



**TAX & CUSTOMS  
ADMINISTRATION**  
MALTA

## **TAX GUIDELINES ON ARTICLE 6 OF THE INCOME TAX ACT**

**Investment Services and Insurance Expatriates**

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## Background

Since Malta joined the E.U. in 2004, the investment services and insurance sectors expanded rapidly and began showing a significant need for highly qualified workers. Therefore, the need was felt for the importation of highly qualified persons in those areas of Financial Services and Insurance where local expertise was lacking.

The objective of the tax benefits of Article 6 of the Income Tax Act is to attract to Malta highly skilled expatriates to work for companies that are licensed and/or recognised by the Competent Authority regulating the specific sector.

## Investment Services Expatriate

In terms of Article 6 of the [Income Tax Act](#), an Investment Services Expatriate shall mean any individual who is an employee of, or provides services to, a company that is:

- an investment services company holding an investment services license issued under Article 6 of the [Investment Services Act](#); or
- a company which is recognised by the relevant Competent Authority for the purposes of Article 9A of Investment Services Act,

and whose activities solely comprise of the provision of the following:

1. Management,
2. Administration,
3. Safekeeping, or
4. Investment advice to collective investment schemes as defined in the Investment Services Act.

## Insurance Expatriate

An Insurance Expatriate refers to any individual who is an employee of, or provides services to, an “insurance company” that is defined by Article 6 as meaning:

- a company authorised under Article 7 of the Insurance Business Act; or
- an insurance manager as defined in Article 2 of the Insurance Distribution Act; or
- a company carrying on the business of insurance broking under article 12 of the Insurance Distribution Act.

## Who can Qualify

An Investment Services Expatriate or an Insurance Expatriate has to satisfy the above-mentioned conditions, and either:

- a) is not ordinary resident and not domiciled in Malta; or
- b) was not resident in Malta for a minimum period of three years immediately preceding the year in which he commences such employment with or provides services to any investment services company or insurance company as aforesaid and provided that during the said three years such individual has been engaged on a full-time basis in a similar position outside Malta.

## Exemptions from Tax under Article 6

An Investment Services or Insurance Expatriate is eligible for exemption from tax on the following personal expenses paid on his behalf or on behalf of his immediate family by the employing investments services company or insurance company:

- a) Removal costs in respect of relocation to or from Malta,
- b) Accommodation expenses incurred in Malta,
- c) Travel costs in respect of visits to or from Malta by the expatriate and his immediate family,
- d) Provision of a car in Malta,
- e) A subvention of not more than €600 per calendar month,
- f) Medical expenses and medical insurance,
- g) School fees of respective children.

Such payments incurred by the employer on behalf of an employee are normally taxed in the employee's hands as Fringe Benefits. However, an investment services expatriate or insurance expatriate may opt to claim an exemption from tax for any of the mentioned expenses paid for him by the employer. It is up to the expatriate to decide whether to make a claim for the exemption or not. Whether the expatriate elects to claim the exemption or not, any expenses paid by the employer on behalf of the expatriate or his immediate family need to be declared in the FS3 of the expatriate as Fringe Benefits.

Where an exemption is to be claimed, an employer will not be obliged to withhold income tax that would have resulted from the said fringe benefit.

The exemption from tax is available to the expatriate for a period of ten years commencing with the first year in which the expatriate is liable to taxation in Malta.

## Additional Benefits of Article 6

An investment services expatriate or insurance expatriate will be treated as not resident in Malta for the purposes of Article 12 (1)(c) of the Income Tax Act. This means that the following income will be exempt from tax:

- 1) Interest, discount, premium or royalties,
- 2) Gains or profits from the transfer of, or on a transfer of any rights over,
  - any units in a collective investment scheme, as defined in Article 2 of the Investment Services Act,
  - any units relating to linked long term business of insurance,
  - any interest of a partnership which is not a property partnership,
  - any shares or securities in a company which is not a property company.

Such benefits shall continue to apply for the duration of the employment in Malta as an Investment Services Expatriate or Insurance Expatriate.

## How to Claim the Exemption from tax under Article 6 – Form RA32

The return attachment form RA32 is to be submitted by all Investment Services Expatriates and Insurance Expatriates making a claim for exemption from tax.

The employing company needs to endorse the RA32, and certify:

- that it is an investment services company or an insurance company satisfying the conditions of Article 6
- the amount of personal expenses paid on behalf of the expatriate and his immediate family that are shown as Fringe Benefits in the expatriate's FS3.

The expatriate should insert the amount being claimed as exempt income in Box 7 of the tax return.

## Expatriate Employee and the provisions of S.L. 123.126 (Highly Qualified Persons Rules)

An individual who qualifies as an Investment Services Expatriate or as an Insurance Expatriate and derives income subject to tax under Article 4(1)(b) of the Income Tax Act, being emoluments payable under a qualifying contract of employment, may not also benefit from the provisions outlined in Subsidiary Legislation 123.126, Highly Qualified Persons Rules.

Registration under both the Highly Qualified Persons Rules and the provisions for Expatriates under Article 6 of the Income Tax Act is mutually exclusive.



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