

MALTA PROPERTY TAX

Taxation on Property Transfers

TAX SYSTEM

EU Approved

DOUBLE TAX TREATIES

Broad network of over 70 signed DTTs

GDP GROWTH

9.4% in 2021 (EC)

CURRENCY

Euro €

EU

Member of the EU & Eurozone

SCHENGEN STATUS

Full Member

TIMEZONE

Central European Time Zone
(UTC+01:00)

OFFICIAL LANGUAGES

Maltese, English





MALTA

The Maltese Islands are renowned for their Mediterranean climate, beautiful landscape, rich culture and historical landmarks. Malta is a member of the EU and the Schengen Area.

In recent years, Malta has witnessed an unprecedented growth in its real estate sector fuelled by a healthy demand for property from its local and expat residents. The Maltese real estate market can offer a vast selection of property, ranging from affordable accommodation to high-end villas and apartments in luxurious neighbourhoods.

LEGAL BASIS

The main rules for the taxation of transfers of immovable property situated in Malta (or any right over such property) are stipulated in the Income Tax Act (the “ITA”), whilst the payment of provisional tax, along with other formalities, are regulated by the Income Tax Management Act (the “ITMA”).

PROPERTY TRANSFER TAX

A property transfer tax applies to all transactions where immovable property is being transferred. However, by way of exception, the transferor may, in specific circumstances, opt out of the property transfers regime and pay tax on the capital gains realised on the transfer instead.

With effect from the 1st January of 2015, the default applicable rate for property transfers is 8% of the transfer value.

Different rates may apply in other scenarios:

- 5% final withholding tax rate if the property is transferred within 5 years from the acquisition date and does not form part of a project;
- 5% final withholding tax rate if the property is located in an Urban Conservation Area (UCA) and is acquired on or after 1st of January 2016 and is subsequently restored and/or rehabilitated and such works are certified by a Planning Authority compliance permit.
- 2% if the property was acquired for the purpose of establishing one's sole ordinary residence and is transferred not later than 3 years from the date of acquisition;

The definition of the “transfer” under the ITA is very wide. It covers any alienation of property under any title and includes any assignment or cession of any rights over property (in particular assignment, sale, emphyteusis or sub-emphyteusis, partition, donation, settlement of property on trust, distribution and reversion of property settled on trust and sale by instalments). There are, however, some exceptions.





TAX ON CAPITAL GAINS

There are a number of instances where the transferor may choose to pay tax on the capital gains realised on the transfer of property, rather than a final withholding tax:

- A transfer from one co-owner to another co-owner;
- A transfer of property to the Government of Malta following a requisition order;
- A transfer made by means of a judicial sale by auction or in the course of a winding up by the Court.
- A transfer of property used for business for a period of at least 3 years and which is replaced within one year used solely for a similar purpose of the business;
- A transfer of property that forms part of a project made by a company that has issued listed bonds to the public.

If the transferor chooses to be taxed under the provisions regarding the tax on capital gains, he or she will be obliged to pay a 7% provisional capital gains tax on the deed. The actual gain would subsequently be declared in the transferor's tax return and the provisional capital gains tax takes as a credit against the actual tax due.

TAXATION OF NON-RESIDENTS

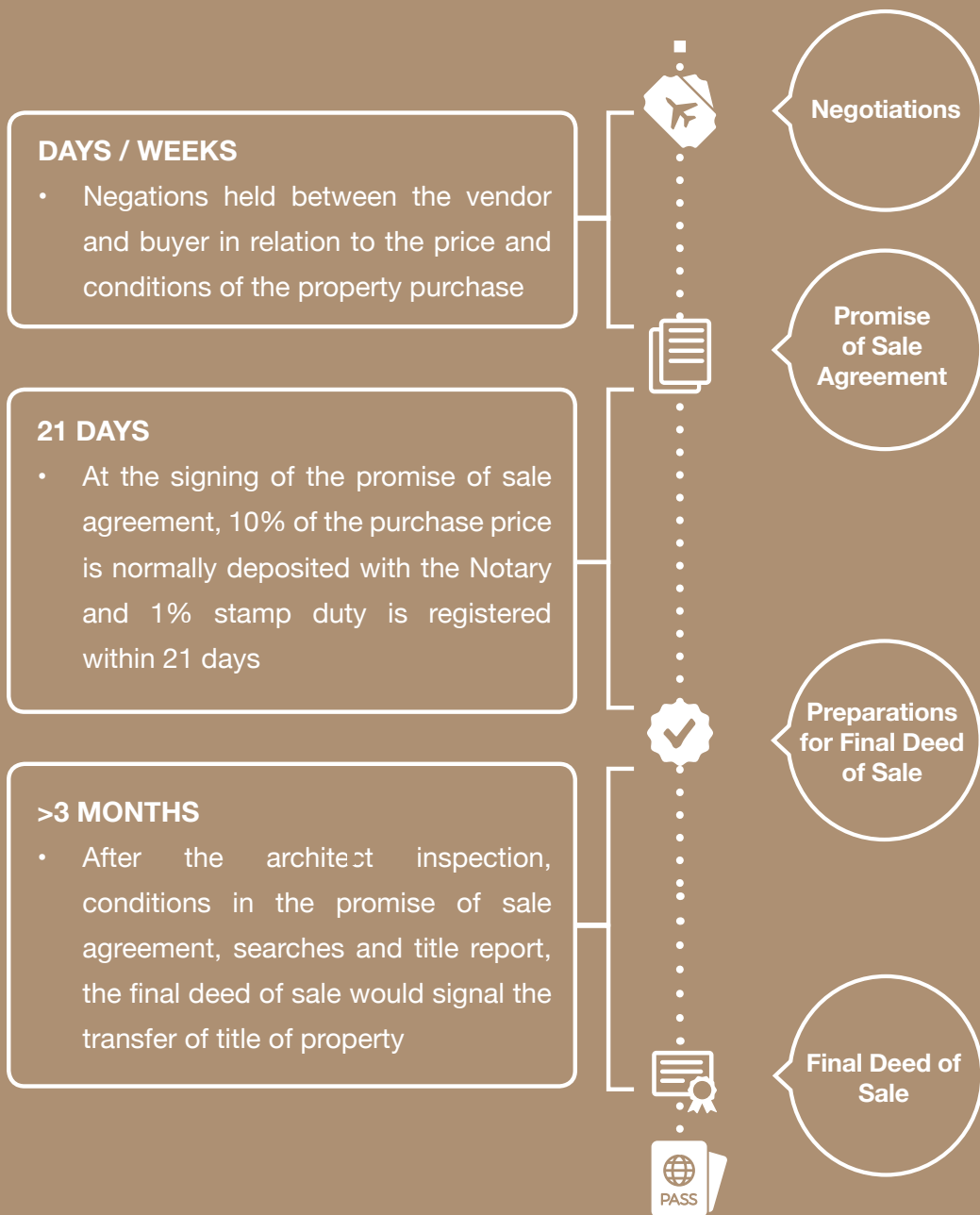
The ITA also gives non-resident taxpayers the possibility to opt out of the property transfers tax system and pay tax on the capital gains on the transfer of property. In order to avail themselves of that option, non-residents are required to produce a statement issued by the tax authorities of their country of residence, confirming they are resident in that country and subject to tax in that country on gains or profits derived from the transfer of immovable property situated in Malta.

EXEMPTIONS

The following categories of transfers of immovable property situated in Malta are exempt from taxation:

- Donations by a person to his spouse, to his descendant or ascendant in the direct line, or to the spouse of any such descendant or ascendant, or, in the absence of any descendants in the direct line, to his brother or sister or to a descendant of his brother or sister, or to an approved philanthropic institution.
- A transfer of property that has been owned and occupied by the transferor as his own residence for a period of at least three consecutive years immediately preceding the date of transfer and which is disposed of within twelve months of vacating the premises, on condition that such property is declared to be the main residence of the transferor.
- The assignment of property between spouses, consequent to a judicial or consensual separation or a divorce or upon dissolution of the community of acquests between the spouses.
- A transfer of property between companies forming part of the same group.
- The transfer of property upon the incorporation of a business or a partnership en nom collectif as a going concern into a limited liability company.
- The settlement of property on trust, or the distribution or reversion of property settled on trust, or the transfer of all the property of a trust involving only a change in the trustee of a trust and where there is no change in the beneficiaries or in the beneficial interest.
- A transfer of property by a company to its shareholder or to an individual related to its shareholder in the course of winding up or in the course of a distribution of assets pursuant to a scheme of distribution.

MALTA PROPERTY PURCHASE



WHY WORK WITH US?



Problem Solving,
Integrity, Honesty



Multi-Disciplinary:
Legal, Tax & Corporate



We're lawyers:
Maximum secrecy
guaranteed



Commercially Aware,
Results Oriented



Lawyers,
Tax advisors,
Fiduciary staff: 100



Our Ethos:
Big firm expertise
Small firm personal



Malta



Dr Jean-Philippe Chetcuti

Managing Partner,
Residency & Citizenship, Tax
jpc@ccmalta.com