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## **Bulgaria: Immigration alert**

### **Obtaining Bulgarian permanent residence through investment**

Foreign investors, who are citizens of countries outside the EU, EEA, and Switzerland would be eligible for a Bulgarian permanent residence permit valid for an unlimited period of time if they invest over BGN 1,000,000 (approximately EUR 511,292) by:

1. Acquiring shares of a Bulgarian company traded on a Bulgarian regulated stock exchange;
2. Acquiring bonds and treasury bills, as well as any other derivative instruments thereof, issued by the Bulgarian state or municipalities and having a remaining term of no less than six months until maturity; or
3. Depositing the above amount in a licensed Bulgarian credit institution under a trust contract for a minimum of five years, where for the same period the deposit cannot be used as collateral for other money credits granted by a Bulgarian credit institution.

### **Bulgarian citizenship through investment**

Subject to certain criteria, the foreign investors could apply for Bulgarian citizenship after expiry of one year counted from the date of receiving the Bulgarian permanent residence permit through investment if they:

- Increase the investment under points 1-3 above to at least BGN 2,000,000 (approximately EUR 1,022,584) under the same statutory terms and conditions; or
- Make a separate investment of at least BGN 1,000,000 (approximately EUR 511,292) in the capital of a Bulgarian company carrying out a “priority investment project” as defined by Bulgarian law

In cases not addressed above, individuals would be eligible for Bulgarian citizenship after expiry of five years counted from the date of receipt of a Bulgarian permanent residence permit through investment.

Current Bulgarian legislation requires maintaining the investment from five to eight years (depending on the specifics of the investment), during which it cannot be withdrawn or otherwise transferred to a third party.

During the first five years of the investment, the investor and their family members are not required to reside in Bulgaria. As of the start of the sixth year, they must and reside in Bulgaria or their permanent residence permits shall be annulled.

No knowledge of Bulgarian language and renouncing native citizenship are required for the investor and their family members.

### Deloitte's view

The above regulations provide a special regime for foreign investors, who are citizens of countries outside the EU, EEA, and Switzerland to acquire a Bulgarian permanent residence permit and citizenship. Currently, not all formalities regarding the obtaining of Bulgarian citizenship are clear; however, we consider this to be an interesting opportunity and are available for further discussion upon request.

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## Chile: New format of Affidavit 1853 reporting foreign source income

### Overview

The Chilean IRS (SII) recently issued Resolution 106, dated 24/12/2013, which replaces the content and structure of a number of sworn declarations, among them Sworn Statement 1853 (Affidavit 1853). This affidavit must be completed correctly and in accordance with the information reported in the taxpayer's annual tax return (Form 22) in April.

**URL:** <http://www.sii.cl/documentos/resoluciones/2013/an29.pdf>

The following information should be reported:

- The amount of foreign-source income received, regardless of its origin or currency.
- The amount of tax paid on this income outside Chile, if applicable.
- The expenses associated with the foreign-source income that were considered to arrive at a net income figure.
- In the case of the disposal of tangible and intangible assets, the outcome of this action, whether a gain or loss.

### Explanation

In Chile, individuals are taxed on a world-wide income basis. Foreign individuals are exempt from this rule for their first three years in the country. Therefore, individuals required to present Sworn Declaration 1853 are the following:

- Chileans domiciled or resident in Chile that received foreign-sourced income (employment or personal income) during calendar year 2013.
- Foreigners domiciled or resident in Chile that had been in the country for more than three years and received foreign-sourced income: employment or personal income during calendar year 2013.

The declaration must be filed by March 19, 2014, by all taxpayers that have RECEIVED (as opposed to accrued) foreign source income.

## Deloitte's view

Employers should consider the above when preparing their annual authorized list of assignees for tax return services, as the information reported in the affidavit (March 19) should be consistent with the one provided in their annual tax return (April 30).

Failure to comply with the presentation of Affidavit 1853 may trigger penalties for the individual.

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## Hungary: Personal income tax and social security law changes adopted for 2014

### Overview

Several modifications in the Hungarian personal income tax and social security rules came into effect on 1 January 2014. The changes could affect both individuals assigned to Hungary and individuals employed by Hungarian companies. The following is a summary of the major changes.

### Social security status of third country citizens

The Hungarian activity of third country citizens will continue to be exempt from social security contribution (employee part) and social tax liabilities (employer part) if their Hungarian activity does not exceed two years. In case of Hungarian assignments, the new legislation provides the two-year exemption period so that social security insurance liability (employee and employer part) should only arise from 1 January 2015.

Furthermore, the individual can continue to be exempt from social security contributions (employee part) even if his/her Hungarian activity exceeds two years if the following conditions are met:

- The extension of the Hungarian activity is a result of an unforeseen reason at the time of the beginning of the activity, and
- The reason for the extension of the Hungarian activity arises after one year of the start date of the Hungarian activity, and
- The individual notifies the Hungarian Tax Authority within eight days after the extension of the Hungarian activities.

This possible exemption does not affect the social tax liability (employer part) i.e., if the Hungarian activity of the third country citizen exceeds two years, social tax liability should arise from the first day of the Hungarian activity (retrospectively).

### Deloitte's view

Subject to conditions, third country citizen assignees' exemption from social security could be available until 1 January 2015, and any contributions paid before could be reclaimed under certain circumstances. Companies assigning third country citizens should review their current assignments or plan the assignee transfers carefully to benefit from the exemption from Hungarian social security charges.

### Taxation of foreign performing artists

The tax legislation introduces a new, simplified method to determine foreign performing artists' (e.g. musicians, dance artists) personal income tax base: 70% of the artist's revenue is to be considered as taxable income (allowing a 30% expense deduction). The calculated personal income tax should be declared and paid before the performing artist leaves Hungary.

The method is optional, it can be chosen if:

- The artist is present in Hungary for the period not exceeding in the aggregate 183 days in any 12-month period, and
- The revenue derived from the Hungarian activities exceeds HUF 200,000 per annum.

#### **Deloitte's view**

It is expected that the tax authority will focus on reviewing the tax files of foreign performing artists to assess whether the conditions set by law are met. Therefore, we recommend notifying the clients that might be impacted.

#### **Family tax credit, family social security contribution credit**

Besides the previously available family tax credit, family social security contribution credit was introduced as of 1 January 2014. This credit is applicable to individuals subject to Hungarian income tax and covered by the Hungarian social security system and unable to use the full amount of the family tax credit.

This credit decreases the individual's health care and pension contributions (employee part of social security contribution) liability while it does not affect the individual's eligibility to Hungarian social security benefits.

#### **Deloitte's view**

Family tax allowance (consolidated tax base decreasing item) is available for individuals with three dependents (children) in an amount of HUF 206,250 per month. If the individual's monthly gross income is less than HUF 618,750 per month (approximately EUR 2,050 per month), he/she is not able to benefit from the whole amount of the tax credit. The aim of the new rules is to allow a full deduction of the allowance either from the tax base or through a decrease of employee social security charges.

#### **Pension insurance contract**

An individual taxpayer will be entitled to dispose 20% of the premiums (but maximum of HUF 130,000, approximately EUR 430 per annum) paid by him/her as contracting party for a pension insurance policy taken out from an insurance company resident in Hungary or in another EEA member state. This regulation is applicable to pension insurance premiums paid under a contract concluded after 31 December 2013.

#### **Deloitte's view**

With this step, the government encourages the pension savings. The new rules could apply to insurance schemes offered by non-Hungarian insurance companies residing in EU member states; however, considerable administrative burden can make it difficult to deploy this in practice.

#### **Approved employee share plans**

The registration obligation of the approved employee share plans with the Hungarian authorities is abolished. The conditions for the beneficial tax treatment are mostly unchanged, i.e.:

- Maximum 25% of the participants could be executives,
- The executives are permitted to obtain not more than 50% of the nominal value of the shares made available in the scheme,
- Shares or share-related rights up to HUF one million per tax year, etc.

As a new condition, it has also been introduced that the eligibility for the participation in the scheme could not be related to the performance of the employee.

## Deloitte's view

Although the administration of implementing a share plan with beneficial tax treatment is reduced due to the abolishment of the registration process (confirmation of the tax authority that the share plan meets the conditions set by law to benefit from the tax advantageous treatment), the application of the specific rules to an employee share plan involves more risk for the employers. In order to eliminate the risks, we recommend filing a ruling request in order to seek authority verification of the specific tax treatment of the share plan.

## Tax free single and season tickets for sport events

As of 2014, the single and season tickets for sport events provided by a company to its employees, clients, or other third parties are to be considered as tax free benefits without any limit in value (previously, a limit of HUF 50,000, approximately EUR 165 per annum, was applied).

## Deloitte's view

Abolishing the limit creates an opportunity for companies to provide this kind of benefit in a wide range to employees, business partners, etc. The underlying sport events might be associated with further services at the venue, e.g. catering.

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## Malta: Citizenship-by-investment: Individual Investor Program regulations

### Overview

Malta has introduced a citizenship program, entitled the "Individual Investor Program" (the "Citizenship Program"), which is targeted to non – European Union nationals. The Citizenship Program that has been approved by the European Union permits the granting of Maltese citizenship by a certificate of naturalization to foreign individuals and families who contribute to the economic development of Malta. In view of the fact that Malta is a member of the European Union (EU), the granting of Maltese citizenship results in EU citizenship and the consequent freedom of movement within the EU to the citizenship holder. The following is a summary of the salient features of the program.

### What are the minimum criteria for eligibility for the main applicant?

- The individual must be at least 18 years of age.
- The individual is required to make a contribution to the economic development of Malta by the payment of a nonrefundable contribution to the Malta National Development & Social Fund/Consolidated Fund.
- The individual is required to, within four months of issuance of a letter of approval in principle, provide evidence that:
  - The main applicant and dependents are covered by a global health insurance policy.
  - The main applicant acquires and holds immovable residential property situated in Malta having a minimum value of €350,000 (approximately USD 473,900) or leases immovable residential property in Malta for a minimum annual rent of €16,000 (approximately USD 21,664) (property purchased or leased must be retained for at least five years from date of purchase/lease).

- The main applicant has made such other investments in Malta to an amount of €150,000 (approximately USD 203,100) amongst others in stocks, bonds, debentures, special purpose vehicles, or other investment vehicles as may be identified by the competent authority.
- The main applicant has resided in Malta for a period of at least 12 months preceding the day of the issuing of the certificate of naturalization.

### Eligible dependents

Eligible dependents of the main applicant and who are also eligible for consideration under the program are:

- Spouse
- Child (including adopted child) of applicant or spouse and who is less than 18 years of age
- Child of applicant or spouse who is less than 26 years old and more than 18 years old and who is not married and who is wholly maintained by the applicant
- Parent or grandparent of the applicant or spouse who is more than 55 years of age and who is wholly maintained by the applicant and forms part of the household of the applicant
- Child of the applicant or spouse who is more than 18 years of age, is physically or mentally challenged, and who is living with and is supported by the applicant

### What are the minimum criteria for eligibility for both the main applicant and the dependent?

- A proper background verification of the applicant and dependents more than 12 years of age
- Clean Police Certificates issued by Malta Police Authorities plus the competent police authorities in the country of origin and in the country(ies) of residence where the applicant has resided for a period of more than six months during the last 10 years (alternatively, if police certificates are not obtainable, a sworn affidavit that has a clean criminal record)
- Certificate in the form prescribed by the competent authority from a reputable health system that the main applicant and dependents are not suffering from any contagious disease and that they are otherwise in good health
- Not indicted before the International Criminal Court (ICC)
- Not listed with the International Criminal Police Organization (INTERPOL)
- Not, or may not, be a potential threat to Malta national security, public policy, or public health
- Not have pending charges related to crimes of terrorism, money laundering, funding of terrorism, crimes against humanity, war crimes, or crimes that infringe upon Protection of Human Rights and Fundamental Freedoms as established by the European Convention on Human Rights or has been found guilty of any such crimes
- Not found guilty or have charges brought against him/her regarding any criminal offences that disturb the good order of family
- Not found guilty or is being interrogated and suspected or has criminal charges brought against him/her for any of the criminal offences (other than involuntary offences) punishable with more than one year imprisonment (a sworn declaration before a duly appointed Commissioner of Oaths, lawyer, or notary public is required to the effect that the information provided is true and correct)
- Not denied a visa to a country with which Malta has visa-free travel arrangements and who has not subsequently obtained a visa to the country that issued the denial

### Other qualifying beneficiaries

Beneficiaries of the (Malta) Global Residence Program shall be allowed to apply for the Citizenship Program subject to satisfying all the eligibility requirements of the Citizenship Program.

### Contributions

The following contributions to the Malta National Development & Social Fund/Consolidated Fund are required to be made by a successful applicant in terms of the Citizenship Program:

Main applicant	€650,000 (USD 880,100*) of which a nonrefundable payment of €10,000 (USD 13,540*) is required prior to submission of application
Spouse	€25,000 (USD 33,850*)
Children < 18 years of age	€25,000 each (USD 33,850*)
Unmarried children > 18 years of age but < 26 years of age	€50,000 each (USD 67,700*)
Dependent parent > 55 years of age	€50,000 each (USD 67,700*)
*approximate USD equivalent at rate of exchange of EUR/USD 1.354	

The contributions are not refundable after a letter of approval in principle has been issued by the competent authority in Malta.

### Application process

Every application shall be presented to and examined by the competent authority – Identity Malta – through an Accredited Person of Identity Malta (Deloitte Malta is awaiting authorization as an Accredited Person of Identity Malta). Identity Malta shall undertake due diligence checks (four tier) in respect of both the applicant and dependents.

The application process will follow the following prescribed timeframe:

Timeline from date of presentation of application (T)	Process
T + 90 days	<ul style="list-style-type: none"> <li>• Application form checked</li> <li>• Due diligence process concluded</li> <li>• Due diligence fees + passport fees + nonrefundable payment of €10,000 received</li> <li>• Source of funds verified</li> </ul>
T + 120 days	Review and assessment by Identity Malta and issuance of a Letter of Approval in Principle
T + 125 – 145 days	Payment of contribution (less nonrefundable payment of €10,000) (purchase/lease of immovable property and other investments required to be made within four months from the issuance of the Letter of Approval in Principle)
T + 183 days – 2 years	Issuance of certificate of naturalization, subject to the applicant having been resident in Malta for 12 months and having taken an oath of allegiance

The application is required to be made on prescribed forms and accompanied by the prescribed due diligence and bank charges fees. Original or certified copies of the following documents are required to be submitted with the application:

- Prescribed health certificate issued by reputable health system that the applicant and dependents are not suffering from any contagious disease and are in good health
- Police certificate(s)
- Evidence, through due diligence processes, that the main applicant and dependents are fit and proper persons to hold Maltese citizenship
- An undertaking to remit the contribution
- An undertaking to purchase or lease immovable residential property situated in Malta
- An undertaking to make such other investments in Malta in accordance with the regulations
- An undertaking to provide proof of residence in Malta

All the documentation is required to be in English or, if in a foreign language, the documentation is to be accompanied by an authenticated translation into English.

The applicant is also required to make an affidavit of support for each dependent (except in respect to the spouse) who is more than 18 years of age.

A maximum number of 1,800 successful applications will be accepted during the whole duration of the program.

### Fees to the competent authority

The following fees are payable to the competent authority and are required to be made with the application:

Due Diligence Fees	
Main applicant	€7,500 (USD 10,155*)
Spouse	€5,000 (USD 6,770*)
Children > 13 years of age but < 18 years of age	€3,000 (USD 4,062*) each
Unmarried children > 18 years of age but < 26 years of age	€5,000 (USD 6,770*) each
Dependent parent > 55 years of age	€5,000 (USD 6,770*) each
*approximate USD equivalent at rate of exchange of EUR/USD 1.354	

Due diligence fees are not refundable.

Other Fees	
Passport fee	€500 (USD 677*) per person
Bank charges	€200 (USD 271*) per application
*approximate USD equivalent at rate of exchange of EUR/USD 1.354	

Passport fees are refundable if passports are not applied for. Bank charges are not refundable.

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