



HIGH NET WORTH INDIVIDUALS (“HNWI”) RULES

Any person who is not domiciled in Malta (even if resident in Malta) is taxable in Malta only on his Malta source chargeable income and capital gains and on foreign source income which is received in Malta (foreign source capital gains are not chargeable to Maltese income tax even if received in Malta) – the remittance basis of taxation.

A HNWI who is not domiciled in Malta, satisfies the conditions set out in the Rules, and opts to apply for them, may be subject to a more beneficial tax treatment in addition to the above-mentioned remittance basis of taxation.

Individuals who have been granted HNWI status are taxable at the rate of 15% on receipt of foreign source income in Malta and also have the possibility of claiming double tax relief on such income.

The HNWI rules introduced by virtue of Legal Notice 400 and 403 of 2011 (the ‘Acts’) have replaced the Residence Scheme Regulations.

Who is eligible to apply?

To apply under the HNWI Rules an individual must primarily not be domiciled in Malta and must have no intention of establishing his domicile in Malta within 5 years from the date of the application for this tax status.

Furthermore, the particular individual must also satisfy certain criteria which are applicable to all applicants irrespective of their nationality, i.e.:

- (i) The applicant must hold a ‘Qualifying Property Holding’ in Malta (minimum value of € 400,000 or € 20,000 rental per annum);
- (ii) The Qualifying Property must not be shared with other individuals, apart from his/ her family members (the beneficiary’s ascendants and descendants, brothers, sisters and spouses with whom the beneficiary is in a stable and durable relationship);

- (iii) The applicant must be in possession of health insurance which covers himself and his dependants in respect of all risks across the EU as are normally covered for Maltese nationals;
- (iv) The applicant must be a fit and proper person (an international due diligence exercise is carried out by the Inland Revenue Department prior to granting the special tax status);
- (v) A non-refundable one-off registration fee of €6,000 must be paid.

Certain additional conditions are applicable solely to non-EU/EEA/Swiss Nationals:

- (i) If the applicant intends to become a long-term resident under the Long Term Residents (Third Country Nationals) Regulations, or he/she is already a long-term resident, the applicant must enter into a qualifying contract with the Government of Malta in a form prescribed by the Minister of Finance;
- (ii) The applicant must deliver to the Government of Malta a sum of €500,000 and €150,000 for every dependent which the Government of Malta holds by title of gratuitous voluntary deposit so as to cover the social costs incurred by such applicants;
- (iii) If the applicant intends to, or actually becomes a long-term resident prior to the expiration of four years from the date on which he/she has applied for special tax status, then the applicant will automatically forfeit all the rights over the ‘Bond’ (the deposit);
- (iv) The applicant must be fluent in either Maltese or English.

An individual who has been granted HNWI status must comply with the following obligations:



- (i) The 'Qualifying Property Holding' must be retained;
- (ii) The applicant must retain the health insurance and continue to have stable resources;
- (iii) The applicant must not become domiciled in Malta;
- (iv) The applicant must reside in Malta for a minimum of 90 days and not reside in any other jurisdiction for more than 183 days in any calendar year;
- (v) Special reporting obligations (the filing of an annual return together with the annual tax return) and notifications must be complied with.

The Tax Treatment

Once HNWI status has been acquired, the person is deemed to be resident for tax purposes in Malta and is chargeable to tax on his/ her income as follows:

- Foreign source income, which is received in Malta is taxable at the rate of 15% with the possibility of claiming double tax relief on such income subject to the minimum annual tax liability referred to below;
- The applicant must pay a minimum tax of €20,000 (EU/EEA/ Swiss) or €25,000 (others) per annum and €2,500 (EU/EEA/ Swiss) or €5,000 (others) per dependent;
- A beneficiary and his spouse cannot opt for a separate tax computation;
- Other chargeable income of the beneficiary is charged at the rate of 35%.

Authorised Registered Mandatory

An application for the special tax status must be made through the services of a person that qualifies as an 'Authorised Mandatory' and is registered as such with the Inland Revenue Department. PwC Malta is able to offer this service as it is registered as an Authorised Mandatory.

Current Holders of a Permanent Resident (PR) Scheme Certificate

An individual who has acquired rights under the PR Regulations prior to 1 January 2011 is required to satisfy the above conditions but may continue to benefit from the arrangements which were previously applicable to him, subject to satisfying the following additional conditions:

- (i) The holder of the certificate must be in receipt of stable and regular resources sufficient to maintain himself and his dependents (as defined);
- (ii) The PR holder must be in possession of a health insurance in respect of all risks normally covered by Maltese nationals for himself and his family members;
- (iii) The property being declared as the holder's place of residence cannot be occupied by any person other than the holder of the certificate and his/her family members.

However, if the individual sells his/her property to which the certificate refers then the applicant must adhere to the new HNWI Rules.

Pending applications

Any individual who has applied for the Permanent Residence Scheme before 14 September 2011 and whose application has not as yet been processed may now apply under the new HNWI Rules.

In such cases, the registration fee of €6,000 will be waived and if the applicant has purchased his/her property prior to 14 September 2011 for a consideration of not less than €116,000 this property shall be considered as a 'Qualifying Owned Property' for the purpose of the HNWI Rules.

The notes are designed to keep readers abreast with financial and tax developments. They are not intended to be a definitive or comprehensive analysis of the subject and should not be acted upon without prior consultation with the Partners and/or Senior Consultants of the firm. For further details please do not hesitate to contact:

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