



Malta: The tax treatment of returned migrants

Malta offers tax benefits to individuals who, having been born in Malta, have, after originally emigrating from Malta, returned to Malta on a date after the first day of January 1988, with the intention of taking up residence in Malta.

Key terms and conditions

For an individual to be eligible for the Returned Migrant status, the following conditions would have to be satisfied:

- a. The individual must have been born in Malta;
- b. The individual has or will return to Malta in order to take up residence herein;
- c. The individual can prove he/she has actually resided outside Malta for an aggregate period of 20 years within a period of 25 years preceding the first year in which a tax return is due in Malta by the individual; and
- d. The individual must remit to Malta foreign source income of not less than €14,000, plus an additional €2,400 for each dependant relative including a spouse.

Malta tax treatment

An individual who qualifies as a Returned Migrant is entitled to opt for tax treatment as described below (the option may be taken at any time after the individual has taken up residence in Malta and once exercised it may be renounced to, however once renounced to the option cannot be re-exercised at a later date).

The individual would be subject to the following tax treatment in Malta:

- a. Any income arising outside Malta, will be subject to tax in Malta at a flat rate of 15% (with the first €4,200 being exempt, which amount increases to €5,900 in the case of a married individual) of any amount received in Malta (ie: on a remittance basis);

- b. Any realised capital gain arising outside Malta would be outside the scope of Malta income tax even if remitted to Malta;
- c. On the other hand, any income arising in, or derived from, Malta would be subject to tax in Malta, under Malta's standard progressive rates of taxation. The said income shall be deemed to constitute the last part of the individual's total income for that relative year.
- d. Any realised capital gain arising in Malta on the transfer of a capital asset (including immovable property situated in Malta) would likewise be subject to tax in Malta, starting at the rate of 15% increasing up to a maximum rate of 35%. The exempt income brackets mentioned above will not apply in respect of such income. Special rules apply to the transfer of immovable property situated in Malta and these are subject to a final withholding tax of 12% on the transfer value (subject to specific exemptions) in lieu of taxation at 35% on the net capital gain; and
- e. As a resident of Malta, a returned migrant will have access to Malta's double tax treaty network.

This tax treatment is however subject to a statutory limitation which requires that, after the obtaining of any relief from double taxation which the individual may be entitled to in terms of Maltese law, the individual's annual Malta tax liability must be at least €2,325.

Ongoing compliance obligations

The individual would be required to pay provisional tax on an annual basis. The provisional tax benchmark is set at €2,325 (equivalent to the minimum tax due by a returned migrant in terms of the scheme in terms of the Income Tax Act).

The individual would also be required to file an income tax return on an annual basis by the 30 June.

Other benefits

There are no death duties in Malta. Duty on documents and transfers would however become due and payable at the rate of 5% of the fair market value of the property situated in Malta upon the death of the returned migrant. Certain exemptions from such duty may apply.

Subject to satisfaction of certain conditions, exemptions may apply on customs duty and VAT on personal property, excluding motor vehicles, intended for the personal use of the returned migrants concerned or for meeting their household needs, including household effects.

Tax factsheet

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LTU170223 LDU170307 FS004