

## **Guidelines on Income Tax and Stamp Duty Benefits on Certain Property Transfers - Budget 2022**

The Minister for Finance and Employment has prescribed rules that grant income tax and stamp duty exemptions on certain property transfers. The rules have been published in **Legal Notice 461 of 2021**.

The new tax benefits apply to transfers that are made on or after 12 October 2021 but not later than 31 December 2024. They do not apply to transfers of property to persons who require an AIP permit. (In the case of transfers of property situated within special designated areas, and which are therefore not subject to AIP permit requirements, the exemptions are available only as long as the purchaser is not a person who would require an AIP permit had the property been situated elsewhere.)

The benefits are granted under the following three schemes:

### **Old, vacant property**

The first scheme applies to buildings that were constructed at least 20 years before the transfer, as confirmed by an architect's report, and that have been vacant for at least 7 years and still vacant at the time of the transfer, as confirmed by a certificate from ARMS. The Commissioner may require further or alternative evidence. The benefit under this scheme is an exemption from income tax and an exemption from stamp duty on the first €750,000. When the transfer value is higher than €750,000, the excess is taxed at the normal rates.

(Where the Eighth Schedule is applicable, it would qualify as an architect's report.)

### **Property situated within an urban conservation area**

The second scheme applies to property situated within an urban conservation area, as confirmed by a certificate from the Planning Authority and by any further evidence that the Commissioner may request. Again, the benefit is an exemption from income tax and from stamp duty on the first €750,000. When the transfer value is higher than €750,000, the excess is taxed at the normal rates.

### **Property developed in accordance with approved criteria**

The third scheme applies to transfers of property that is subsequently developed in accordance with approved criteria. The criteria were described in broad terms in the budget speech as requiring the development to include Maltese traditional features. A board will be established to lay down these criteria and to monitor and approve property developments in those cases where the owner applies for the duty benefit under this scheme.

Under this scheme, the benefit consists of an exemption from stamp duty on the first €750,000. The exemption is granted by way of a refund: income tax and stamp duty must be paid on the contract at the normal rates, but the purchaser can then apply for a refund of the stamp duty, which will be given once the property is developed, and the development is approved by the board.

### **Loss of benefits**

The benefits are subject to the condition that the property will not be demolished and that it is not divided into more transferable units than the units comprising it at the time that it was acquired or, in the case of the third scheme, at the time that the development was approved. Breach of this condition will result in a loss of the benefit and the amount of the benefit (the total amount of exempt income tax and stamp duty under the first two schemes and the amount of the exempt stamp duty under the third scheme) will have to be paid to the Commissioner.

When a transfer that qualifies under these schemes qualifies also for the stamp duty benefit available on donations to descendants of a residence or of property to be developed as a residence, the parties have the option to choose whether to claim that benefit or the benefit under these new schemes.