



Tax Reduction Scheme Through Fiscal Incentives

2022

1. Title and aim of the scheme

The aim of the Tax Rebate Scheme through fiscal incentives is to grant a property tax rebate on the sale of a residential property that has been rented at affordable rents for a number of years. A property tax rebate is given on the first €200,000 of the sale of a property that has been leased at affordable rents for more than three (3) years, where the property is sold to the tenant himself and this where, the tenants are eligible for the Rent Benefit granted by the Housing Authority. It is a known fact that through this incentive the Housing Authority is targeting a substantial amount of properties which are governed by the old rental market. This is a strong incentive for the owners and an opportunity for the tenants to strengthen their situation in a way that is fair to owners.

2. Definition of terms.

Throughout the Notice unless the context otherwise requires:

- (a) “affordable rent” shall mean that the rent paid was less than that indicated in the following table according to the size and locality where the property is situated.

Locality	One-bedroom Dwelling*	Two-bedroom Dwelling*	Three-bedroom Dwelling*
Fontana; Ġhajnsielem; Ġharb; Ġhasri; Munxar; Nadur; Qala; San Lawrenz; Ta' Kerċem; Ta' Sannat; Victoria; Xagħra; Xewkija; Żebbuġ	€ 298	€ 408	€ 468
Ħal Ġhargħur; Mellieħa; Mġarr; Mosta; Naxxar; San Pawl il-Baħar	€ 408	€ 510	€ 595
Ħad-Dingli; Ħal Balzan; Ħal Lija; Ħ'Attard; Ħaž-Żebbuġ; Iklin; Mdina; Mtarfa; Rabat; Sigġiewi	€ 425	€ 519	€ 638
Birkirkara; Gżira; Ħal Qormi; Ħamrun; Msida; Pembroke; San Ġwann; Santa Venera; San Ġiljan; Swieqi; Ta' Xbiex; Tal-Pietà; Tas-Sliema.	€ 510	€ 680	€ 808
Bormla; Birgu; Fgura; Furjana; Ħal Luqa; Ħaž-Żabbar; Isla; Kalkara; Marsa; Raħal Ġdid; Santa Luċija; Ħal Tarxien; Valletta; Xgħajra.	€ 436	€ 510	€ 595
Birżebbuġa; Gudja; Ħal Ġhaxaq; Ħal Kirkop; Ħal Safi; Marsaxlokk; Mqabba; Qrendi; Wied il-Ġħajn; Żejtun; Żurrieq.	€ 383	€ 510	€ 595

* The applicants must submit a certificate by an architect of their choice which indicates the size of the properties in meters squared and the number of bedrooms available. Nonetheless, should it transpire that the property is smaller than that indicated in the Planning Authority

guidelines (55m², 90m² and 115m² for 1, 2 and 3 bedroom dwelling respectively), the Housing Authority may, at its absolute discretion, decide that the property belongs to a different size category than that indicated in the architect's certificate.

- (b) "applicants" means persons who are owners and tenants of the residence that will be sold and who should submit the application together and *in solidum*. In this scheme, the singular shall import the plural and the masculine shall import the feminine.
- (c) "the Authority" means the Housing Authority established by Article 3 of the Housing Authority Act, (Cap 261);
- (d) "Scheme" means "Tax Reduction Scheme Through Fiscal Incentives" published in the Government Gazette of the 4th October 2022;
- (e) "aggregate annual income" has the same meaning assigned to it in Clause 7 of this Scheme.

3. Conditions of the scheme

- (a) In order for both the landlord and the tenant be exempted from paying tax on the first €200,000 of the property price, the following conditions are to be met:-
 - (i) The owner, together with their predecessor in title if the property was inherited, must have leased the property to the same tenant (or their predecessors in case of a lease inherited as stipulated at law) for a period of ten (10) years at an affordable rent as stipulated in clause 2(a);
 - (ii) During the last ten years the tenant must have been eligible for rent benefit; ie their income did not exceed that established in the Rent Benefit Scheme published by the Housing Authority in the Government Gazette issued on 1st February 2019 together with its subsequent amendments. The tenant must submit an official document showing the income covering the last ten (10) years prior to the application under this scheme.
- (b) In order for both the landlord and the tenants be exempted from paying fifty percent (50%) of the tax on the first €200,000 of the property's price, the following conditions are to be met:-
 - (i) The owner, together with their predecessor in title if the property was inherited, must have leased the property to the same tenant (or their predecessors in case of a lease inherited as stipulated at law) for a period of three (3) years at an affordable rent as stipulated in clause 2(a);
 - (ii) During the last three (3) years the tenant must have been eligible for rent benefit; ie their income did not exceed that established in the Rent Benefit Scheme published by the Housing Authority in the Government Gazette issued on 1st February 2019 together with its subsequent amendments. The tenant must submit an official document showing the income covering the last three (3) years prior to the application under this scheme.

- (c) In case of a lease which commenced before 1st June 1995, the children of the tenants who have been living with their parents since four (4) years out of the last five (5) years before June 1st 2008, can buy the property and benefit under this scheme.

4. Process of Applications

- (a) The application must be submitted by the owners and tenants jointly;
- (b) Verification is carried out to ascertain that the tenants have lived in the property for the last three (3) or ten (10) years;
- (c) Verification is carried out to ascertain that the landlord-tenant relationship has been ongoing for the last three (3) or ten (10) years at an affordable rent;
- (d) The income of the tenant is checked to determine whether it meets the criteria of the scheme;
- (e) A Certificate is issued that establishes the percentage of tax rebate on the sale of property. This Certificate will be valid for a period of three (3) years;
- (f) Applicants shall present the certificate provided to their Notary. The Notary shall make the necessary verifications with the Housing Authority to ensure the authenticity of the document provided by the applicants.

5. Method of application

- (a) A landlord and a tenant qualifying under this Scheme shall submit an application jointly and *in solidum* on the prescribed form and shall deliver same at the office of the Housing Authority number 22 Pietro Floriani Street Floriana, at the Housing Authority branch in Victoria, Gozo or from the Housing Authority website.
- (b) The application should be submitted prior to the signing of the Promise of Sale.

6. Validity of the application.

To be valid the application must satisfy the following requirements:-

- (a) the application must be made on the prescribed form and must be duly and completely filled;
- (b) the application must be signed by all applicants;
- (c) the application must be presented together with all necessary documents;

7. Applicants' aggregate annual income

For the purposes of this application the aggregate annual income of the tenants is that established in the Rent Benefit Scheme published by the Housing Authority in the Government Gazette issued on 1st February 2019 as well as its subsequent amendments.

8. Disqualification

Persons shall not qualify to make an application under this scheme if:-

- (a) the aggregate annual income exceeds the amount as laid down in Clause 3;
- (b) the tenants have not been residing in the property as laid down in Clause 3;
- (c) the rent is not affordable as established in clause 2(a);
- (d) the tenant is a person who requires permission from the Ministry responsible for Finance to purchase a property and this in accordance with Chapter 246 of the Laws of Malta.

9. Information

The Authority may require the applicants to sign and confirm any declaration in any form even under oath it may consider necessary for the carrying out of this Scheme.

10. Penalty for false information

If at any time, it results that applicants have made a false declaration or given incorrect information/documents for the purposes of any application, without prejudice to any penalty for which they may have become liable under any other law, applicants shall be liable to the payment to the Authority, of a fine which the Authority deems fit. They will also be disqualified for a period of five (5) years from benefiting from any scheme made with the approval of the Minister responsible for Housing and shall forfeit the right to any benefit under this Scheme.

Incorrect or false declaration/documents may also lead the applicant to the commencement of criminal procedures against him.

11. Administrative charges and abandoned applications

- (a) Each application for assistance under this Scheme shall be lodged to the Authority and that application shall not be accepted unless accompanied by the sum of fifty Euros (€50) as an administrative charge.
- (b) Where any applicant under this Scheme stops the processing of the application, the application shall be deemed to have been abandoned and any expenses and deposits incurred by the applicants in connection with their application, shall not be recoverable

by the applicants whether or not their application is successful. These deposits are not refundable for any reason.

12. Right of refusal

Notwithstanding anything contained in the foregoing provisions of this Scheme, the Authority shall have the right to refuse any application.

13. Duration of scheme

This Scheme shall remain in force for a period of one (1) year from the date of its publication in the Government Gazette. The Housing Authority reserves the right to publish a notice in the Government Gazette indicating the withdrawal of the scheme.

14. Interpretation

In case the Maltese text differs from the English text, the Maltese text will prevail.

15. Amendment of scheme

The Authority shall have the right to make any amendments to this Scheme by publication of the said amendments in the Government Gazette. Such amendments may be made applicable retroactively. No amendments shall subject the Authority to an action for damages or any other legal action. The conditions of this scheme should form an integral part of the deed and in case were the conditions of this scheme are different from the conditions indicated in the deed, the conditions which are most favourable to the Authority are to be applied.