

MALTA – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Malta.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Malta, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes
- Value added tax (VAT)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

INCOME TAX

Where you earn income in Malta, it is likely that you will be required to pay a percentage of the tax on this income to the Maltese tax authority. Below is a brief outline of the tax that may arise on income earned from short-term lettings in Malta and some information on how this tax can be paid over to the Maltese tax authorities.

Malta's tax year runs from 1 January to 31 December.

Coming within the charge to income tax in Malta.

You will be subject to tax in Malta where you have any income which is considered Maltese source income. This includes income from short-term lets of property located in Malta.

The applicable thresholds for you, if you are liable to income tax in Malta, depends on which progressive rates of income tax apply to you (please refer to "Maltese income tax rates" below).

Reporting tax in Malta.

You can manually submit a periodic income tax return, by presenting in person or mailing the tax return to the appropriate address.

You can also submit a periodic income tax return online via the Inland Revenue's web portal if you are in possession of an E-ID. Details of this can be found at the following [link](#).

Reporting tax - filing deadline.

The statutory income tax return deadline for the submission of your income tax returns is 30 June of the year following the respective tax year i.e. 30 June 2019 for the tax year ending 31 December 2018.

Reporting tax - payment deadline.

The payment of your tax liability should also be paid by 30 June of the year following the respective tax year.

Malta Tax Authority contact details.

The Maltese tax Authorities may be contacted through the following link:

https://cfr.gov.mt/en/inlandrevenue/contact_us/Pages/Contact-Us.aspx.

Furthermore, the general number which an individual may dial for general assistance with tax queries is:

- +356 229 62296.

Maltese income tax rates.

If you are subject to tax in Malta, your income is generally subject to the progressive rates of tax. Such rates depend on your civil status and/or the residency status for Maltese income tax purposes.

The different types of progressive rates of income tax may be found through the following [link](#).

Malta specific rules applicable to income earned in relation to short-term lettings.

Generally, income derived from short-term lets of immovable property is considered to be trading income for Maltese income tax purposes.

The main difference between your rental income being treated as trading income or income of a passive nature is the different types of deductions that are allowed to be taken differs for each type of income (if any). The types of deductions that can be taken where your income is considered either trading income or income of a passive nature is outlined below.

Typical expenses that can be deducted from your income in relation to short-term lettings.

If the lease income you receive is treated as trading income then only expenses incurred wholly and exclusively in the production of that income may be deducted accordingly.

Should your income be treated as "passive" in nature, then the following expenses may be deducted from said income;

- i) Sums payable by the individual by way of interest upon any money borrowed by him (subject to certain conditions),
- ii) Any rent, ground rent or similar burden payable,
- iii) Certain licence fees paid by the individual,
- iv) A deduction of 20% of the income following the deduction of the items (ii) and (iii).

Special reliefs from income tax in Malta that an individual providing short-term lettings may be able to avail of.

There is no relief for income earned on the leasing of property within Maltese income tax law.

You may however, subject to specific conditions, opt to be taxed at a final flat rate of income tax of 15% on the gross rental income received. Further information about the application of such a special rate of income tax may be found through the following [link](#).

Please note that if you are in doubt about how to calculate and submit your taxes in Malta you should consider if it would be appropriate to seek advice from a professional tax advisor.

Deductions available for tax depreciation (e.g. capital allowances / wear and tear).

Tax depreciation may only be availed of if the income derived from the immovable property is considered to be of a trading nature.

Should your rental income be considered as trading income, then wear and tear allowances may be deducted from your rental income in accordance with the rates stipulated in the 'Deduction for Wear and Tear of Plant and Machinery Rules' which can be downloaded from the following [link](#).

Should your income be considered as passive in nature, a deduction for wear and tear is not permissible.

Maltese income tax obligation for non-resident individuals.

If you are a non-resident individual earning rental income from immovable property situated in Malta, you will be obliged to pay Maltese income tax on such rental income, and prepare and submit an annual Maltese income tax return.

Maltese income tax obligations for a Maltese individual in receipt of foreign rental income.

If you are considered to be resident and domiciled in Malta for Maltese income tax purposes, then you are subject to Maltese income tax on your worldwide income. Therefore, if you are in receipt of rental income which is derived from an immovable property situated outside of Malta, then such income would be subject to Maltese income tax. It may be possible to claim double tax relief through your Maltese income tax return for foreign tax paid.

If you are considered to be resident but not domiciled in Malta for Maltese income tax purposes, then rental income derived by you from immovable property situated outside of Malta should only be subject to Maltese income tax if such income is remitted (brought in) to Malta.

Capital taxes in Malta.

The transfer of an immovable property situated in Malta is subject to Maltese income tax at rates ranging from 2% to 12% on the transfer value of the property, depending on the specific circumstances of the property being transferred.

The obligation to settle the respective income tax liability on the transfer of the property in question arises on the date of the signing of the deed of transfer of the property.

General property taxes payable.

To date there are no general property taxes payable under Maltese law.

Other

If you are letting out immovable property in Malta you should also consider any eco-tax contribution that may be due to be charged to short-term tenants. More information about this may be found from the following [link](#).

Sample Tax Computation						
Crista owns a 2 bedroom house in Valletta. Her spare room is available to rent at the weekends.						
Crista received total gross rent in 2018 of €7,000.						
Crista incurred the following expenses in relation to this house in 2018: purchase of new bedroom for €1,200, interest incurred on a loan used for the purchase of the property €200, ground rent €100, house insurance €500, and electricity €600.						
Tax treatment Option		Trading Nature		Passive Nature		Final withholding tax of 15%
		€		€		€

Gross rental income		7,000		7,000		7,000
<i>Less allowable expenses:</i>						
Wear and tear - furniture		(120)		-		-
Loan interest		(200)		(200)		-
Ground rent		(100)		(100)		-
Rental licence		(150)		(150)		-
House insurance		(500)		-		-
Electricity		(600)		-		-
20% maintenance allowance		-		(1,350)		-
Taxable rental income		5,330		5,200		7,000
Tax due at applicable rates	35 %	1,866	35 %	1,820	15%	1,050

VALUE ADDED TAX

Value added taxes can be complicated, and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Malta is a tax on consumption. Most goods and services supplied in Malta are subject to VAT.

A person who supplies goods and/or services in Malta may have to charge VAT and pay this to the Maltese tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Malta.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Maltese tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Malta?

Individuals who lease property to tourists in Malta should have a license to do so in accordance with the Malta Travel and Tourism Services Act. All license holders must register for VAT in Malta. There is currently no registration threshold for VAT in Malta, therefore if you let accommodation on a short-term basis in Malta, and are required to hold a license to do so, you should register for VAT in Malta.

While there is no registration threshold, your VAT compliance obligations may vary depending on whether your annual turnover from your letting of accommodation on a short-term basis exceeds €20,000 or not. If your annual turnover is below €20,000, you will be required to register for VAT and to submit an annual declaration to the Maltese VAT department however you will not have to charge VAT to your guests. If your annual turnover is above this threshold, you will be obliged to charge VAT to your guests.

If you are an individual who is not resident in Malta, but your accommodation is located in Malta, then you should also register for Maltese VAT, as Maltese VAT rules apply to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Maltese VAT.

For further guidance on registering for VAT, please see the Maltese tax authorities' website.

VAT applies to me. How do I determine how much tax I need to collect from my Guests?

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the Maltese VAT rate applicable to the letting/provision of accommodation of any premises required to be licensed in accordance with the Malta Travel and Tourism Services Act is 7% on the value of the consideration for the lease.

However, there are other VAT rates currently in force in Malta, so we recommend that you confirm with a local tax adviser the VAT rate applicable to your supplies.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In Malta, VAT returns cover a quarterly period and are required to be submitted, either manually or electronically, to the Maltese VAT department no later than the fifteenth day of the second month following the month during which the relevant tax period ends. A VAT payment must be made within the relevant deadline also. If you submit a VAT return

electronically, this filing deadline is extended by 7 days for the submission of the VAT return and the payment of VAT.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing returns, please see the Maltese tax authorities' website.

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice/receipt requirements with a local tax advisor.