

FACTsheet: TAXATION ON RENTAL INCOME

15% FINAL WITHHOLDING TAX ON RENTAL INCOME

Landlords (resident individuals, non-resident individuals or companies) leasing out '**residential tenements**' (includes dwelling house or part thereof which is occupied as a residence or a garage) to **individuals** can **opt** to have their gross rental income taxed at the **final withholding tax of 15%**.

Landlords leasing out commercial tenements or Malta Tourism Authority licence tenements are not eligible for the 15% final withholding tax. Where the 15% tax regime is exercised, it shall also **apply to other rental income** derived by the landlord from all other 'residential tenements'.

Such tax is a final tax and no set-off or refund can be claimed by the taxpayer. Where the landlord is an individual such income is not required to be declared in the individual's tax return. In the case of companies, such income is allocated to the Final Tax Account.

Tax payment and relative declarations made on a *prescribed form* should be effected by **30th June** of the year following the calendar year during which the gross rental income is received.

Where an enquiry is conducted by the Commissioner and determines that rental income has not been declared, such gross rental income shall be taxed at the rate of 35% in addition to any interest and additional tax payable. The said 35% tax is a final tax and is not subject to set-offs or refunds.

Landlords should work out whether in their particular scenario it is beneficial to opt for the above 15% tax regime or whether to be taxed in accordance with the normal rental income provisions.

REGULARISATION OF UNDECLARED RENTAL INCOME

In the case of **individuals only**, where such individuals have failed to declare residential rental income in previous years, such persons may **regularise their tax position** by declaring such previous undeclared income for the **basis periods 2005 to 2012**.

This will be **taxed at 15% on the basis of a 2 year average of the rental income** received during the said period. Such gross rental income declared shall be deemed that it was received during basis year 2014.

No interest and penalties are incurred on such declarations (period 2005 to 2012). **Tax payment and declarations** on the *prescribed form* must be **filed by 30th June 2015**. For basis year 2013, if such rental income was not declared an adjustment form needs to be submitted.

If an individual who exercises this option has **overstated** the amount of rental income declared in the *prescribed form* for the purpose of obtaining a tax advantage, then the **total amount** of rental income declared in the said form shall all be subject to tax at the rate of 15%.

For further information and advice on the above regimes, kindly contact us via email at info@factgroup.net