persons who are highly qualified in one of the following sectors:

- Financial Services
- Gaming
- Aviation

A successful applicant will be granted a special tax status. His income will be taxed at a flat 15% on all income derived in Malta up to a maximum of €5,000,000, following which the excess is not subject to tax.

The duration of this tax benefit for EU, EEA and Swiss nationals applies for a maximum consecutive period of 5 years. There is a possibility of a one-time extension of 5 years. For non-EU, the duration is for a period of 4 years, without the possibility of extending the period.

The main criteria to qualify under this scheme are the following:

- Minimum employment income of €82,353 for 2016 – the minimum income is revised annually and is based on the Retail Price Index as duly published by the Malta National Statistics Office.
- Employment must be in an 'eligible office' as defined in the laws.
- The applicant must not be domiciled in Malta.
- The applicant must not benefit under any other special tax scheme in Malta.
- The applicant must be deemed to be a fit and proper person.
- The applicant must be in possession of a health insurance policy covering himself and his dependents.

It is important that the applicant does not physically stay in Malta in aggregate for more than 1,460 days and does not acquire any immovable property in Malta

Further detailed information is available in a separate brochure specifically on this Scheme.

SCHEME 7 – QUALIFYING EMPLOYMENT IN INNOVATION AND CREATIVITY RULES

The scheme is targeted to attract individuals working in the development of innovative and creative digital products.

A successful applicant will be granted a special tax status. His income will be taxed at a flat 15% on such employment income derived in Malta up to a maximum of €5,000,000, following which the excess is not subject to tax.

The minimum employment income has to be at least €45,000 and this is adjusted annually in line with the Retail Price Index as duly published by the Malta National Statistics Office.

The employment must satisfy one of the following job descriptions:

- **Industrial Research and Experimental Development** – in such a case, the applicant must hold a post graduate degree in sciences or engineering that is pertinent to the role undertaken by the applicant.
- **Product Development and Product or Process Innovation** – in such a case, the applicant must hold a post graduate degree in design, creativity, art, product development, sciences, or engineering. Alternatively, the applicant must prove that he has been forming part of a team engaged in a comparable role for a minimum of three years.
- An individual occupying a **Senior Management** role, subject to certain qualifications.

The tax incentives are available to EU, EEA and non-EU Nationals for a maximum period of three consecutive years, and which shall commence from the year preceding the year of assessment in which that person is first liable to pay tax.

Further detailed information is available in a separate brochure specifically on this Scheme.

SCHEME 8 – MALTA INDIVIDUAL INVESTOR PROGRAM (MIIP)

This program is intended to persons who want to acquire a Maltese Passport. This is an EU passport and will bestow the applicant with all the rights and benefits which every EU citizen enjoys. The MIIP is in itself a residence programme due to the fact that a successful applicant has the right to reside in Malta as a Maltese citizen.

The main advantages of acquiring a Maltese passport are in fact:

- Right to reside and work in Malta
- Free Movement of Persons in the EU
- Healthcare rights of the EU
- Right to access to educational institutions across the EU
- Right to work across the EU

The following are the main requirements to obtain a Maltese passport by investment:

- Obtain a valid residence permit in Malta
- Contribute to a Government Fund in the amount of €650,000
- Purchase property of minimum value of €350,000 or rent for minimum value of €16,000 per annum for 5 years
- Invest in Government Bonds for a minimum value of €150,000 for 5 years
- Have a comprehensive health insurance
- Applicant must have a clean police conduct

The program's rules allow for the possibility for dependent descendants and ascendants to apply under one application, thus significantly reducing the overall cost of the process.

A passport is issued typically within 1 year as from the residence permit is issued.

Further detailed information is available in a separate brochure specifically on this Scheme.

SCHEME 9 – RESIDENCE PROGRAMME RULES

EU, EEA or Swiss Nationals can apply for a beneficial tax rate of 15% with a minimum tax liability of €15,000 per annum. This rate applies on any foreign source income which is remitted to Malta. Foreign income which is not remitted to income shall hence not be taxed in Malta.

The main criteria for this scheme are the following:

- Must acquire or lease qualifying property in Malta, at minimum of €275,000 (or annual rent of €9,600).
- Must pay annual tax of minimum €15,000.
- Have a comprehensive health insurance and a clean police conduct.

The program's rules allow for the possibility for dependent descendants to apply under one application, thus significantly reducing the overall cost of the process. Applications are typically processed within 3 months.

Further detailed information is available in a separate brochure.

SCHEME 10 – RETIREMENT PROGRAMME RULES

EU, EEA or Swiss Nationals who are not employed can apply for a beneficial tax rate of 15% with a minimum tax liability of €7,500 per annum. This rate applies on any foreign source income which is remitted to Malta.

The applicant will also be entitled to reside in Malta.

The main criteria for this scheme are the following:

- Must acquire or lease qualifying property in Malta, at minimum of €275,000 (or annual rent of €9,600).
- Must pay annual tax of minimum €7,500.
- Must not be employed in Malta

Further detailed information is available in a separate brochure

SCHEME 11 – MALTA RESIDENCE AND VISA PROGRAM (MRVP)

Non-EU, non-EEA and non-Swiss nationals may apply under the MRVP to settle in Malta together with their family members and be able to benefit from visa free travel within Europe Union and other Schengen countries. The residence permit is given indefinitely.

The main criteria for this scheme are the following:

- Must acquire or lease qualifying property in Malta, at minimum of €320,000 (or annual rent of €12,000).
- Invest in Government Bonds for a minimum value of €250,000 for 5 years
- Pay a one-time contribution of €30,000
- Have a comprehensive health insurance
- Applicant must have a clean police conduct

Applications are typically processed within 3 months.

Further detailed information is available in a separate brochure.

SCHEME 12 – GLOBAL RESIDENCE PROGRAMME RULES

This tax scheme applies solely to non-EU, non-EEA and non-Swiss Nationals and successful applicants will be awarded a beneficial tax rate of 15% with a minimum tax liability of €15,000 per annum. This rate applies on any foreign source income which is remitted to Malta. Foreign income which is not remitted to income shall hence not be taxed in Malta.

The main criteria for this scheme are the following:

- Must acquire or lease qualifying property in Malta, at minimum of €275,000 (or annual rent of €9,600).
- Must pay annual tax of minimum €15,000.
- Have a comprehensive health insurance and a clean police conduct.

The program's rules allow for the possibility for dependent descendants to apply under one application. This Scheme does not grant a residence permit in itself. The client will have to apply via the Self-Sufficiency Test as mentioned in Scheme 1 together with this.

Further detailed information is available in a separate brochure specifically on this Scheme.

SCHEME 13 – BLUE CARD SCHEME

The EU Blue Card is a European work permit allowing highly skilled non-EU citizens to work and live in any country within the EU, excluding Denmark, Ireland and the UK.

This scheme applies solely to non-EU, non-EEA and non-Swiss Nationals. Such persons may apply for a Blue Card to enter, reside and work in Malta for the purpose of Highly Qualified Employment as defined in the laws.

In order for an applicant to apply under the Blue Card Scheme, the applicant must satisfy the following criteria:

- The person must have an employment contract with a Maltese employer.
- The salary must be at least 1.5 times the average gross annual salary in Malta.
- For regulated professions, the applicant must present a document attesting the fulfilment of the conditions set-out for the exercise by EU citizens of the regulated profession, as specified in the contract of employment.
- For unregulated professions, the applicant shall present the documents attesting the relevant higher professional qualifications in the occupation or sector specified in the contract of employment or statement containing the conditions of employment.
- Comprehensive Health Insurance cover.
- Evidence of an address in Malta in the prescribed format.
- The applicant shall not be considered to pose a threat to public policy, public security or public health.
- All academic qualifications must be attested by the National Commission for Further and Higher Education.
- A covering letter wherein the position is described in detail.

F. TAXATION

Registration with the Authorities

A resident of Malta has the obligation to get registered with the tax authorities for income tax purposes as well as for social security purposes. In case of employment, this is typically taken care of by the Employer.

If he is working in Malta, either as an employee or as self-employed, such person must also get registered with the employment authorities.

For self-employed persons, there might also be VAT-registration requirements as well as quarterly VAT reporting and payment.

Remittance Basis of Taxation

Individuals who acquire residence in Malta also stand to benefit from the advantageous tax regime offered to such persons. Foreign nationals who reside in Malta will be treated as ordinarily resident but not domiciled in Malta. A particular tax system, called the "remittance basis" will apply.

The remittance basis of taxation will seek to tax solely the following:

- Income arising in Malta (and hence includes any employment or self-employment income in Malta);
- Foreign income (but not capital gains) that is remitted to Malta. Remittance in this case can be affected to a bank account in a Maltese bank.

To this effect, the following should not be taxed:

- Foreign income which is not remitted to Malta.
- Foreign capital gains, irrespective if such are remitted to Malta or otherwise.

The individual will have to declare any of the above-mentioned income in his Malta tax return. Any other income should be exempt. If the client only has exempt income, he will declare a NIL tax return.

Please note that some particular schemes prescribe a minimum annual tax to be paid.

Personal Taxation Rates

In case that a person is employed, the employer will apply the Final Settlement Tax. This is Malta's version of the PAYE system and obliges employers to deduct tax from wages of their employees as well as to contribute payment to a retirement pension (i.e. Social Security Contributions). Hence, the employee will receive his salary net of tax.

On the other hand, self-employed persons have to declare their annual income in their annual tax return. This has to be submitted to the authorities by not later than 30th June of the following year.

Unless otherwise stated in a particular Scheme, the amount of tax payable depends on the yearly income of the employee as well as to the residence of the employee. The following table gives the rates of the employees for a single computation:

Tax Rate	Total Yearly Income of Resident Employee	Tax Rate	Total Yearly Income of Non-Resident Employee
0%	For first €9,100	0%	For first €700
15%	€9,101 – €14,500	20%	€701 – €3,100
25%	€14,501 – €60,000	30%	€3,101 – €7,800
35%	Any sums over €60,000	35%	Any sums over €7,800

On the other hand, the following table gives the rates applicable for a married couple resident in Malta, i.e. the joint computation:

Tax Rate	Total Yearly Income of Resident Employee
0%	For first €12,700
15%	€12,701 – €21,200
25%	€21,201 – €60,000
35%	Any sums over €60,000

There are no joint-computation rates for non-resident persons, and hence, individual rates must be computed.

In any case, resident rates shall apply in the case of an individual who is a national of an EU or EEA State and who derives at least 90% of his worldwide income in Malta.

Whenever a married couple opts for a joint-computation, such an EU / EEA individual may qualify for Resident Rates even where his or her spouse is not resident in Malta provided that at least 90% of the couple's world-wide income is derived from Malta.

If the EU / EEA individual does not qualify under the resident rates, the non-resident rates shall apply. However, the income that will be subject to such non-resident rates will be calculated as per the following formula:

(Malta source income / Worldwide income) * Resident Tax Rate on World Income

Social Security Contributions

On the other hand, the amount to be deducted for Social Security depends on the age of the person and the weekly wage.

The Social Security Contributions in Malta are divided into 2 Classes:

- Class 1 – for Employed persons
- Class 2 – for Self-Employed persons who derive more than €910 per annum from an economic activity and who are not employed. This is further divided into 2 main categories:
 - Self-Occupied Persons – persons who earn income from an activity;
 - Self-Employed Persons – persons who receive passive income (e.g. rents, investments)

The tables on the next page explain the amount of contributions that need to be paid, depending on the Class.

Class 1 Social Security Contributions – Employed Persons

Category	Description
A	Persons under 18 years of age earning not more than the amount indicated in the next table.
B	Persons aged 18 years and over earning not more than the amount indicated in the next table
C	All persons whose basic weekly wage is between the amounts indicated below.
D	All persons whose basic weekly wage is equal to or exceeds the amount indicated below.
E	Students under 18 years of age.
F	Students 18 years or older

Category	Basic Weekly Wage €		Weekly Rate Payable €		
	From	To	By Employee	By Employer	Total
A	32.40	162.19	6.62	6.62	13.24
B	32.40	162.19	16.22	16.22	32.44
<i>Persons born up to 31/12/1961</i>					
C	162.20	339.04	10%	10%	n/a
D	339.05	n/a	33.90	33.90	67.80
<i>Persons born from 01/01/1962</i>					
C	162.20	403.15	10%	10%	n/a
D	403.16	n/a	40.32	40.32	80.64
E	n/a	n/a	10% max 4.38	10% max 4.38	n/a
F	n/a	n/a	10% max 7.94	10% max 7.94	n/a

Class 2 Social Security Contributions – Self-Employed Persons

Category	Annual Income €		Weekly Rate Payable €
	From	To	
Self Employed (Single Person)	1,005	8,500	24.52
Self Employed or Self Occupied	910	9,960	28.73
Persons born up to 31/12/1961	9,961	17,993	10%
Persons born up to 31/12/1961	17,934	n/a	51.73
Persons born from 01/01/1962	9,961	22,138	15%
Persons born from 01/01/1962	22,139	n/a	63.86

G. DISCLAIMER

This publication has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice. One must not rely on it without receiving independent advice based on the particular facts of his/her own case. No responsibility can be accepted by the authors or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication.

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The Firm

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