

**SUBSIDIARY LEGISLATION 123.126**  
**HIGHLY QUALIFIED PERSONS RULES**

1st January, 2010\*

*LEGAL NOTICE 106 of 2011, as amended by Legal Notices 192 and 428 of 2011, 306 of 2012, 152 of 2013, 16 of 2014, 225 of 2015, 7 of 2017, 192 of 2017, 141 of 2018 and 209 of 2019.*

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| <p>1. The title of these rules is the Highly Qualified Persons Rules.</p>   | Citation.  |
| <p>2. (1) In these rules, unless the context otherwise requires:</p> <p>"the Act" means the Income Tax Act;</p> <p>"artificial arrangement" shall include an arrangement in terms of which a beneficiary receives any benefit or payment, in whatever form, from a person who is related to his employer and such beneficiary does not declare for tax purposes such benefit or payment in Malta or is not liable to tax on such income in Malta;</p> <p>"Commissioner" means the Commissioner for Revenue;</p> <p>"competent authority" means respectively:</p> <p>(a) the body referred to in article 12(1) of the Financial Institutions Act, in respect of any employment or office with any company licensed and, or recognised by the said body; and</p> <p>(b) the body referred to in article 9 of the Lotteries and Other Games Act<sup>†</sup>, in respect of any employment or office with any company licensed and, or recognised by the said body; and</p> <p>(c) the Authority for Transport in Malta established in terms of article 5 of the Authority for Transport in Malta Act, in respect of any employment or office with any undertaking holding an air operators' certificate issued in terms of article 4 of the Civil Aviation (Air Operators' Certificates) Act or an aerodrome licence issued in terms of article 71 of the Air Navigation Order; and</p> <p>(d) Office of the Chief Medical Officer to Government;</p> <p>"eligible office" is an employment or office listed in the Schedule;</p> <p>"professional qualifications" means qualifications attested by evidence of education qualifications or, by way of derogation, when provided for by national law, attested by at least five years of professional experience of a level comparable to education qualifications and which is relevant in the profession or sector specified in the work contract or binding job offer;</p> <p>"education qualification" means any diploma, certificate or other</p> | <p>Interpretation.<br/> <i>Amended by:</i><br/> <i>L.N. 428 of 2011;</i><br/> <i>L.N. 306 of 2012;</i><br/> <i>L.N. 16 of 2014;</i><br/> <i>L.N. 141 of 2018;</i><br/> <i>L.N. 209 of 2019.</i><br/>           Cap. 123.</p> <p>Cap. 376.</p> <p>Cap. 438.</p> <p>Cap 499.</p> <p>Cap. 218.</p> <p>S.L. 499.09</p> |

\*See rule 1(2) of these Rules, as originally promulgated, and as amended by Legal Notice 192 of 2011.

†Repealed by Act XVI of 2019.

evidence of formal qualifications issued by an educational establishment attesting the successful completion of a post-secondary education programme, namely a set of courses provided by an educational establishment recognised as a education institution by the State in which it is situated. An education qualification shall be taken into account, on condition that the studies needed to acquire it lasted at least three years;

"professional experience" means the actual and lawful pursuit of the profession concerned;

"public interest" includes the interests of public safety, the protection of public order, national security, territorial integrity, public health or morals;

"rights acquired under this law" means the right to elect to pay tax at the reduced rate of tax contemplated in article 56(21) of the Act and these rules;

"these rules" shall include the provisions of article 56(21) of the Act and the rules contained in these Rules;

"third-country national" means any person who is not a citizen of the European Union within the meaning of Article 20 of the Treaty on the European Union and the Treaty on the Functioning of the European Union.

(2) A person shall be deemed to be related to a body of persons if:

- (a) that person and the body of persons are, directly or indirectly, controlled or beneficially owned to the extent of more than twenty-five percent (25%) by the same persons; or
- (b) that person owns, directly or indirectly, more than twenty-five percent (25%) of the ordinary share capital or voting rights of the body of persons.

Qualifying contract.  
Amended by:  
L.N. 209 of 2019.

**3.** (1) Income from a qualifying contract of employment qualifies under these rules when it is received by a beneficiary and consists in income subject to tax under article 4(1)(b) of the Act (exclusive of the annual value of any fringe benefits) of a minimum of €75,000 and consists of emoluments from an eligible office.

(2) A qualifying contract of employment shall be considered to be such if the employment activity contemplated in the contract of employment is an eligible office.

Beneficiary.

**4.** A beneficiary is an individual who meets all of the following conditions:

- (a) he is an individual who derives income subject to tax under article 4(1)(b) of the Act, being emoluments payable under a qualifying contract of employment, and received 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;
- (b) he is protected as an employee under Maltese law,

irrespective of the legal relationship, for the purpose of exercising genuine and effective work for, or under the direction of, someone else, is paid, and has the required adequate and specific competence, as proven to the satisfaction of the competent authority;

- (c) he proves to the satisfaction of the competent authority that he is in possession of professional qualifications;
- (d) he is not a person who has benefitted under article 6 of the Act;
- (e) he 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;
- (f) he proves to the satisfaction of the competent authority that he performs activities of an eligible office; and
- (g) he proves to the satisfaction of the competent authority that:
  - (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; and
  - (v) he is not domiciled in Malta.

5. (1) When an individual exercises the option available under article 56(21) of the Act in respect of a year of assessment, the minimum amount of income which shall be chargeable to tax at the reduced rate provided for in that sub-article in respect of that year of assessment shall be deemed to be €75,000:

Minimum amount chargeable to tax. Amended by: L.N. 192 of 2011.

Provided that the minimum amount of income of €75,000 shall be adjusted annually in line with the Retail Price Index as published in the Gazette by the National Statistics Office:

Provided further that should income from a qualifying contract of employment exceed the sum of €5,000,000, no further tax would be charged on income from a qualifying contract of employment in excess of €5,000,000:

Provided also that the rate of 15% shall apply without possibility to claim any relief, deduction, reduction, credit or set-off of any kind. Notwithstanding the generality of foregoing, a beneficiary shall be allowed deductions of tax under article 23 of the Income Tax Management Act.

Cap. 372.

(2) The option available under article 56(21) of the Act may not be exercised in respect of any year of assessment preceding the year of assessment 2011.

Claw-back of benefits.  
Amended by:  
L.N. 225 of 2015;  
L.N. 7 of 2017;  
L.N. 192 of 2017.

6. (1) Subject to the provisions of rule (7), the option available under article 56(21) of the Act shall, with respect to EEA and Swiss nationals, apply for a consecutive period of five years commencing from the year preceding the first year of assessment in which that person is first liable to tax under the provisions of the Act.

(2) Subject to the provisions of rule (7), the option available under article 56(21) of the Act shall, with respect to third-country nationals, apply for a consecutive period of four years commencing from the year preceding the first year of assessment in which that person is first liable to tax under the provisions of the Act.

(3) Rights acquired under this law shall be deemed to have been withdrawn with immediate effect if the grant of benefits under these rules and the beneficiary's stay in Malta are not in the public interest.

(4) Rights acquired under this law shall be deemed to have been withdrawn with retrospective effect if a beneficiary is a third-country national and he either -

- (a) physically stays in Malta, in the aggregate, for more than 1,460 days unless such stay is in accordance with an extension granted in terms of sub-rule 5 of this rule; or
- (b) directly or indirectly acquires real rights over immovable property situate in Malta or holds a beneficial interest directly or indirectly consisting in, *inter alia*, of real rights over immovable property situated in Malta.

(5) Notwithstanding anything to the contrary contained in these rules, but subject to rule 14, any person who falls under the provisions of sub-rule (1) or sub-rule (2) hereof, irrespective of whether he has availed himself of the benefit provided by these rules or not, shall be eligible, upon application, for a one-time extension of five years, or four years, as the case may be to his qualifying period, subject to the continued adherence to the other provisions of these rules: provided that this extension shall not be available to any person who was resident in Malta prior to the 1st of January 2008 and that the maximum qualifying period shall not exceed a consecutive period of ten years, or eight years, as the case may be, commencing from the year preceding the first year of assessment in which that person is first liable to tax under the provisions of the Act.

7. (1) The option available under article 56(21) of the Act may not be exercised by any person who was employed for a period exceeding two years preceding the 1st January, 2010, under a contract of employment requiring the performance of his duties in Malta:

Persons already in Malta.  
Amended by:  
L.N. 192 of 2011;  
L.N. 306 of 2012.

Provided that in the case of persons employed with undertakings holding an air operators' certificate issued by the competent authority, the option available under article 56(21) of the Act shall not be exercised by any person who was employed prior to the 1<sup>st</sup> January, 2012.

(2) A person referred to in rule 6(1), other than a person employed with an undertaking holding an air operators' certificate issued by the competent authority, who is an EEA or Swiss national who up to two years before the entry into force of these rules was employed under a contract of employment requiring the performance of his duties in Malta, shall benefit from these rules for not more than three consecutive years commencing from the year of assessment 2011. In the event, that such an EEA or Swiss national would have been employed as aforesaid for up to one year, such person shall benefit under these rules for not more than four consecutive years commencing from the year of assessment 2011.

(3) A person referred to in rule 6(2), other than a person employed with an undertaking holding an air operators' certificate issued by the competent authority, who is a third-country national who up to two years before the entry into force of these rules was employed under a contract of employment requiring the performance of his duties in Malta, shall benefit under these rules for not more than two consecutive years commencing from the year of assessment 2011. In the event that such a third-country national would have been employed as aforesaid for up to one year, such person shall benefit under these rules for not more than three consecutive years commencing from the year of assessment 2011.

8. (1) Where any person, in order to obtain benefits under these rules, makes use of artificial arrangements, the Commissioner shall, by order in writing, determine the liability to tax of the said person, for any year of assessment, in such manner and in such amount as may be necessary, in the circumstances of the case to nullify benefits obtained under these rules. A person who disagrees with an order served upon him as aforesaid shall have the same rights to object to that order and to appeal from a decision of the Commissioner refusing that objection as if that order were an assessment issued under the Income Tax Management Act and the relevant provisions of that Act relating to objections and appeals shall apply *mutatis mutandis*:

Anti-abuse provisions.

Cap. 372.

Provided that if any person claims a benefit under these rules when that person was not entitled to the said benefit, such person shall be liable to pay a penalty equal to the amount of benefit claimed and if the benefit was in fact paid to him that person shall in addition be liable to repay the benefit received and to additional tax of seven per cent per month or part thereof commencing from the month in which the said benefit was paid to him up to the month in which he repaid the benefit and any

payment made by the said person in respect of the tax repayable by him in terms of this proviso shall first be applied against any additional tax due thereon:

Provided further that liability to pay additional tax in terms of the preceding proviso shall not be applicable when the person referred to therein proves that he has acted in good faith.

(2) For the purposes of this rule, 'benefit' shall mean the total tax saved by an individual who elects to apply these rules.

Request for information.

**9.** (1) For the purpose of ascertaining an individual's right to exercise the option referred to in these rules and ensuring the proper application of these rules, the Commissioner and the competent authority may require that individual to produce, within the time indicated by the Commissioner and the competent authority in that request, such further information and documents as the Commissioner and the competent authority may consider necessary, including certifications and declarations of the employer of that individual.

(2) If an individual fails, without any valid reason, to comply with any request relating to his income made to him by the Commissioner and the competent authority in accordance with this rule, the Commissioner and the competent authority may order that article 56(21) of the Act shall not apply to that income. In such a case, the Commissioner may make an assessment and the tax on that income shall be calculated at the rates provided for in the Act without any reference to the said sub-article.

Manner in which option is exercised.

**10.** The option available under article 56(21) of the Act shall be exercised by means of a declaration signed by the beneficiary and endorsed by the competent authority made on such form or in such manner as the Commissioner may require and attached to or included in the tax return for the relative year of assessment. It shall not be deemed to have been validly exercised unless the income to which it applies has been fully and correctly declared in the said tax return and unless the said declaration and tax return are filed by not later than the relative tax return date:

Provided that when the said declaration or the relative tax return is filed later than the tax return date, the Commissioner may treat the option as having been validly exercised if he is satisfied that the delay was due to a reasonable excuse.

Determinations and attestations.

**11.** (1) For the purposes of rule 4, the competent authority shall issue a formal determination relating to anything which needs to be proven to its satisfaction in terms of these rules.

(2) An application for a formal determination relating to eligibility under these rules shall be made on such form or in such manner as the competent authority may require and shall contain the information and documents therein requested.

(3) After consultation with the competent authority, the Minister responsible for justice shall determine whether a beneficiary's stay in Malta is not in the public interest.

**12.** For the purposes of rule 10, the competent authority shall, following an application, filed by a beneficiary, endorse the form required by the Commissioner.

Exercise of benefit.  
*Amended by:*  
*L.N. 192 of 2011.*

**13.** For the purposes of rule 3, the employments and offices which are eligible for the reduced rate of tax are listed in the Schedule.

Eligible offices.

**14.** No determination by the competent authority in accordance with rule 11 shall be issued after the 31st December 2020, and any determination issued must refer to any employment commencing by the 31st December 2021 and terminated by the 31st December 2025.

Time limit of benefit.  
*Added by:*  
*L.N. 225 of 2015.*

## SCHEDULE

(Rules 2 and 13)

### Eligible employments and offices

*Amended by:*  
*L.N. 428 of 2011;*  
*L.N. 306 of 2012;*  
*L.N. 152 of 2013;*  
*L.N. 16 of 2014;*  
*L.N. 141 of 2018.*

(1) Employments with companies licensed and/or recognised by the competent authority or with undertakings holding an air operators' certificate issued by the competent authority, consisting in the following employments or offices:

- (a) Chief Executive Officer, Chief Risk Officer (including Fraud and Investigations Officer), Chief Financial Officer, Chief Operations Officer (including Aviation Accountable Manager), Chief Technology Officer, Chief Commercial Officer,
- (b) Portfolio Manager, Chief Investment Officer, Senior Trader/Trader, Senior Analyst (including Structuring Professional), Actuarial Professional, Chief Underwriting Officer, Chief Insurance Technical Officer, Odds Compiler Specialist, Head of Research and Development (including Search Engine Optimisation and Systems Architecture), Aviation Continuing Airworthiness Manager, Aviation Flight Operations Manager, Aviation Training Manager, and Aviation Ground Operations Manager,
- (c) Head of Marketing (including Head of Distribution Channels), Head of Investor Relations.

(2) Employments with undertakings holding an aerodrome licence issued by the competent authority, consisting in employment as Chief Executive Officer.

(3) Employment in the Assisted Reproductive Technology sector consisting in employment as:

- (a) Embryologist;
- (b) Responsible Person;
- (c) Lead Quality Manager.