

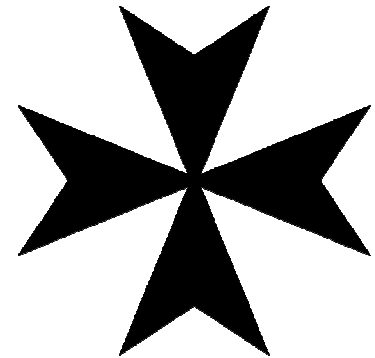


## Hotspot Guide

### Malta

#### Country Data

- Population: 395,000
- Currency: Maltese Lira (currently 1 Lira = £1.60)
- Interest Rate: 3.75% (UK = 4.75%)
- Inflation Rate: 2.2% (UK = 2.5%)
- Language: Maltese; a cross between 10 languages but predominantly Italian and Arabic. English is also widely spoken.
- Gained independence from the UK in 1974 but have retained many British characteristics such as driving on the left hand side of the road.
- Investor Types: Cash & Equity, Pension, Holiday, Retirement, down shifter and Business.
- Travel Distance: 2.5 hours to London
- Ryan air to provide flights from November 2006 providing very cheap flights.
- Crime: Very low to non-existent
- Joined the EU on 1 May 2004
- Time Zone: BST + 1 hour



#### Politics

Malta is a Republic whose Parliamentary system is closely modelled on the UK system. Elections are held every 5 years.

Their current Government is led by The Nationalist Party with their main opposition being The Malta Labour Party.

## Geography



The Maltese Republic sits just below Sicily and to the right of Tunisia.

The Republic has a total of 6 islands but only 3 are inhabited; Malta, Gozo and Comino.

The Climate is typically Mediterranean; hot dry summers and mild rainy winters.

Effectively there are only 2 seasons which makes the Islands very appealing to tourists and the elder generation wishing to retire or simply escape the cold British winters.

## Economy

The economy is heavily dependent on foreign trade (freight trans-shipments), manufacturing (especially electronics and textiles) and tourism.

The tourism infrastructure has increased dramatically over the recent years and there are now a number of good quality hotels and restaurants on the Island.

The Maltese government is intending to adopt the Euro as the Country's currency on the 1<sup>st</sup> January 2008.

## Migration

Although they are a member of the EU Malta has not yet adopted the 'Schengen Regulations'. These Regulations are essentially the agreement amongst EU states which allows for a common policy on the temporary entry of persons (including the Schengen visa) and a border system. Border posts and checks are removed between Schengen countries and a common 'Schengen visa' allows access to the area. However, the agreement does not cover residency or work permits for non-EU nationals.

Malta is aiming to implement the Schengen Regulations by 2007 which will clearly aid travel to and from the Country, increase trade and free movement of people.

Maltese laws for migration follow EU legislation and EU nationals do not require a visa nor passport (ID card will be sufficient) to enter the Country. All other nationals will be required to apply for a visa to enter the country.

To work in Malta all nationals, EU and otherwise are required to apply for a work permit, this rule was introduced to protect the Maltese labour market becoming saturated but in practice all EU Nationals applications for a work permit are approved.

The Maltese are very generous and humane in the way they treat illegal immigrants, in many cases they try to assist in their providing refuge and resettlement in Malta. This has, however, had an impact on the Maltese health, employment and social services.

## **A brief guide to the purchase system**

### **Average Property Prices**

<b>Type of Property</b>	<b>Entry Price</b>	<b>Weekly Rent - peak</b>	<b>Weekly Rent – Off peak</b>	<b>Average Annual yield</b>
<b>2 bed appt</b>	<b>£31,000</b>	<b>£480</b>	<b>£400</b>	<b>17%</b>
<b>3 bed appt</b>	<b>£48,000</b>	<b>£600</b>	<b>£600</b>	<b>15%</b>
<b>3 bed thouse</b>	<b>£90,000</b>	<b>£1100</b>	<b>£1100</b>	<b>14.6%</b>
<b>Detached</b>	<b>£100,000</b>	<b>£1000</b>	<b>£1000</b>	<b>12%</b>

### **Why Malta?**

There is high demand for lettings all year round; both during peak and off peak seasons. The average annual yield as outlined above (the yield is the mid price of the monthly rental multiplied by 12 and divided by the purchase price and then expressed as a percentage) particularly from a 2 bed apartment is very good. The rental yield for Malta is therefore greater than the UK national average. However, it's important to note the rules on purchasing property if you are a non-resident, a non-resident will not be entitled to buy a property at only £31K!

Public transport is very good with regular bus services all over the Islands of Malta and Gozo. Car and bike hire is easily available.

Scuba diving is very popular here with some of the best waters in Europe available. The water is mild and the waters thick with wrecks for the experienced divers to explore.

A variety of other sports and activities are also available; horse riding, hill walking, swimming, mountain biking, fishing to name a few.

Taxes are relatively low (see below).

### **The legal process**

The legal process is not overly complex and a basic outline is as follows;

- Once the seller and buyer agree a price a preliminary agreement is signed.
- This binds both parties to the sale subject to seller proving good title and any permit to purchase.
- Once signed a 10% deposit is lodged with a Notary Public (or agent).
- Agreement usually valid for 3 months.
- Notary Public appointed by Purchaser carries out all searches to confirm good title and makes all relevant purchase applications.
- Once good title shown and all permit to buy provided final contract drawn up – the ‘*Deed of Sale*’ (written in English!)
- Balance of purchase price, stamp duties, legal fees paid on completion.

### **Fees**

- Stamp Duty: 5%
- Notaries Fees: 1% (approx)
- Searches and Registration dues: LM 100 (approx)
- Ministry of Finance fee: LM 100

### **Some other important facts to note.**

Malta has some idiosyncrasies which must be borne in mind when deciding to buy here;

- If you are not a resident of Malta the value of property purchased must be above 39,720LM (currently £62,720) for an apartment or maisonette or above 66,200LM (currently £105,920) for a house. These figures are reviewed annually

- If a property requires renovation lower prices may be allowed.
- Documentary evidence must be provided showing the funds for the purchase originated from an external source.
- Only 1 property can be owned in Malta or Gozo (except in the special designated areas of Portomaso, Tigné Point, St. Angelo Mansions, Tas-Sellum, and Chambrai in Gozo) or unless you have resided there for a minimum of 5 years.
- Foreigners may rent the property as long as; (a) it is in a special designated area, or (b) it is a villa or house with a private pool or, (c) it is issued with a licence from the Ministry of Tourism Authority. Permission to let must be obtained (before offering to purchase any property in Malta we recommend you seriously consider if this is a property on which such permission would be granted).
- There are detailed regulations governing the rental of holiday premises.
- Mortgage facilities are available in Malta for non-residents (subject to status). Currently 90% can be loaned at an interest rate of 4.25%
- On resale the property should be transferred to a Maltese resident, however, market value must be reached and if this is not possible the property can then be sold to a non resident.
- Capital Gains Tax will be charged on the sale, rates depend on a number of factors such as; whether the property was the owners primary residence, whether it was owned for at least 5 years.
- If the property is sold within 5 years from date of acquisition, the vendor has the option to choose to be taxed (1) a capital gains tax based on gains realised after taking into consideration the cost of purchase and sale, as well as any improvements carried out on the property or (2) a final withholding tax equivalent to 12% of the sale price of the immovable property.

### **Predicted Property Prices in Malta**

Clearly impossible to do but look at the following factors to determine if prices are predicted to rise;

1. Proposed transport improvements: **Yes** (cheap flights to be available from next month).
2. Proposed inward investments: **Yes** (The Multilateral Investment Guarantee Agency – MIGA - of the World Bank Group has provided grant funding to develop this area). In addition more than 200 international companies such as HSBC, Lufthansa, Playmobil and DHL have recently decided to invest in Malta.

3. Proposed improvements to leisure facilities: **Yes** (a project is currently underway be Malta Airport International plc to improve leisure and shopping facilities in Malta and build a Mediterranean Business Park just outside of the Capital; Valetta).
4. Higher than average yields: **Yes** (between 12% - 17%).
5. Political stability: **Yes**
6. Lengthened holiday seasons: **Yes**

It seems then that Malta 'ticks' the box for all of the above indicating that it is likely that not only can you expect good rental income but that capital growth can also be achieved through a rise in property prices.

Dated: 08 October 2006