



Maltese professionals returning to work in Malta in specific industry sectors

An incentive scheme was introduced in the Budget Measures Implementation Act, 2012 for Maltese professionals returning to work in Malta in specific industry sectors. In terms of this new scheme, an eligible individual who is established in a field of excellence and returns as an ordinary resident to Malta may opt to have his income from employment exercised in Malta charged tax at a flat rate of 15%, as opposed to the normal progressive personal income tax rates of up to 35%. The Legal Notice setting out the prescribed terms and conditions of this scheme has now been published. The scheme is effective from tax basis year 2012.

Legal Notice 111 of 2013 entitled Repatriation of Persons established in a Field of Excellence Rules, 2013 requires that, for an individual to benefit from these rules, the following conditions must be met:

Eligible person

The term 'eligible person' refers to an individual who is established in a field of excellence and returns to take up residence in Malta. This individual must prove that he/she had been ordinarily resident in Malta for at least 20 years, but has not been ordinarily resident in Malta for the 10 consecutive years prior to his/her return to Malta.

Field of excellence

This means an area of professional competence in which a person has excelled in the manufacturing and research and development sectors as may be defined in the Guidelines issued by Malta Enterprise Corporation (hereinafter "the Corporation") in terms of the Malta Enterprise Act (hereinafter "the Guidelines").

Qualifying contract of employment

A qualifying contract of employment refers to the employment of an eligible person in a field of excellence, in such sector/s as may be defined in the Guidelines, which consists of income subject to tax and received by an eligible person of a minimum value of €75,000 per annum exclusive of any fringe benefits. Approval in writing for the qualifying contract of employment must be obtained from the Corporation.

The beneficiary

A beneficiary in terms of the scheme is an individual who meets all the following conditions:

- a. He/she derives emoluments payable under a qualifying contract of employment received in respect of work or duties carried out in Malta, or in respect of any period spent outside Malta in connection with such work or duties, or on leave during the carrying out of such work or duties;
- b. He/she proves to the satisfaction of the Corporation that he/she is in possession of the requisite educational and/or professional qualifications relevant to the profession or sector of field of excellence as defined in the Guidelines;
- c. He/she is protected as an employee under Maltese law for the purpose of exercising genuine and effective work for or under the direction of someone else and has the required adequate and specific competence as approved by the Corporation; and
- d. He/she declares the emoluments received from the qualifying contract of employment and all income received from a person related to his/her employer for income tax purposes in Malta.

Malta tax treatment

Income derived from a qualifying contract of employment in terms of this scheme will be deemed to constitute the first part of the individual's total income and subject to tax at a flat rate of 15% without the facility to claim any deductions. Any other income will be taxed at the rate applicable to that income had the option not been exercised.

Duration

The scheme applies for a consecutive period of up to five years. The duration in terms of these rules commences from the year in which that person was first liable to tax after returning to reside in Malta.

Tax factsheet

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