PRICEWATERHOUSECOOPERS

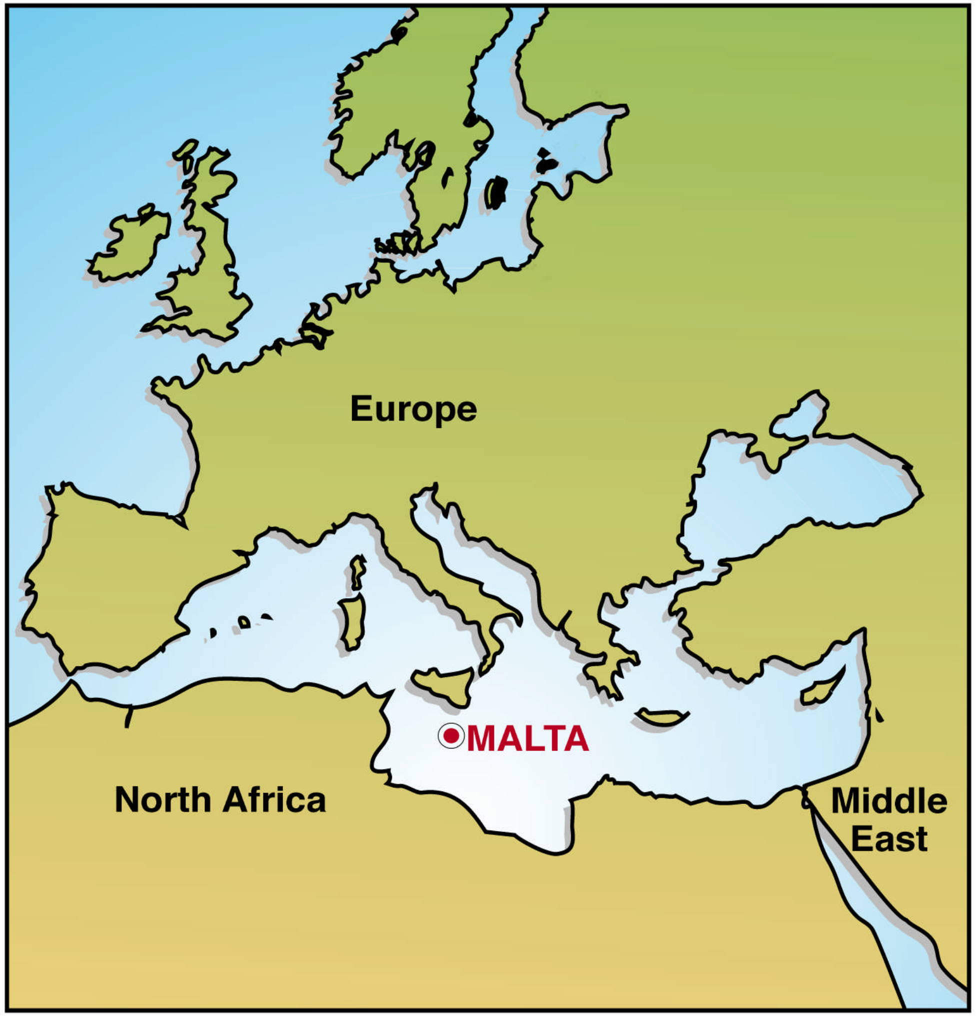
UK legislative changes effecting non-doms 2008

Potential solutions by using Malta

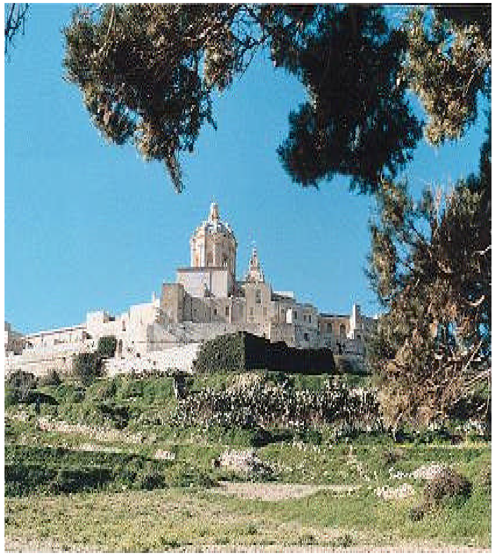
- Draft legislation relating to the taxation of UK resident non-domiciled individuals has been published and is intended to come into force on 6 April 2008
- The purpose of this note is to provide an outline of the taxation of non-domiciliaries in Malta in the event that any UK non-dom individuals decide to move their residence to Malta
- Additionally, this note also applies to UK domiciled individuals who are considering leaving the UK

Background information on Malta

- Malta is the largest island of an archipelago of 5 islands situated in the centre of the Mediterranean
- Malta is an independent republic and a member of the European Union
- Malta is also a member of the Commonwealth having formed part of the British Colony between 1801 and 1964
- Malta has a population of 400,000 with over 1 million tourists visiting each year
- English together with Maltese are the two official languages in Malta. Laws are published in both languages however business correspondence is generally carried out in English
- Malta's currency is the euro (€)



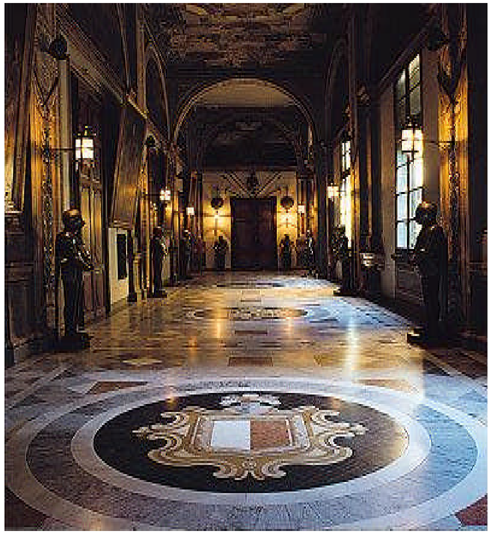
Taxation of non-domiciled and resident individuals in Malta



Salient features of the Maltese tax system

- Maltese income tax legislation is similar to that of the UK
- Individuals who are resident but not domiciled in Malta pay income tax on income (including taxable capital gains) arising in Malta and income remitted to Malta
- No tax is paid on capital gains arising outside Malta, irrespective of whether the gains are remitted to Malta or not
- Tax is charged on a progressive basis up to a rate of 35% - however a much lower rate applies where a non-dom opts into the Residence Scheme (see next slide)
- Malta has concluded over 45 double tax treaties (these are listed in the Appendix)
- Foreign tax paid on remitted income is generally allowed as a credit against Maltese tax under the ordinary credit method
- Where foreign tax has been paid in a jurisdiction with which Malta has not concluded a tax treaty, relief may nonetheless be available under domestic unilateral relief provisions

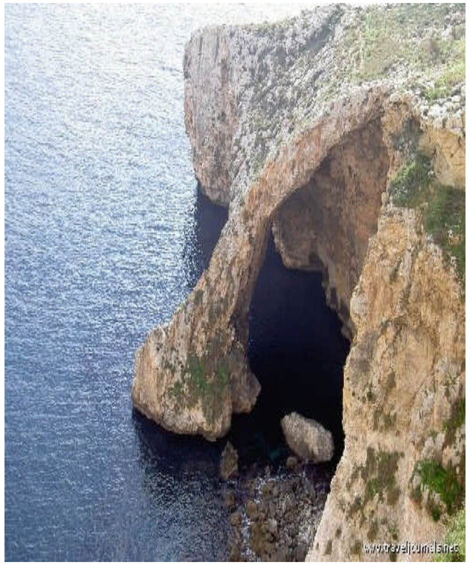
Taxation of non-domiciled and resident individuals in Malta



The Maltese Residence Scheme

- Non-domiciled individuals obtain beneficial Maltese tax treatment if they qualify for and opt into the Residence Scheme under Maltese law (an application process has to be undertaken)
- Under the Scheme, individuals are given a Residence Certificate which entitles them to pay tax at a flat rate of 15% subject to a minimum annual tax liability of approx. £3,000
- Under the Scheme tax is payable at 15% on income and taxable capital gains arising in Malta and income remitted to Malta. No tax is payable on capital gains arising outside of Malta irrespective of whether they are remitted to Malta or not
- Residence Certificate holders remain entitled to double tax relief on foreign tax paid (as long as the minimum approx. £3,000 tax liability is paid)
- Non-doms who may qualify for the Residence Scheme must:
  - Either own assets outside of Malta worth around £260,000 or derive income of around £17,000 outside of Malta annually
  - Annually remit a minimum of around £10,500 + £1,700 for each dependent
  - Not engage in any gainful occupation or any form of business activities in Malta
  - Either purchase property in Malta of at least around £87,000 for a house or £51,500 for a fat, or rent property in Malta at an annual rent of at least around £3,100
  - Meet some other conditions relating to documentation

Taxation of non-domiciled and resident individuals in Malta



Other tax considerations

- There is no inheritance tax, estate duty or wealth tax in Malta
- Stamp duty is payable by the acquiror on the transfer of immovable property situated in Malta and transfers of shares in Maltese companies (including transfers on death)
- Exemptions from stamp duty may be available on the transfer of shares in certain Maltese companies, e.g. if the company is listed on the Malta Stock Exchange or if the vast majority (at least 90%) of its business interests are outside Malta
- For persons transferring their residence from the UK to Malta, no import duty or VAT should be chargeable on used household and personal effects, furniture and other domestic articles

Appendix
List of double tax treaties

Albania	Egypt	Lebanon	San Marino
Australia	Estonia	Libya	Slovakia
Austria	Finland	Lithuania	Slovenia
Barbados	France	Luxembourg	South Africa
Belgium	Germany	Malaysia	Spain
Bulgaria	Hungary	Morocco	Sweden
Canada	Iceland	Netherlands	Switzerland*
China	India	Norway	Syria
Croatia	Italy	Pakistan	Tunisia
Cyprus	Korea	Poland	United Kingdom
Czech Republic	Kuwait	Portugal	USA*
Denmark	Latvia	Romania	

* Restricted to profits derived from operation of ships or aircraft in international traffic

For further information please contact:

Kevin Valenzia (Malta TLS Leader) (+356 21 247 000)

Steve Gingell (Embankment Place London) (+44 (0) 20 7804 2623)