



Global Residence Programme Rules, 2013

FACTSHEET | 2013

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1. APPLICABILITY

The Global Residence Programme Rules, 2013 (GRP) are designed to attract non-EU nationals to take up residence in Malta. The scheme is especially attractive to retirees, authors, intellectuals and international consultants or simply persons seeking to establish an alternative residence that suits their lifestyle and tax profile.

There are a number of reasons why an increasing number of foreigners are purchasing a home and taking up residence in the Maltese Islands:

- The local climate is pleasant.
- Maltese people are very warm and hospitable.
- The general lifestyle is peaceful and safe.
- The Maltese Islands have a rich cultural and historical heritage.

Moreover, this residence scheme offers a number of incentives to foreigners choosing to settle in Malta, which incentives are worthy of note.

2. BENEFITS OF THE SCHEME

2.1 Repatriation of the Capital Income

Proceeds from the sale of property, encashment of investments, other income and excess income brought into Malta may be freely repatriated by residents, provided that any tax due has been settled.

Malta owes the origins of its tax system to its historical roots as a UK colony between 1800 and 1964. The Maltese Income Tax Act retained the British notion of the distinction between income and capital gains, taxing only the former and the latter only in specific circumstances. In the absence of a definition of “residence” and “domicile” under Maltese law, Malta relies on the meaning assigned to the terms under UK Common Law.

2.2 Low Flat Tax Rate and Minimum Tax

A flat rate of 15% is chargeable on all income (less personal allowances) remitted to Malta from foreign sources. This is subject to a minimum annual tax payment of €15,000 covering the main applicant and dependents included on the same application.

2.3 Remittance Only Basis of Tax

Non-domiciled foreign holders of a GRP residence permit in Malta are taxable on a ‘remittance basis’ only on income and not foreign source capital remitted to Malta and on income and capital gains arising in Malta.

2.4 Capital Gains

Income not remitted (transferred) to the resident’s bank account and capital gains (whether remitted or otherwise) fall outside the scope of Maltese tax. Capital/savings remitted to Malta also fall outside the scope of Malta tax.

Overseas capital funds invested locally are of course only taxed on any interest or dividends generated thereon, again at a 15% flat rate.

2.5 Double Taxation Relief

Malta enjoys 60 double tax treaties. Malta residents can choose to receive their pensions in Malta and pay tax at the flat rate of 15% with no tax at source in certain scenarios.

GRP residents also benefit from double taxation agreements existing between Malta, most European countries, Canada, Australia and the USA, ensuring that tax is never paid twice upon the same income.

2.6 Full Exemption from Customs Duty/ VAT

Your used household and personal effects, furniture and other domestic articles (excluding firearms and weapons of all kinds) may be imported free of import duty if imported within six months of your arrival in Malta to take up residence. In such cases import licenses are not required.

2.7 Stamp Duty

Stamp duty is payable by the acquirer on the transfer of immovable property situated in Malta and transfers of shares in Maltese companies (including transfers on death).

Exemptions from stamp duty may be available on the transfer of shares in certain Maltese companies, e.g. if the company is listed on the Malta Stock Exchange or if the vast majority (at least 90%) of its business interests are outside Malta.

2.8 Sale of Property

Property in Malta can be sold completely exempt from tax if such property is held for a period of 3 years as the resident's sole and ordinary residence. If sold before the lapse of 3 years, a final property tax of 12% is chargeable on the selling price.

2.9 Other Tax Considerations

- No inheritance or death taxes
- No estate duty
- No net worth or wealth taxes
- No municipal taxes, rates or real estate taxes

3. CONDITIONS FOR OBTAINING A GLOBAL RESIDENCE PROGRAMME PERMIT

All Non-EU nationals may submit an application for a GRP permit provided specific conditions are satisfied.

3.1 Good Character

Applicants must produce documentary evidence of good conduct by presenting police conduct certificates or equivalent. (Refer to Documents Preparation Guidelines provided on request). Applicants are also required to pass a Fit and Proper Test which includes International Due Diligence searches.

3.2 Health Insurance

Applicants are required to take up a Private Health Insurance Policy which covers all medical risks in Malta for the main applicant and dependants.

3.3 Property in Malta

An applicant for residency must own property in Malta which is purchased for not less than €220,000 if purchased in Gozo or in the Southern region of Malta and a minimum of €275,000 if purchased anywhere else in Malta.

Alternatively, the applicant may opt to rent a property of which the minimum rental is €8,750 per annum if rented in Gozo or in the Southern region of Malta and a minimum of €9,600 per annum if rented anywhere else in Malta.

3.4 Financial Requirements

Applicants must be in possession of stable and regular resources.

3.5 Other Requirements

Applicants must be in possession of a valid travel document and must be fluent in one of the official languages in Malta.

4. CONDITIONS ON APPROVAL

Once the residence application has been approved, the candidate for residence is subject to Provisional Tax Payment.

Candidates for residence must make a provisional tax payment equivalent to the minimum tax liability on account of taxation chargeable for the first year of residence. The minimum annual tax liability is as of €15,000 covering the main applicant and dependents included on the same application.

5. ANNUAL OBLIGATIONS

The GRP permit holders are required to fulfil the following annual requirements:

- Retain qualifying property in Malta
- Retain a Private Health Policy and stable resources
- Refrain from changing domicile to Malta
- Refrain from staying in any other jurisdiction for more than 183 days and becoming a tax resident therein.

5.1 Annual Declaration and Tax Compliance

At the end of the first year of residence and subsequently at the end of every calendar year, you will be required to complete an Annual Declaration form and supplementary documentation to confirm that you have fulfilled the conditions attached to your permit. We can be your Authorised Registered Mandatory and provide legal representation with the authorities in respect of the statutory annual declarations, in conjunction with the preparation and submission of annual tax returns on your behalf.

6. SUMMARY OF THE FINANCIAL REQUIREMENTS IN VARIOUS CURRENCIES

The GRP permit holders are required to fulfil the following annual requirements:

	EUR	GBP*	USD*
Minimum annual tax: Main Applicants & Dependents	15,000	12,777	19,511
Minimum annual rental: In Gozo or Southern Malta In other parts of Malta	8,750 9,600	7,451 8,177	11,381 12,487
Minimum purchase price: In Gozo or Southern Malta In other parts of Malta	220,000 275,000	187,396 234,234	286,112 357,640

* subject to changes in exchange rates

7. DOUBLE TAXATION TREATIES

Signed and Ratified:

Albania, Australia, Austria, Barbados, Belgium, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Jordan, Korea, Kuwait, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Malaysia, Montenegro, Morocco, Netherlands, Norway, Pakistan, Poland, Portugal, Qatar, Romania, San Marino, Serbia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Syria, Tunisia, United Arab Emirates, United Kingdom, United States of America.

Signed but not yet ratified:

Palestine & Israel, Bahrain, Hong Kong, Uruguay, Switzerland

Initialed / Being Negotiated:

Bosnia and Herzegovina, Ukraine, Oman, Thailand, Turkey, Saudi Arabia

8. MALTA COMPANIES

8.1 Malta Companies for Business Operations

A Maltese company can trade and provide services/consultancy/intermediation internationally throughout Europe (having a Maltese/EU VAT

registration) as well as outside the EU, enjoying a net 5% effective tax rate after refunds to shareholders. Maltese companies are not low tax companies (the corporate tax rate is 35%) as the refunds are payable to the shareholders. Also, Malta is a full member of the European Union since 2004 and enjoys reputable onshore status. This enables a shareholder to enjoy tax opportunities without being perceived as a dubious offshore company / investor.

8.2 Malta Companies for Holding Activities

A Maltese holding company can act as the group holding company, an asset protection company for business assets of any form (real estate anywhere, fixed assets, investments, securities, bank accounts, intellectual property, etc) but also personal assets including any luxury items, depending on the shareholders involved. Maltese holding companies are also excellent tax planning tools in that they enjoy low effective tax rate on world-wide profits as follows:

- 0% on dividends received from a participating holding, that is:
 - i. where the parent company holds at least 10% of the equity in the subsidiary; or
 - ii. holds an investment in the subsidiary of at least € 1.5 million and holds that investment for more than 183 days
- 0% on capital gains made from the disposal of a participating holding
- 5% on dividends from non-participating holdings
- 10% on passive income (interest, royalties etc)

For more technical information about the advantageous tax refund systems applicable to the taxation of Maltese companies, please request more information or visit www.ccmalta.com/corporate/corporate-services

9. MALTA TRUSTS

Maltese trusts lend themselves as favourable vehicles for confidential ownership of shares as well as for the acquisition of property in Malta.

Claris Trustees & Fiduciaries Ltd, our licensed trust company, acts as professional trustee to a number of private trusts including trusts holding estates of high net worth individuals, securities, real estate and immoveable property, art, vessels, luxury vehicles and aircraft. Claris Trustees provides confidential wealth ownership and family office services for local and foreign high net worth individuals.

www.ccmalta.com/legal/trusts-estates-law

10. OUR SERVICES

10.1 Application Stage

We offer the services of:

- advising you on your chances of success before filing your application;
- providing you with legal advice related to immigration matters;
- guiding you with the preparation and forwarding of the necessary documentation;
- vetting and preparing all supporting documentation for submission;
- corresponding and liaising with the government authorities on your behalf during the pendency of the application process;
- keeping you informed with the progress of your application and forwarding the permit once it is issued;
- assisting you with the purchase / rental of a house in Malta including applications for AIP permits (foreigners need AIP permit to purchase property in Malta), reviews of your contract, liaising with the notary...

10.3 Residence Related Services

Our services in this regard include:

- handling applications for work permits, ordinary, HNWI and GRP residence permits;
- legal and notarial representation on property purchases and re-sales;
- co-ordination of architectural surveys and planning applications, referral to leading interior designers and turnkey providers for property conversions;

- personal and corporate international tax planning;
- dealing with all periodical tax matters including annual returns and tax payments;
- assistance in the drawing up of wills and trust testamentary and liaising with notaries for the registration thereof;
- administration of estates & trust management;
- advice on the formation & management of international trading & holding companies in Malta;
- yacht registration under the Malta flag & VAT planning.

11. ABOUT US

At Chetcuti Cauchi, we offer sophisticated business advice and legal representation in all aspects of corporate, commercial and financial-legal services. Our partners and associates share a common can-do spirit and approach client matters with a positive problem-solving approach that adds value to our clients' projects.

With roots in Malta's emergence as a prominent offshore financial centre, Chetcuti Cauchi has since established itself as a respected alternative to Big 4 outfits in Malta. Chetcuti Cauchi is a professional services group providing legal, tax, company formation and fiduciary services to businesses and private clients worldwide.

11.1 Our Practice Groups

- Art & Cultural Property
- Aviation
- Banking Industry
- Charities & Voluntary Organisations
- Energy Resources
- Financial Services
- Hospitality
- ICT & Media
- Lotteries & Gaming
- Malta Film Industry
- Manufacturing
- Pharmaceutical & Biotech
- Property & Development
- Public Sector

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