



Welcome Back!

Tax Incentives for the Repatriation of Maltese Professionals to Work in Malta

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Malta has been working towards achieving a 'Centre of Excellence Status' throughout Europe and with third country states. This is a general drive that has been seen in various sectors, including ICT, digital gaming, online gaming and medical health care.

As part of this strategic plan, as from 1st January 2013, Legal Notice 111 of 2013ⁱ has introduced a new incentive scheme through which Maltese professionals, established in a field of excellence and returning to work in Malta as ordinary residents in specific industry sectors, may opt to have their employment income, in respect of work exercised in Malta, chargeable to tax at a flat rate of 15%. This rate is as opposed to progressive rates of tax which can be as high as 35%.

1. Qualifying Criteria

The employee in question must be an "eligible person" and must show that he has been ordinarily resident in Malta for at least 20 years, but has not been ordinarily resident in Malta for the 10 consecutive years prior to his return to Malta. The employee must have a qualifying contract of employment in which he is employed in a field of excellence in the areas of manufacturing and R&D, in such sectors as may be defined by Guidelines still to be issued by Malta Enterprise (ME).

2. Field of Excellence

The term "field of excellence" had been defined as an area of professional competence in which an eligible person has excelled and which area is relevant for the manufacturing and research and development sectors, as may be defined in Guidelines which may be issued by Malta Enterprise Corporation in terms of the Malta Enterprise Act;

3. Qualifying Contract of Employment

Under a qualifying contract of employment, the employee must receive income of a minimum value of Eur75,000 per annum

exclusive of any fringe benefits. Prior approval in writing is required by ME.

4. Beneficiary

There are a number of conditions under the scheme that must be met. Basically a beneficiary must:

- derive employment income in respect of work or duties carried out in Malta, or in respect of any period spent outside Malta in connection with such work or duties, or on leave during the carrying out of such work or duties
- prove to the satisfaction of ME that he is in possession of the requisite educational and / or professional qualifications relevant to the profession or sector of field of excellence
- show that he is protected as an employee under Maltese law for the purpose of exercising genuine and effective work for or under the direction of someone else and has the requisite adequate and specific competence as approved by ME
- declare for Maltese income tax purposes all his income received under the qualifying contract of employment and all income received from a person related to his employer.

5. Malta Tax Treatment

Such income will be deemed to be the individual's first part of his income and will be subject to a flat rate of tax of 15% without the possibility to claim any deductions, relief, set-offs or credits, whether under a Double Tax Treaty or otherwise. Any other income received by the beneficiary, will be subject to tax at the rate of 35%.

The scheme is affective from tax basis year 2013. The scheme applies for a consecutive period of up to five years and commences from the year in which the person was first liable to tax after returning to reside in Malta.

6. Conclusion

The scheme is another very important step towards attaining Malta's aim to become a hub of excellence, innovation and creativity. This step will enable valuable Maltese human capital to return to Malta and enhance local expertise and know-how which are pivotal in the development of the island as an excellent services location.

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ⁱ Repatriation of Persons established in a Field of Excellence Rules, 2013