

THE 'PERMANENT' RESIDENCE PERMIT SCHEME

A Tax Residence Scheme



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Background to the Scheme

The 1988 Permanent Residence Scheme was originally designed to attract non-resident individuals wishing to settle down or retire to Malta. Over the years, however, this Scheme has also generated much interest amongst business people and high net worth individuals who travel frequently and accordingly spend relatively little time in their home jurisdiction, particularly from an international tax planning point of view. Applicants may be EU and non-EU nationals alike.

Why should one apply for a Permanent Residence Permit ('PRP')?

- ~ Following the issue of the PRP and the execution by the PRP Holder, in person in Malta, of the Tax Declaration establishing the date from which he will have activated his PRP and thus established his tax residence in Malta, the PRP Holder is considered to be a resident of Malta for Income Tax purposes. As such, he may benefit from all of Malta's Double Tax Treaties with most European and many other countries. A tax residence certificate may be issued upon request.
- ~ The Applicant may, when applying for a PRP, indicate his spouse, any children under the age of 21 and any parent or grandparent financially dependant on the Applicant who wish to take up residence in Malta with him as his dependant/s (to be so indicated on the Application Form).
- ~ The PRP entitles the Holder / Dependants to reside permanently or indefinitely in Malta. Following the issue of a Uniform Residence Permit (URP, please see below), non-EU nationals issued with a URP may travel to Malta without a visa

and may travel to countries within the Schengen zone without the requirement of a Schengen visa.

- ~ Actual residence in Malta is not a condition of the PRP.

Income Tax is payable by the Permit Holder in Malta in terms of the following:

- Malta-sourced income and capital gains, if any, will be taxed at normal rates.
- Foreign-sourced capital gains are exempt from Malta tax, even if remitted to Malta, provided the Permit Holder does not acquire Maltese domicile.
- Foreign-sourced income is taxed at a flat rate of 15% only if remitted to Malta. This is subject to a minimum tax liability of "4,192 per annum (net of double tax relief).

- ~ The Permit Holder is not required to remit foreign-sourced gains to Malta. He is, in addition, only required to remit, on an annual basis, the equivalent of "13,950 plus an additional "2,300 for each of his Dependants by way of foreign-sourced income.

- ~ Upon taking up residence in Malta, the Permit Holder may apply for a Maltese identification card. He shall thus also become entitled to vote in local council elections.

Application for a PRP

Stage 1

An application for a PRP is made on the prescribed Form and is generally processed within 2 to 3 months. The Application Form is to be accompanied by:

1. A Declaration from the Applicant's bankers (if not possible, from an

audit firm or attorney, in which case Declaration is to be notarised and apostilled) certifying: (i) that the Applicant has an annual foreign sourced income of "23,000 or capital (specify type: immovables, securities etc.) amounting to "349,000 and (ii) that the Applicant will be able to remit to Malta a minimum annual income of "13,950 plus "2,300 per Dependant.

2. A Conduct Certificate from the police authorities for the Applicant and each Dependant (over the age of 18) indicating existence of any criminal convictions and/or ongoing criminal proceedings. Should the Applicant/ Dependant be unable to obtain a Conduct Certificate containing such information, Applicant/Dependant is also to provide a Declaration on Oath / Affidavit before a Notary or Commissioner for Oaths attesting to the fact that the Applicant does not have any criminal convictions nor any ongoing criminal proceedings.
3. In the event that the police authorities concerned do not issue Conduct Certificates, the Applicant/Dependant concerned will be required to produce a character reference from any three of a banker, solicitor, medical practitioner, employer (or previous employer), accountant, person of similar standing, in addition to the Declaration on Oath / Affidavit.
4. A Copy of the Marriage Certificate where an Application is submitted by a married couple, a married woman applying in her own name, a divorced woman or a widow. In any other case, Full Birth Certificates are to be supplied for the Applicant and for each Dependant on the Form (spouse, child, a child's Certificate must indicate parents' names and grandparents' names).



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5. Where applicable, a written declaration by the Applicant confirming that the parents / grandparents are financially dependent on him.
6. 3 passport-sized photos for the Applicant and for each Dependant.
7. Certified copy of passport (or of identification card in case of EU nationals) of the Applicant and each Dependant.
8. A copy of the deed of purchase or leased property, if already in place at the time.

The Application Form, together with the relative supporting documents (certified and legalised and counter-legalised, as applicable), is to be submitted to the Maltese Diplomatic Mission in the country of nationality of the Applicant. In the absence of a Maltese Diplomatic Mission in the country of nationality of the Applicant, the application form together with all supporting documents are to be submitted either to the Malta Diplomatic Mission accredited to the Applicant's country of nationality or directly to the Inland Revenue Department (in this latter case, we may assist in submitting the Application Form and supporting documents).

Stage 2

Upon the issue of a formal approval of the Application, the Applicant shall pay "4,192 with respect to his minimum tax liability for the first year of residence within 30 days of such approval. This tax will be credited to the Applicant's first tax Year of Assessment.

Stage 3

The PRP is issued within 30 days of payment of the tax. The PRP Holder required to travel to Malta (N.B. visa requirements may apply) to activate the PRP within 12 months of issue (the PRP will be withdrawn should he fail to do so) and he is to attend at the Department concerned to sign his Tax

Declaration, establishing his tax residence in Malta, within 15 days of his arrival in Malta.

At the PRP Holder's option, a Tax Representative, who assumes responsibility for the PRP Holder's compliance with his local tax obligations, will be appointed and indicated on the Tax Declaration as such.

On an annual basis thereafter:

- The PRP Holder is to remit to Malta a minimum "13,950 plus "2,300 per Dependant worth of foreign-sourced income on an annual basis (this cannot be re-exported in the current year) and to pay tax in Malta, subject to a minimum annual tax liability of "4,192 (net of double tax relief), in terms of the applicable rules.
- At the end of the first year of residence and annually thereafter, the PRP Holder is to complete a Tax Return and an Annual Declaration and to submit other documents, as required, to confirm that he has fulfilled the conditions attaching to the PRP.

Conditions of the PRP Scheme

A person issued with a PRP must satisfy the following conditions:

1. He must have annual foreign-sourced income equivalent to "23,000 or capital equivalent to "349,000;
2. He shall be required to annually remit the equivalent of "13,950, as well as an additional "2,300 in respect of each of his Dependents, by way of foreign-sourced income to Malta.
3. He is required to take up residence in Malta, by travelling to Malta and signing the Tax Declaration, within 15 days of arrival in Malta and in any case within one year of the

issue of the PRP. Should he fail to do so, the PRP will be withdrawn and he will be entitled to a refund of "3,030 of the tax paid.

4. He must either purchase property valued at not less than "116,000 ("69,000 in the case of an apartment) or lease/rent property for not less than "4,150 per annum within 12 months of taking up residence in Malta. The PRP Holder must submit the contract of sale or of lease to the authorities at the end of the first 12 months after taking up residence in Malta.
5. A PRP Holder may not physically work in Malta.

Other Matters

1. Non-EU nationals shall be required to apply for a Uniform Residence Permit in terms of Council Regulation 1030/2002 EC upon taking up residence in Malta. Non-EU Dependents of an EU PRP Holder need not apply for a URP.
2. URP holders are currently required to renew said URP on an annual basis. After 5 years, said Permit may be renewed for longer periods.
3. PRP holders may be interested in the opportunities offered by Malta insofar as an attractive tax regime applies to companies, trust and foundations, whether used as holding/investment vehicles or for trading purposes.

For more info kindly contact:
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