

# Country Tax Guide





# Malta

## International Tax Contact

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Facts and figures as presented are correct as at 29 August 2016.

## Corporate Income Taxes

A company is ordinarily resident and domiciled in Malta if it is incorporated in Malta. A company is resident in Malta if its control and management are exercised in Malta. Companies that are both ordinarily resident and domiciled in Malta are subject to tax on their worldwide income. Companies that are either resident or domiciled in Malta are subject to tax on their Maltese source income and on income received in Malta (excluding capital gains arising outside of Malta regardless of where the gain is received). Companies that are neither resident nor domiciled in Malta are generally subject to tax on their Maltese source income, subject to the terms of any relevant tax treaty.

The corporate income tax rate is 35%.

Taxable income generally includes any taxable capital gains (eg in respect of share transfers), subject to exemptions (including the participation exemption). A separate tax applies to transfers of immovable property, see "Other Taxes".

Unutilised losses can generally be carried forward indefinitely. Losses cannot be carried back.

Group relief provisions are available in Malta which permits qualifying companies to offset losses against the profits of another company in the same group.

The tax year is generally the calendar year. The tax authority may authorise the use of an alternative tax period at the request of the taxpayer.

Tax returns are generally due for filing by the date in the return provided by the tax authority.

Companies are generally required to make three provisional payments of corporate income tax (certain exclusions apply). Any remaining corporate income tax due is payable by the deadline for filing the corporate tax return.

## Personal Taxes

Individuals that are both ordinarily resident and domiciled in Malta are generally subject to tax on their worldwide income. Individuals that are either resident or domiciled in Malta are subject to tax on their Maltese source income and on income received in Malta (excluding capital gains arising outside of Malta regardless of where the gain is received). Individuals that are neither resident nor domiciled in Malta are generally subject to tax on their Maltese source income, subject to the terms of any relevant tax treaty.

Single resident individuals and married individuals computing their income separately are generally subject to personal income tax at the following rates (subject to deductions and allowances):

Taxable Income (EUR)	Tax Rate (%)
Up to 9,100	0
9,101 – 14,500	15
14,501 – 60,000	25
60,001 and over	35

Different income bands apply to qualifying parents and to married couples computing their income jointly.

Non-resident individuals are generally subject to personal income tax at the following rates (subject to deductions and allowances):

Taxable Income (EUR)	Tax Rate (%)
Up to 700	0
701 – 3,100	20
3,101 – 7,800	30
7,801 and over	35

There are various special tax regimes available to qualifying individuals, including the rules for Highly Qualified Persons, the Malta Retirement Programme, the Global Residence Programme, and the Residence Programme.

Taxable income generally includes any taxable capital gains (eg in respect of share transfers), subject to exemptions. A separate tax generally applies to transfers of immovable property situated in Malta, see “Other Taxes”.

There is no wealth tax.

## Employment Related Costs and Taxes

### Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, the taxable value of benefits-in-kind form part of the income of individuals and are subject to income tax.

### Social security costs

Employers and employees are required to make statutory social security contributions (Class I contributions). Employers and employees each pay the same amount, which in most cases amounts to 10% of salary up to a prescribed maximum.

Private sector employers are required to contribute to a maternity leave fund, generally at the rate of 0.3% of salary.

The basis of assessment is gross weekly salary (or the weekly equivalent of monthly salary).

## **Withholding Taxes on Payments Abroad**

There is generally no withholding tax on dividend, interest and royalty payments made abroad (if conditions are complied with).

## **Value Added Tax (VAT)**

VAT is generally levied on the supply of goods and services in Malta, on the intra-Community (EU) acquisition of goods, and on the importation of goods.

The standard VAT rate is 18%. A reduced rate of 7% applies to licensed accommodation services and the use of sporting facilities. A reduced rate of 5% applies to certain supplies, including electricity supplies, certain confectionery, medical accessories, aids for the disabled, printed matter such as books, domestic care services, and admission to museums, art exhibitions, concerts and theatres. Certain supplies are VAT exempt with credit, including exports, international transportation services, pharmaceutical goods, and food for human consumption (excluding food supplied by caterers). Certain supplies are VAT exempt without credit, including qualifying immovable property rentals, financial and insurance services, cultural and religious services, health and welfare services, and education services.

There are three categories of VAT registration:

- Article 10 standard registration — obligatory for taxable persons with turnover exceeding the prescribed annual threshold or who supply services within the territory of an EU Member State and optional for others
- Article 11 small undertaking registration — “VAT exempt” registration applies to taxable persons considered to be small undertakings, ie with turnover not exceeding the prescribed annual registration thresholds, but which do not fall under the exemption threshold, and
- Article 12 registration — obligatory for non-taxable legal persons or for taxable persons (individuals and companies) not registered under Article 10, intending to make intra-community acquisitions of a total value exceeding the annual acquisitions threshold.

Businesses that do not exceed the thresholds are considered to be small undertakings for VAT purposes. The thresholds vary according to the principal nature of the supply (category of activity), but the amount of turnover is based on the total value of all supplies. The VAT registration annual turnover thresholds are as follows:

Economic Activity	Entry Threshold (EUR)	Exit Threshold (EUR)
Mainly the supply of goods	35,000	28,000
Mainly the supply of services with low value added	24,000	19,000
Other	14,000	12,000

The annual acquisitions threshold for registration under Article 12 is EUR10,000.

The annual threshold for distance selling of goods within the EU is EUR35,000.

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

## Other Taxes

### Stamp duty

Stamp duty applies generally on documents effecting transfers of immovable property or shares and generally at the rate of 2% or 5%. Subject to exceptions, life insurance policies are generally subject to stamp duty at the rate of 10% (0.1% for certain policies that are not renewable annually), and non-life insurance policies are subject to stamp duty at the rate of 11%.

### Excise taxes

Excise taxes are imposed on certain goods, including alcohol, alcoholic beverages, tobacco products, energy products, mobile telephone services, and cement.

### Immovable property transfer tax

Transfers of immovable property situated in Malta are generally subject to tax at the rate of 8% of the transfer value (the higher of the consideration received and the market value of the property transferred), subject to exemptions. Rates of 2%, 5%, 7%, 10% and 12% apply to certain transfers.

### Other taxes

Other taxes in Malta include an eco-contribution, motor vehicle registration tax, and gaming tax.

## **Tax Incentives for Businesses**

### **Research and development (R&D) expenditure**

Under the Income Tax Act, qualifying scientific research expenditure may be deducted from taxable income. Furthermore, taxpayers may choose to deduct 150% of qualifying scientific research expenditure from their taxable income, subject to a maximum annual deduction of 5% of turnover. Any unutilised deduction may be carried forward to subsequent tax years.

Businesses may be eligible for tax credits or cash grants in respect of expenditure on qualifying industrial R&D or experimental development projects that may contribute to the economic development of Malta. The assistance available ranges from 25% to 80% of eligible costs, depending on the type of project and the size of the business. Any unutilised R&D tax credits may be carried forward to subsequent tax years. This incentive is available until 31 December 2020.

### **Investment incentives**

Initial investments, and the expansion and development of existing businesses, may be eligible for investment aid tax credits. Eligible investments vary depending on factors such as the size of the business, and eligible activities include manufacturing, information technology, call centre activities, R&D and innovation, eco-innovation, waste treatment and environmental solutions, biotechnology, pharmaceuticals, Freeport and logistic operations, and hotels or guest houses.

The tax credit is based either on the tangible and intangible investments costs, or the value of wage costs (as defined). For qualifying investment projects started before 31 December 2017, the maximum tax credit available ranges from 15% to 35%, depending on the size or type of the business. For large investment projects in excess of EUR50m, only half of the applicable tax credit percentage applies on qualifying expenditure between EUR50m and EUR100m. No tax credits are granted in respect of expenditure in excess of EUR100m.

Any unutilised investment tax credits may be carried forward to subsequent tax years.

### **Enterprise support incentives**

Under the Malta Enterprise Act, qualifying projects that may make a substantial contribution to the development of Malta's economy and that are consistent with the aims and objectives of the Government may benefit from support.

Country Tax Guides are designed to provide a summary of the taxes which apply to business and individuals, and are for information purposes only. Whilst every effort has been made to ensure accuracy, information contained in these guides may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. Contacts details for independent members of Baker Tilly International can be found at [www.bakertillyinternational.com](http://www.bakertillyinternational.com).

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