

## The Remittance Basis of Taxation in Malta - A Minor Change

The Maltese Government introduced modifications to the remittance basis of taxation on 1 January 2018.

By **Jonathan Vassallo**, 19th September 2018

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### **Background**

Malta offers an extremely attractive remittance basis, whereby a resident non-domiciled individual is only taxed on foreign income if this income is received in Malta or is earned or arises in Malta.

### **A Tax Change for Resident Non-Domiciled Individuals**

Changes, introduced at the beginning of 2018, mean that individuals who are ordinarily resident in Malta, but not domiciled there, may be subject to pay a minimum amount of annual tax in Malta, **capped at €5,000**.

The tax is payable if the non-domiciled individual:

- is not participating in a scheme such as 'The Residence Programme', 'Global Residence Programme' and/or 'Malta Retirement Programme', which specify a minimum tax payable; **and**
- earns at least €35,000 of income from outside of Malta (or its equivalent in another currency). In the case of a married couple, the combined

income is taken into consideration.

### **Calculation of the Amount of Tax to be Paid**

To calculate the tax payable, personal tax paid in Malta, including withholding tax, is taken into account. Capital gains tax, however, is not included.

If the income of a non-domiciled individual in any single tax year results in a tax liability of less than €5,000, the maximum tax of €5,000 will be payable. For example, if an individual is liable to pay €3,000 on income arising or received in Malta, they will be required to 'top up' that tax by an additional €2,000.

An exception to the above rule exists if a non-domiciled or non-resident individual can prove that tax on foreign income or capital, arising outside of Malta, would be less than €5,000. At the discretion of the Commissioner of Tax, the tax liability may be agreed at a lower level than the €5,000 specified amount.

### **Zero Tax on Capital Gains Arising Outside of Malta**

No changes are in place or proposed in relation to tax payable on capital gains arising outside of Malta.

Irrespective of whether this income is brought into Malta or not, NO tax is payable.

### **Summary**

The remittance basis of taxation in Malta remains a very attractive tax regime for individuals who are resident but not domiciled in Malta.

The Maltese remittance basis of taxation has been revised and may result in the payment of a maximum annual tax of €5,000. This remains a relatively low amount of tax payable.

### **Additional Information**

If you would like additional information please contact Jonathan Vassallo at the Dixcart office in Malta: [advice.malta@dixcart.com](mailto:advice.malta@dixcart.com) or speak to your usual Dixcart contact.

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