Lecture 6

Tax & National Insurance Part 2

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National Insurance Class 1

- If a person earns a yearly rate of €15,600 how much would be his basic weekly rate?
- What Category would the person be in if they are born in 1995?
- How much national insurance would they be paying per week?
- How much national insurance would they be paying per year?
- How much would the employer be paying in a year?

National Insurance Class 1

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- If a person earns a yearly rate of €15,600 how much would be his basic weekly rate? €300
- What Category would the person be in if they are born in 1995? C2
- How much national insurance would they be paying per week? €30
- How much national insurance would they be paying per year? €1560
- How much would the employer be paying in a year? €1560

National Insurance Class 1

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- If a person earns a yearly rate of €31,200 how much would be his basic weekly rate?
- What Category would the person be in if they are born in 1995?
- How much national insurance would they be paying per week?
- How much national insurance would they be paying per year?
- How much would the employer be paying in a year?

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National Insurance Class 1

- If a person earns a yearly rate of €31,200 how much would be his basic weekly rate? €600
- What Category would the person be in if they are born in 1995? D2
- How much national insurance would they be paying per week? €49.97

How much national insurance would they be paying per year? €2598.44

- How much would the employer be paying in a year? €2598.44

National Insurance Class 1

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- If a person earns a yearly rate of €5,200 how much would be his basic weekly rate?
- What Category would the person be in if they are born in 1995?
- How much national insurance would they be paying per week?
- How much national insurance would they be paying per year?
- How much would the employer be paying in a year?

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National Insurance Class 1

- If a person earns a yearly rate of €5,200 how much would be his basic weekly rate? €100
- What Category would the person be in if they are born in 1995? B
- How much national insurance would they be paying per week? €10 or €18.28
- How much national insurance would they be paying per year? €520 or €950.56
- How much would the employer be paying in a year? €950.56

Maternity Fund

- How much maternity fund should be paid yearly by the employer for the following amounts
- €100 per week
- €300 per week
- €500 per week (1962 onwards)

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Maternity Fund

- How much maternity fund should be paid yearly by the employer for the following amounts
- €100 per week €28.60
- €300 per week (after 1962) €46.80
- €500 per week (after 1962) €78.00

National Insurance Class 2

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- If a person earns is in his first year of being Self Occupied how much NI does he have to pay weekly?
- What Category would the person be in if they are born in 1995?
- How much national insurance would they be paying per year?

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National Insurance Class 2

- If a person earns is in his first year of being Self Occupied how much NI does he have to pay weekly? €31.29
- What Category would the person be in if they are born in 1995? SA
- How much national insurance would they be paying per year? €1,627.08

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National Insurance Class 2

- If a person made €20,000 in the previous year how much NI does he have to pay weekly?
- What Category would the person be in if they are born in 1995?
- How much national insurance would they be paying per year?

National Insurance Class 2

- If a person made €20,000 in the previous year(1962 onwards) how much NI does he have to pay weekly? €57
- What Category would the person be in if they are born in 1995? SB2

1. How much national insurance would they be paying per year? €3000

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Tax – non resident tax rate

Tax Rates: 2008 to Date

Chargeable Income (€)

From	To	Rate	Subtract (€)
0	700	0%	0
701	3,100	20%	140
3,101	7,800	30%	450
7,801	and over	35%	840

Tax Rates: 2001 - 2007

Chargeable Income (Lm)

From	To	Rate	Subtract (Lm)
0	300	0%	0
301	1,300	20%	60
1,301	3,300	30%	190
3,301	and over	35%	355

Tax – Non Resident Tax rate

- If a person is in Malta for less than 183 days then they are to pay a non resident tax rate.
- How much would a person pay if they are earning €10,000 in a year

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Tax – Non Resident Tax rate

- If a person is in Malta for less than 183 days then they are to pay a non resident tax rate.

- How much would a person pay if they are earning €10,000 in a year €2,660 yearly (€221.66 per month approx.)

Tax – Non Resident Tax rate

- After the 183 days in Malta they are to be transferred to Resident tax rate

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Tax Rates for Basis Year 2022

Tax Rates for Basis Year 2022

TAX RATES			
Chargeable Income (€)			
From	**To**	**Rate**	**Subtract (€)**
Single Rates			
0	9,100	0%	0
9,101	14,500	15%	1,365
14,501	19,500	25%	2,815
19,501	60,000	25%	2,725
60,001	and over	35%	8,725
Married Rates			
0	12,700	0%	0
12,701	21,200	15%	1,905
21,201	28,700	25%	4,025
28,701	60,000	25%	3,905
60,001	and over	35%	9,905
Parent Rates			
0	10,500	0%	0
10,501	15,800	15%	1,575
15,801	21,200	25%	3,155
21,201	60,000	25%	3,050
60,001	and over	35%	9,050

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Tax – Single Tax Rate

- This is used by people who are either not married and have no children or by Married couples with no children and who both work full time

Tax – Married Tax Rate

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- This is use by a single parent or Married couples where only one works full time (the other party can be either non working or works full time and uses the 10% part time qualified)

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Tax – Parent Rates

This is used when:

- The Child is less than 18 years of age (or between 18 and 23 and attending full time education)
- Such child is not gainfully occupied or if gainfully employed does not earn more then €3,400 per annum

Tax – Global Residence Programme

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The Global Residence Programme is aimed at attracting more third country national individuals in taking up residence in Malta without taking up employment in Malta, with foreign-source income remitted to Malta by the beneficiary or its dependants being taxed at a flat rate of 15%, subject to a minimum tax of EUR 15,000 *per annum*. Beneficiaries should satisfy a number of qualifying criteria in order to be eligible for the beneficial tax treatment.

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Tax – Global Residence Programme

In particular, applicants must hold immovable property in Malta for a purchase price of not less than EUR 275,000 (with lower thresholds applicable in the case of property situated in certain areas in Malta and/or Gozo). Alternatively, individuals may rent property in Malta for an annual rental payment of not less than EUR 9,600 (with lower thresholds applicable in the case of property situated in certain areas in Malta and/or Gozo).

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Tax – Malta Retirement Programme

A Malta Retirement Programme is applicable to pensioners in receipt of periodic pension income. Such pension income must constitute at least 75% of the pensioner's chargeable income in Malta, and such pension must be received in Malta. A number of other statutory conditions apply in order to be eligible for the said programme. Again, under this programme, foreign-source remitted income is taxed at 15%, subject to a minimum tax liability of EUR 7,500 *per annum* and an additional EUR 500 per each dependent, *per annum*. This Programme includes third country nationals.

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Tax – Returned Migrant

Subject to the satisfaction of a number of conditions, a returned migrant may elect to be taxed on a source and remittance basis (rather than on a world-wide basis). In this case, foreign-sourced income received in Malta exceeding the tax-free brackets of EUR 4,200 for single taxpayers and EUR 5,900 for married taxpayers should be subject to income tax at a flat rate of 15%, subject to a minimum tax liability of EUR 2,325 *per annum*.

Tax – UN Pensions Programme

The United Nations (UN) Pensions Programme Rules, 2015 are designed to attract foreign pensioners retiring from the United Nations. Similar to the Global Residence Programme and other programmes already in place, applicants must satisfy a number of conditions, including holding immovable property in Malta for a purchase price of not less than EUR 275,000, or EUR 220,000 for property situated in certain areas. Alternatively, individuals may rent property in Malta for an annual rental payment of not less than EUR 9,600, or EUR 8,750 for property situated in certain areas. A beneficiary who should receive at least 40% of the UN pension or a widow's/widower's benefit in Malta is not subject to income tax on such income in Malta. Other foreign-source remitted income should be taxed at a flat rate of 15%, subject to a minimum tax of €10,000 (or €15,000 where both spouses are in receipt of a UN Pension), after double tax relief

Tax – Highly Qualified Persons

The Highly Qualified Persons Rules cater for expatriates (i.e. individuals who are Maltese residents but not domiciled in Malta) in receipt of income payable in terms of a 'qualifying contract of employment' in respect of activities carried out in Malta. Such expatriates may be subject to tax on such income at a beneficial flat rate of 15%. The beneficial rate may be availed of by individuals occupying an “eligible office” in financial services or gaming sectors or in undertakings holding an air operators certificate. These Rules have now been extended to cover specific positions of employment in the sphere related to assisted reproductive technology. No determination in terms of these Rules should be issued following 31 December 2020, and any determination issued should refer to an employment commencing by 31 December 2021 and terminated by 31 December 2025.

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Tax – Highly Qualified Persons

- Eligible office" in the financial services and gaming sectors (and undertakings holding an air operators certificate) comprises employment in one of the following positions:
- Actuarial Professional
- Aviation Continuing Airworthiness Manager
- Aviation Flight Operations Manager
- Aviation Ground Operations Manager
- Aviation Training Manager
- Chief Executive Officer
- Chief Financial Officer
- Chief Commercial Officer
- Chief Insurance Technical Officer
- Chief Investment Officer

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Tax – Highly Qualified Persons

- Chief Operations Officer (including Aviation Accountable Manager)
- Chief Risk Officer (including Fraud and Investigations Officer)
- Chief Technology Officer
- Chief Underwriting Officer
- Head of Investor Relations
- Head of Marketing (including Head of Distribution Channels)
- Head of Research and Development; (including Search Engine Optimisation and Systems Architecture)
- Portfolio Manager
- Senior Analyst (including Structuring Professional)
- Senior Trader/Trader
- Odds Compiler Specialist

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Tax – Highly Qualified Persons

"Eligible office" in an aerodrome licensed undertaking refers to employment in the following position:

- Chief Executive Officer

"Eligible office" in the assisted reproductive technology sector comprises employment in one of the following positions:

- Embryologist
- Responsible Person
- Lead Quality Manager

Tax – Highly Qualified Persons

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Scheme Rules

a) Employment Income

Individual income from a qualifying contract of employment in an "eligible office" with a company licensed by the Competent Authority is subject to tax at a flat rate of 15% provided that the income amounts to at least €75,000 (seventy five thousand euro) adjusted annually in line with the Retail Price Index. The 15% flat rate is imposed up to a maximum income of €5,000,000 (five million euro), the excess is exempt from tax.

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Tax – Highly Qualified Persons

In practice this means that the minimum income (based on the Retail Price Index published by the National Statistics Office) must exceed the following thresholds:

- €75,000 for basis year 2010
- €76,136 for basis year 2011
- €78,207 for basis year 2012
- €80,100 for basis year 2013
- €81,205 for basis year 2014
- €81,457 for basis year 2015
- €82,353 for basis year 2016
- €82,881 for basis year 2017
- €84,016 for basis year 2018
- €84,991 for basis year 2019
- €86,385 for basis year 2020
- €86,938 for basis year 2021

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The 15% tax rate applies for a consecutive period of five years for European Economic Area (ie EU countries plus Norway, Iceland and Liechtenstein) and Swiss nationals and for a consecutive period of four years for third country nationals. Individuals who already have a qualifying contract of employment in an "eligible office" two years before the entry into force of the scheme may benefit from the 15% tax rate for the remaining years of the scheme. This means that a national of the EEA and Switzerland who has a qualifying contract of employment in an "eligible office" starting in 2008 (basis year) will benefit for three years from the scheme, ie basis years 2010, 2011 and 2012, while a third country national will benefit from one less. This "grandfathering" only applies for eligible offices in the financial services and gaming sectors.

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Tax – Highly Qualified Persons

The four or five year period, as the case may be, commences from the year when the individual concerned first becomes taxable in Malta. In cases where the individual was taxable in Malta but not benefiting under this Scheme and subsequently comes to Malta and becomes eligible under the Scheme, he can benefit only if the four or five year period has not elapsed; the benefit is for the years remaining from the date of eligibility under the Scheme until the said four or five year period from the date of first being subject to tax in Malta elapses.

Nationals of the EEA and Switzerland who have availed themselves of the benefit under this scheme may apply for a one-time extension of five years to the qualifying period. Third country nationals of who availed themselves of the benefit under this scheme may apply for a one-time extension of four years to the qualifying period.

Tax – Highly Qualified Persons

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b) Qualifying Contract of Employment
An individual may benefit from the 15% tax rate if he satisfies all of the following employment conditions:

1. derives employment income subject to income tax in Malta
2. has an employment contract subject to the laws of Malta and proves to the satisfaction of the Competent Authority that the contract is drawn up for exercising genuine and effective work in Malta
(Note: where an individual receives salaries from different companies in the same group and the group relationship of such companies is of 100% ownership, he will still be eligible if the aggregate salaries (excluding fringe benefits) are higher than the minimum thresholds as specified above).
3. proves to the satisfaction of the Competent Authority that he is in possession of professional qualifications and has at least five years professional experience;

Tax – Highly Qualified Persons

4. has not benefitted from deductions available to investment services expatriates with respect to relocation costs and other deductions (under article 6 of the Income Tax Act);
5. fully discloses for tax purposes and declares emoluments received in respect of income from a qualifying contract of employment and all income received from a person related to his employer paying out income from a qualifying contract as chargeable to tax in Malta;
6. proves to the satisfaction of the Competent Authority that he performs activities of an eligible office; and
7. proves that:

Tax – Highly Qualified Persons

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i.he is in receipt of stable and regular resources which are sufficient to maintain himself and the members of his family without recourse to the social assistance system in Malta;
ii. he resides in accommodation regarded as normal for a comparable family in Malta and which meets the general health and safety standards in force in Malta;
iii. he is in possession of a valid travel document;
iv. he is in possession of sickness insurance in respect of all risks normally covered for Maltese nationals for himself and the members of his family.

Tax – Highly Qualified Persons

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Exclusions from the Scheme

The individual income derived from employment in an "eligible office" will not qualify for the 15% reduced rate if it is paid by an employer who receives any benefits under business incentive laws or is paid by a person who is related to the employer who received any benefits under any business incentive laws or if the individual holds more than 25% (directly or indirectly) of the company licensed and/or recognised by the Competent Authority or if the individual is already in employment in Malta before the coming into force of the scheme either with a company not licensed and/or recognised by the Competent Authority.

The individual income derived from employment in an "eligible office" will not qualify for the scheme if a claim is made for any relief, deduction, reduction, credit or set-off of any kind except for any income tax deducted at source.

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Tax – Highly Qualified Persons

Anti-abuse provisions in respect of split contracts have been introduced. An arrangement in terms of which a beneficiary receives a payment from a person related to his employer and such payment is not declared for tax purposes in Malta is considered to be an artificial arrangement.

Any rights are withdrawn with retrospective effect if a beneficiary is not an EEA or Swiss national and he either:

- Physically stays in Malta, in the aggregate, for more than four years; or
- Directly or indirectly acquires real rights over immovable property situated in Malta or holds a beneficial interest directly or indirectly consisting in, inter alia, of real rights over immovable property situated in Malta.

Any individual who claims a benefit under the scheme when he is not entitled to do so is liable to a penalty equal to the amount of benefit claimed and if the benefit is paid the individual is liable to repay the benefit received plus additional tax of 7% per month or part thereof.

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Tax – Highly Qualified Persons

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Application to Benefit from the Scheme

An application for a formal determination relating to eligibility under the Highly Qualified Persons Rules must be made to:

• The Chairman, Malta Financial Services Authority using this form (in the case of Financial Services). Persons who already submitted a personal questionnaire to the Malta Financial Services Authority can apply using this form instead.
• The Chairman, Lotteries and Gaming Authority using this form.
• The Chairman, Authority for Transport in Malta using this form (in the case of Aviation Services).
• The Chief Medical Officer to Government using this form (in the case of assisted reproductive technology).

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Persons Returning to work

Persons returning to work and who pay tax are given a tax credit of a maximum of €5,000

According to the amounts these are to fill in forms RA4, RA7 or RA9 Accordingly

Another option is to fill in an FS4 and not pay tax for the period.

Persons Returning to work

- With effect from calendar year 2017 (Year of Assessment 2018) when a person (**man** or woman, that is no longer restricted to a woman):
- returns to employment (and not of retirement age); and
- after having been absent from any gainful occupation for at least five years (and who has never been, prior to the date of the said return to employment, in receipt of a pension in view of past employment); and
- had previously been in employment for at least twenty-four consecutive month
- Such person (including a man) can benefit from a tax credit of €2,000 which shall be set-off against the tax in respect of gains or profits from the said employment. Such €2,000 tax credit may be availed off over a maximum period of two years.

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Persons Returning to work

The new legal notice affords further leeway to couples in their child care and upbringing planning in addition to a fiscal incentive for both spouses to return to the workforce following childbirth. Moreover, since the provision is not explicitly tied to childbirth, the benefit may be claimed by individuals (men) who took a career break for reasons unrelated to childbirth, such as taking care of elderly parents.

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Questions?