

Welcome

A Wealth of Opportunities whilst Regulating for Sustainability



Message from the Managing Director of FACT Group

Welcome to FACT Group's newsletter where we shall be updating you with the latest information and developments taking place in Malta. Malta has earned a firm reputation as a well-regulated financial services centre for international trade and investment. It offers an attractive cost and tax-efficient base for foreign residents.

In this newsletter we shall be focusing on schemes that attract individuals, be they the Residence and Citizenship Programmes or beneficial vat rates when buying yachts. Furthermore, we shall be discussing how Malta managed to build its good reputation and integrity and its efforts in combating money laundering and the funding of terrorism.

Whilst I hope that this newsletter will be of interest to you, please do contact our office or browse our website for further FACTsheets regarding solutions our jurisdiction has to offer.

Additionally, FACT Group is also pleased to announce that with effect from January 2015, a new Partner will be joining FACT Audit. On behalf of FACT Group we wish our readers all the very best for this festive season and may the New Year bring us more wonderful



Jesmond Pace
Managing Director



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THE RESIDENCE PROGRAMME, THE GLOBAL RESIDENCE PROGRAMME & MALTA RETIREMENT PROGRAMME

The Government of Malta has recently launched new Residence Programmes that continue to build on the success of Malta's reputation in attracting expatriates seeking an alternative residence base. The aim of such Programmes is to formally recognise foreign nationals as tax residents for Maltese tax purposes after satisfying the eligibility criteria of the said Programmes.

There are specific residence programmes for both EU and non-EU citizens where individuals can benefit from a **low personal tax rate of 15%** on income arising outside Malta that is remitted to Malta.

These programmes vary on the basis of either Residence or Retirement. Under the Retirement Programme individuals residing in Malta cannot be in employment and 75% of their chargeable income must emanate from pension income. The **minimum tax** to be paid under the Retirement Programme is that of **€7,500** and €500 per dependent. In marked contrast to this, under the Residence Programme (EU individuals) and the Global Residence Programme (Non-EU individuals) individuals can be in employment and the minimum tax thereto is **€15,000**. Under these Programmes there also exists the possibility of claiming double tax relief.

One of the main criteria to be satisfied is that such individuals must hold a qualifying property being:

- Either holding of immovable property in Malta:
 - Property in Malta at a consideration of not less than **€275,000**;
 - Property in Gozo at a consideration of not less than **€220,000**.
- Or Renting immovable property in Malta (as a lessee):
 - Leased property in Malta at not less than **€9,600** p.a.
 - Leased property in Gozo or in the south of Malta at not less than **€8,750** p.a.

Other conditions to be met include possession of health insurance, a valid travel document and the receipt of stable and regular resources which are sufficient to maintain themselves and their dependants. Such individuals must be fit and proper persons who do not intend to establish their domicile in Malta. They must be fluent in either Maltese or English and must not reside for more than 183 days per calendar year in any other jurisdiction.



FACTS

- There are currently over 21,000 foreigners residing in Malta, that is over 5% of Malta's population, all contributing to its economy and to their future.
- In the majority of tax treaties with Malta, when a person resides in and receives a pension in Malta then such pension is tax-exempt in the country of source.
- Malta makes it amongst the top 10 places in the world to retire.
- The Global Residence Programme is a gateway into Europe having the opportunity of a visa free travel throughout the Schengen countries.

HIGHLY QUALIFIED PERSONS

In 2011, Malta introduced specific tax rules intended to attract highly qualified experienced professionals within the financial services, gaming and aviation sectors. Such persons can benefit from a **beneficial tax rate of 15%** based on a **minimum employment income of €81,205** (for basis year 2014).

Such persons must qualify as a “beneficiary” and be in possession of professional qualifications and experience. Furthermore beneficiaries must perform activities of an “eligible office”, within companies that are licensed and/or recognised by the Malta Financial Services Authority, Lotteries and Gaming Authority and the Transport Authority in Malta. Positions with “eligible offices” include Aviation Operations Manager, Chief Financial Officer, Portfolio Manager, Chief Insurance Technical Officer, Chief Technology Officer, Head of Marketing and Senior Analyst, amongst others.

Beneficiaries must also be in receipt of stable and regular resources, be in possession of a valid travel document and health insurance and reside in an accommodation situated in Malta. This option is available for a period of 5 years for EEA and Swiss nationals and of 4 years for third-country nationals. Furthermore such persons cannot be domiciled in Malta and cannot claim any relief, deduction or credit against the “qualifying income”.

INDIVIDUAL INVESTOR PROGRAMME OF THE REPUBLIC OF MALTA



In early 2014, the Government of Malta has launched the Individual Investor Programme (IIP) which shall allow for the grant of citizenship to foreign high net worth individuals and their families. In this regard, applicants must satisfy strict due diligence standards and are required to contribute towards Malta's economic development by contributing the below amounts:

<u>Applicant Type</u>	<u>Contribution</u>
Main Applicant (must be over 18 years of age)	€650,000
Dependents children aged 18 to 26 years	€50,000 per Child
Dependent parents aged 55 and above	€50,000 per Individual
Spouse and minor children (under 18 years)	€25,000 per Member

As proof of residence applicants must purchase/ lease an immovable property in Malta valued at over €350,000 or a lease of more than €16,000 p.a. Such property cannot be let or sublet to third parties and must be retained for at least 5 years from date of purchase or lease. Citizenship is granted after 12 months from the date of purchase of property or rental.

Furthermore, the main applicant shall provide for an investment of €150,000 in Government approved Maltese financial instruments which must be retained for a period of 5 years. Applicants must be persons of good standing and repute, must have a clean criminal record and must be covered by a global health insurance policy.

Citizenship shall only be issued in respect of individuals that have resided in Malta for a period exceeding twelve months. However applicants need not be physically present in Malta for the entire twelve months. Individuals are merely required to provide proof of their ties to Malta. Upon application, applicants will be given a European residence card that will entitle them to reside in Malta.

It is pertinent to note that the basis of taxation in Malta is based on domicile & residence – not on citizenship. Maltese tax residents who are not domiciled in Malta are only taxable on a remittance basis. Thereby they are not taxable on foreign source income which is not received in Malta nor on capital gains that arise outside Malta whether remitted to Malta or not.

The programme shall be operated with the utmost consideration to Malta's international obligations and towards preserving Malta's good repute as a transparent and reputable financial services and international business centre. FACT Group is an Authorised Agent for the IIP Programme and will be very glad to assist with guidance, completion and submission of the relevant application forms.



VAT TREATMENT FOR YACHT LEASING

With careful planning, a lessee of a pleasure yacht can be the owner of an EU VAT registered boat having paid minimum VAT as little as 5.4%.

In order to avail of such beneficial vat rate certain conditions must be met whereby the Maltese vat registered company (the lessor) would lease the boat to a third party (the lessee), that is, either a Maltese or foreign individual or company via a lease agreement. Furthermore the lessee may opt to purchase the boat at a percentage of the original price. An initial contribution is to be paid by the lessee to the lessor amounting to 40% of the value of the yacht at the beginning of the lease period and thereafter lease instalments shall be payable for a period not exceeding 36 months.

Since it is very difficult to trail the movements of such boats and the time spent inside and outside EU territorial waters, the Maltese VAT department has issued an estimated time percentage based on the boat's length and its means of propulsion as indicated in the table below:

Type of boat	% of lease taking place in the EU	Computation of VAT	Effective rate of VAT
Sailing boats or motor boats over 24 meters in length	30%	30% of consideration x 18%	5.4%
Sailing boats between 20.01 to 24 metres in length	40%	40% of consideration x 18%	7.2%
Motor boats between 16.01 to 24 metres in length	40%	40% of consideration x 18%	7.2%
Sailing boats between 10.01 to 20 metres in length	50%	50% of consideration x 18%	9%
Motor boats between 12.01 to 16 metres in length	50%	50% of consideration x 18%	9%
Sailing boats up to 10 metres in length	60%	60% of consideration x 18%	10.8%
Motor boats between 7.51 to 12 metres in length (if registered in the commercial register)	60%	60% of consideration x 18%	10.8%
Motor boats up to 7.5 metres in length (if registered in the commercial register)	90%	90% of consideration x 18%	16.2%
Boat permitted to sail in protected waters only	100%	100% of consideration x 18%	18%

When the lessee opts to purchase the boat at the expiration of the lease period, the VAT Department will issue a "VAT paid certificate" to the lessee, thereby the lessee will be the owner of an EU VAT registered boat having paid minimum VAT and tax.

Financial Services Regulation in Malta

A brief overview

In the world of financial services nothing is more sought-after than an untarnished reputation and uncompromised integrity towards which clients will always gravitate and which jurisdictions worldwide will always strive to accomplish.

The world has enjoyed unparalleled advances in connectivity where classes of assets can be held in any jurisdiction of choice, transcending countries and political borders with funds being transferred from one jurisdiction to another as effortlessly as the click of a few buttons.

In a world increasingly troubled by extremism, violence, terrorism, and other forms of undesirable activities which threaten to destabilize long established democracies, the ease of such funding must be controlled and restricted to the greatest possible extent.

Major governments and international organizations such as the World Bank, the IMF, the OECD and other organizations have long recognized such threats and today we have an unprecedented level of co-operation between the major economies to combat money laundering, terrorist financing and other related threats to the integrity of the international financial system.

In an EU context, the Member jurisdictions set up the Financial Action Task Force (FATF) whose objectives are to set standards and promote effective implementation of legal, regulatory and operational measures. The FATF is therefore a policy-making body striving to bring about legislative and regulatory reforms.

The EU Parliament has also issued several directives which were transcribed into Maltese law in the form of the Prevention of Money Laundering Act 1994. Furthermore the Financial Intelligence Analysis Unit (FIAU) was set up by the Maltese government and is responsible for the collection, collation, processing, analysis and dissemination of information and monitoring compliance thereto.

All “subject persons” carrying on a “relevant activity” or “relevant financial business” fall within the scope of this regulatory environment and are therefore subject to the scrutiny of this Unit. This ensures that the activities of, for example, auditors, external accountants, tax advisors, financial institutions, notaries, fiduciary services, estate agents, casino licensees, etc. are all regulated under the same umbrella in order to ensure a level playing field and consistency of standards throughout the whole gamut of financial services.

In our next article we shall delve deeper into the objectives of the FIAU and the policies and procedures that it adopts. We shall also be looking more closely into what we at FACT Group do in order to abide by such policies and procedures and guarantee our clients a secure, streamlined and effective process in establishing a presence here in Malta.





Appointment of a new Audit Partner within FACT Group

It is with pleasure that we announce that Mr. Matthew Sapiano will be appointed as an Audit Partner in FACT Audit with effect from the 1st January 2015.

After graduating as a Bachelor of Accountancy with Honours from the University of Malta in 2004, Matthew joined FACT Group as an auditor. He has accumulated a wealth of experience through a varied client portfolio of high net worth clients. He manages the audit process with consideration of audit risk issues and associated accounting technical matters and he leads audit teams to ensure statutory audits and projects are completed within set time scales. He is also responsible for the preparation of financial information in accordance with International Financial Reporting Standards and other acceptable standards. Matthew works closely with both local and international clients to provide specialist advice on a wide range of audits and risk assurance services. Matthew is also responsible for coaching and training junior staff members.

Matthew is a Certified Public Accountant and Registered Auditor and a fellow of the Malta Institute of Accountants.

On behalf of FACT Group we wish Matthew the best of luck in his new role.

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