TAX & CUSTOMS ADMINISTRATION
MALTA

Manual on
The Taxation of Pension Income in Malta

These manuals contain technical guidance for MTCA staff and tax professionals as well as the general public.

The guidance is not comprehensive and does not provide a definitive answer in every case. It is based on the law as it stood when they were published. MTCA publishes amended or supplementary guidance if there's a change in the law or in the department's interpretation of it. These manuals are not to be considered as Guidelines of the MTCA and therefore are not binding by law.

SUMMARY

- **Pensioners:** are individuals in receipt of regular payments received after a period of time based on past contributions,

- **Tax Returns:** need not be submitted in the case of pensioners who are considered as non-filers, other pensioners must file a tax return,

- **Tax Rates:** apply in the same way to pensioners as other taxpayers however certain exemptions and rebates reduce the overall tax liability of pensioners,

- **Part-time Income:** may also be earned by pensioners, and may be declared either by using TA22 for self-employed individuals, TA23 for those in part-time employment or declared in the tax return,

- **Rental Income:** May be declared in TA24 or in the tax return,

- **Deadline for Submission:** tax returns are subject to the same deadlines as other taxpayers, including penalties and interest for late submissions and payments.

If you wish to read more on the taxation of pension income and how to submit a tax return please read the following pages which provide a more detailed explanation of the above.

1. Pension Income in Malta

Pension payments are payments received after a period of time based on past contributions. There are different types of pension payments that one may receive. However not all pension payments are tied and dependent on employment income and taxpayers may also opt to make voluntary pension payments over and above mandatory contributions which boost their pension upon retirement.

Although there may be different types of pension payments; these can be categorised under two main headings:

a) **Contributory Pensions:** are mandatory with pre-established guidelines provided by Government on the amount of payments to be made on a periodic basis.

   i. Contributory pensions are linked to employment income and reflect contributions made by an employer to a pension fund for and on behalf of an employee. The employee in turn will have an equivalent contribution deducted at source from their net employment income arising from employment with the same. Contributions are therefore made by both the employer and the employee and are based on the net employment income of the employee, with higher contributions linked to higher levels of income. Contributions vary depending on age and the average weekly net income earned. Contributory pensions in Malta and their respective categories can be found on the following link.

   ii. Self-employed individuals are also required to make mandatory pension contributions. Contributions by self-employed individuals are to be made every April, August and December for each year of activity with rates also found on the following link.

b) **Voluntary Contributory Pensions:** Non-mandatory, voluntary pensions are pensions that taxpayers have made contributions to on a voluntary basis over a period of time. Non-contributory pensions can be set up by a taxpayer at any point, with monthly or annual contributions being made. The amount paid is determined and decided by the taxpayer himself and are not necessarily dependent on the individual being in present or past employment. Such pensions provide taxpayers with a future return over a number of years and may be withdrawn at an agreed period of time once the individual has reached retirement age. The distribution of any pensions may be subject to tax. The applicable rate of tax is based on the tax status of the individual when receiving their pension, whether received as a lump sum or as an annuity or as a combination of both. It is important to note that non-contributory pensions can apply to both employed and self-employed individuals, with both having the option to make such contributions.

Taxpayers may end up receiving annuity payments after retirement from both contributory and non-contributory pensions. Payments may also be received from local and foreign sources.

2. Types of Pensions

2.1. Retirement Pensions

Pensions can be of various types:

a. Retirement pensions refer to pensions that are received upon reaching the mandatory retirement age. The mandatory retirement age differs depending on the year in which an individual was born. In order to assess whether you quality for a retirement pension and whether you have made enough contributions, you can contact the Department of Social Security to confirm number of paid contributions and ensure that any missing contributions are accounted for.

b. Overseas Pensions refer to instances where individuals receive pensions for past employment or residence spent outside Malta. All pensions, whether arising in Malta or abroad must be considered as part of taxable income in the year in which they are earned. Considerations must also be given for the potential impact, if any, of any double taxation agreement that which may be in place between Malta and the jurisdiction from which pension payment is earned. Section 7 of this manual discusses the application of selected double taxation agreements presently in force with Malta and their applicability in the case of pension income.

3. Pension Income from the Department of Social Security

Pensioners submitting a tax return are to declare the income from their local pension, together with all other gross income received during the same year of assessment. With regards to the benefits and allowances issued to pensioners from the Department of Social Security, pensioners should direct any queries they may have to the Department of Social Security as specified under the Social Security Act.

Pensioners who continue to work full-time after retirement age and are thus receiving emoluments from their employer and from the Department of Social Security (as a pension), must declare both incomes in their tax return. The total gross income will then be charged at the applicable personal tax rates, based on that individuals tax status – single, married or parent rate.

A pensioner may also continue to work on a part-time basis after retirement age and still take advantage of the benefits available under the Part-Time Rules. If the pensioner is working part-time, and the part-time employment income does not exceed €10,000, the normal Part-Time Rules apply. As of 1st January 2022, the tax rate for both part-time employed and part-time self-employed is 10%, up to a threshold of €10,000 and €12,000 respectively. Click on the following link to submit online tax returns for part-time income and benefit from reduced rate of tax on part time income. Further information on part-time income can be found on the following link.

It is important to note that in the case of married taxpayers who both receive pension income, tax may be computed separately using the single rates of tax for married individual. This however is only possible where pensions arise from past employment.

4. Tax Rebate on Pension Income Received after 61 years of age

As announced in the Budget for 2017, L.N. 42 of 2017, Tax Rebate (Pensioners) Rules, 2017, grants individuals in receipt of pensions chargeable to tax under Article 4(1)(d) of the Income Tax Act, who are at least 61 years of age, a tax rebate on their pension income. The rebate will result in special rate of tax for all pensioners and the benefit in the form of a rebate is dependent on the tax status of the individual (single, parent or married). The amount of tax due should be calculated using the method as shown in the following table:

Table 3 – Tax Rebate

Tax status	Tax Rebate
(a) Person on single rates	(Pensions income less €9,100) x 15%
(b) Person on parent rates	(Pensions income less €10,500) x 15%
(c) Person on married rates	(Pensions income less €12,700) x 15%
(d) Person on married (c) rates benefiting from a further tax rebate	(All income less €12,700) x 15%, less rebate as per (c) above

All income is first to be charged to tax at the normal tax rates applicable to the person concerned: single rates, parent rates or married rates. The tax rebate will than depend on the tax status of the taxpayer with the rebate than being calculated.

As per S.L. 123.174, Tax Rebate Pension Rules, the tax rebates (deductions) outlined above are subject to the following maximum capped annual deductions:

Table 4 – Maximum Annual Deductions

	Basis Year							
	2017	2018	2019	2020	2021	2022	2023	2024
	€	€	€	€	€	€	€	€
(a) Person on single rates	210	615	650	705	744	783	880	1,068
(b) Person on parent rates	150	405	440	495	534	573	670	858
(c) Married rates	45	75	110	165	204	243	340	528
(d) Married rates (*further rebate against any other income*)	75	150	150	300	540	540	540	540

No refund or balance carry forward is permitted upon application of the above tax rebates. Furthermore, the above rebates apply to both self-employed and employed individuals.

The tax due by the pensioner is therefore the tax calculated using the normal rates, less the rebate calculated as shown above.

Category (d) highlighted in the above table, available only to those applying the married rate, refers to additional rebates computed on the total income of the married couple, including any other income besides the pension income. The additional rebate will than cover their total income from both pensions and other income in the basis year in question.

The tax thresholds for pensioners (for single, parent and married tax status) for each basis year are as follows:

Table 5 – Tax Thresholds

	Basis Year									
	2017			2018*	2019*	2020*	2021*	2022*	2023	2024
	Single	Parent	Married							
	€	€	€	€	€	€	€	€	€	€
Non-Taxable Amount	10,500	11,500	13,000	13,200	13,434	13,798	14,058	14,318	14,968	16,220
Further income rebated (*deductions against other income*)	500	500	500	1,000	1,000	2,000	3,600	3,600	3,600	3,600

**Thresholds applicable to single, parent and married tax status without distinction*

It is important to note that EU and other pensioners living in Malta may also benefit from Tax Rebates given to pensioners, as long as these pensioners are subject to tax at the rates prescribed in Article 56(1)(a) and 56(1)(b) of the Income Tax Act, that is, at the single, married or parent rates of tax.

4.1. Examples – Tax Rebate on Pensions

The following are examples on the application of the 2021 tax rebate amounts and seeks to illustrate the application of tax rebates (deductions) based pension income and other income, as the case may apply.

4.1.1. Single Tax Status

In the case of an individual who is chargeable to tax at the single rates, a tax rebate shall be allowed as a set off against the tax on his chargeable income as follows:

- Taxable Pension Income: €13,000
- Tax Exempt threshold: €9,100 (single rate)
- Rebate (deduction) capping (2021 basis year): €744

Computation:

Tax rebate = (pensions income less €9,100) x 15% (rebate capping of €744)
Tax rebate = Pension income €13,000 - €9,100 = €3,900 x 15% = €585.

The tax rebate amounts to €585 can be claimed in full as it is below the maximum capped amount of €744.

4.1.2. Parent Rate Status

In the case of an individual who is chargeable to tax at the parent rates a tax rebate shall be allowed as a set-off against the tax on his chargeable income as follows:

- Taxable Pension Income: €13,100
- Tax Exempt threshold: €10,500 (parent rate)
- Rebate (deduction) capping (2021 basis year): €534

Computation:

Tax rebate = (pensions income less €10,500) x 15% (with a rebate capping of €534). Pension income €13,100 - €10,500 = €2,600 x 15% = €390.
The tax rebate amounts to €390 can be claimed in full as it is below the maximum capped amount of €534.

4.1.3. Married Rate Tax Status

In the case of an individual who is chargeable to tax at the married rates a tax rebate shall be allowed as a set-off against the tax on his chargeable income as follows:

- Taxable Pension Income: €13,200
- Tax Exempt threshold: €12,700 (married rate)
- Rebate (deduction) capping (2021 basis year): €204

Computation:

Tax rebate = (pensions income less 12,700) x 15% (with a rebate capping of €204)
Pension income €13,200 - €12,700 = €500 x 15% = €75
The tax rebate amounts to €75 can be claimed in full as it is below the maximum capped amount of €204.

4.1.4. Married Rate Tax Status with additional Income

If a married taxpayer also earns a further €400 from another source of income over and above their pension an additional tax rebate would be allowed against the tax on his chargeable income as follows:

- Taxable Pension Income: €13,200
- Other Income: €400
- Tax Exempt Threshold: €12,700 (married rate)
- Rebate (deduction) capping (2021 basis year): ~~€744.~~

Computation:

Tax rebate = (chargeable income less €12,700) x 15% (with a rebate capping of €204
Chargeable income = (€13,200 + €400) - €12,700 = €900 * 15% = €135
Further Rebate = €135 - €75 = €60
The total tax rebate amounts to €135 (€75 + €60) can be claimed in full as it is less than the maximum capped amount of €744

5. Tax Exemption on Pension Income Received after 61 years of age

As per S.L. 123.204 – Pensions (Tax Exemption) Rules, which summarises the following legal notices, L.N. 98 of 2022, Pension (Tax Exemption) Rules 2022, amended by L.N. 220 of 2022, Pensions (Tax Exemption) (Amendment) Rules, 2022 and L.N. 48 of 2023 Pensions (Tax Exemption) Rules, 2023, seeks to remedy the situation where pension income is taxed under Article 4(1)(d) of the Income Tax Act and as a result, other income earned in the same year is also taxed at a higher personal rate. To overcome this higher tax burden, the Commissioner for Malta Tax and Customs has implemented steps to ensure that over a span of 5 years all pension income shall be exempt from tax (subject to capping).

Pension income derived by an individual on or after 1 January 2022, after the age of 61, shall be partially or fully exempt from tax as follows:

Table 6 – Tax Exemption on Pension Income

Amount Exempt	Applicability of the Exemption*
Pensions derived in basis year 2022	20% but not exceeding €2,864
Pensions derived in basis year 2023	40% but not exceeding €5,987
Pensions derived in basis year 2024	60% but not exceeding €9,732

The exemption is 80% for basis year 2025 and fully exempt as from basis year 2026, subject to capping amounts to be determined in line with future Budgets. Thus, from basis year 2026, pension income shall be considered as exempt from tax, subject to capping.

5.1. Examples: Pension Exemptions

The following examples outline the application of the pension exemptions.

5.1.1. Individual Taxpayers in Receipt of Pension Income falling below the Tax Threshold

Table 7 – Income below Tax Threshold

				Comment
Basis Year	2022	2023	2024	
	€	€	€	
(a) Taxable Pension Income	11,700	11,700	11,700	Gross Pension
Tax Exemption Percentage	20%	40%	60%	S.L. 123.204
(bi) Exempt Pension Income	2,340	4,680	7,020	Based on exemption percentage
Max Exemption permitted	2,864	5,987	9,732	
(bii) Exempt Pension Income	2,340	4,680	7,020	Max Allowed
(c) Chargeable Income after Exemption	9,360	7,020	4,680	(a) – (bii)

The applicable rate of tax will depend on the individuals' personal circumstances. Tax rates can be found on the following link. For a single individual, total tax paid shall be as follows:

(d) Tax on chargeable income	39	0	0	
Tax Rebate Rate	15%	15%	15%	S.L.123.174
Max Tax Rebate	783	880	1,068	
(e) Tax Rebate	39	0	0	
Total Tax Paid	0	0	0	(d) – (e)

5.1.2. Individual Taxpayers in Receipt of Pension Income falling above the Tax Threshold

Table 8 – Above the Tax Threshold

Basis Year	2022	2023	2024	Comment

	€	€	€	
(a) Taxable Pension Income	20,000	20,000	20,000	Gross Pension
Tax Exemption Percentage	20%	40%	60%	S.L. 123.204
(bi) Exempt Pension Income	4.000	8,000	12,000	Based on exemption percentage
Max Exemption permitted	2,864	5,987	9,732	S.L. 123.204
(bii) Exempt Pension Income	2,864	5,987	9,732	Max Allowed
(c) Chargeable Income after Exemption	17,136	14,013	10,268	(a) – (b)

The applicable rate of tax will depend on the individuals' personal circumstances. Tax rates can be found on the following link. For a single individual, total tax paid shall be as follows:

(d) Tax on chargeable income	1,469	737	175	
Tax Rebate Rate	15%	15%	15%	S.L.123.174
Max Tax Rebate	783	880	1,068	
(e) Tax Rebate	783	737	175	
Total Tax Paid	686	0	0	(d) – (e)

5.1.3. Individual Taxpayers in Receipt of Pension Income and Other Income

Table 9 – Other Income

Basis Year	2022	2023	2024	Comment
	€	€	€	
(a) Taxable Pension Income	20,000	20,000	20,000	Gross Pension
(b) Other Income	15,000	15,000	15,000	Gross
(c) Total Gross Income	35,000	35,000	35,000	
Tax Exemption Percentage	20%	40%	60%	S.L. 123.204
(bi) Exempt Pension Income	4,000	8,000	12,000	Based on exemption percentage
Max Exemption permitted	2,864	5,987	9,732	S.L. 123.204
(bii) Exempt Pension Income	2,864	5,987	9,732	Max Allowed
(c) Chargeable Income after Exemption	32,136	29,013	25,268	
(d) Tax on chargeable income	5,309	4,528	3,592	
Tax Rebate Rate	15%	15%	15%	S.L.123.174
Max Tax Rebate	783	880	1,068	
(e) Tax Rebate	783	737	1,068	
Total Tax Paid	4,526	3,791	2,524	(d) – (e)

6. Pensioners, Self-Employed and Provisional Tax Payments

Pensioners may also continue to work on a self-employed basis even after retirement. If a pensioner opts to continue on a self-employed basis whether receiving income from trade, business or on a professional or vocational basis, they are still required to comply with all tax compliance obligations as is applicable to all other taxpayers operating on a self-employed basis. This includes the payment of provisional tax which is collected in the year in which income is earned. Provisional tax payments are required from all individuals who are required to submit an income tax return and self-assessment.

It is important to note that the provisional tax benchmark after retirement will be affected not only by the pension income, but consideration must also be taken for rebates and exemptions which are available to pensioners.

Where the provisional tax benchmark is significantly affected by any change in taxable income after retirement the taxpayer should submit a Provisional Tax Reduction Form by either downloading it from the MTCA website by clicking on the following link or else by completing an online form through MTCA My Account online services. In case of any difficulty, pensioners should call customer care on 153 or send an email to service@gov.mt.

More information about provisional tax payments can be obtained by reading the Provisional Tax and Social Security Contributions booklet which can be found by clicking on the following link.

7. Overseas Pensions & Double Taxation Agreements

Individuals, resident in Malta, who have resided and or worked abroad for a period of time may be entitled to receive a foreign pension. When taxpayers receive a foreign pension, it is important that they ensure that they meet all their tax compliance obligations, both in Malta and abroad, including keeping all documents relating to such pensions. In Malta, all taxpayers in receipt of a pension are to ensure that they review any double taxation agreement. Individuals receiving an overseas pension must submit a tax return and attach a statement for each separate foreign pension income received unless that pension is specifically exempt from tax in Malta.

Malta presently has over 90 double taxation agreements with countries across the globe including the United States of America, Australia and the United Kingdom. The taxation of pensionable income is considered in all treaties presently in force with Malta. This ensures certainty and clarity for taxpayers in receipt of foreign pensions, both for those presently residing in Malta and those who may decide to make Malta their retirement home in the near future. Although the treatment of pension income is different depending on the country from which the pension income is being received, the below is a summary of some of the most requested treaties for which questions about the taxability of pensionable income have been received by the MTCA.

7.1. Australia-Malta Double Taxation Treaty

L.N. 41 of 1985, and synthesised text outlines the tax position of Malta resident individuals in receipt of pensions arising from Australia. In accordance with Article 18 of the said treaty, pensions including government pensions received from Australia by a resident of Malta are **only** taxable in Malta. The State of residence of an individual, in this case Malta, will than decide if that pension is taxable or not.

It is important to note that in most circumstances pensions from Australia are received because an individual used to live in Australia and not necessarily due to past employment. In such cases, as also applies to other taxpayers in Malta, these pensions cannot be computed separately using the single rates in case of married individuals/pensioners. For pensions to be computed on the separate single rates for married individuals/pensioners, pensions received must arise from past employment in Australia. A Malta resident in receipt of pensions from Australia will therefore be subject to tax on that pension in Malta according to the progressive rates of tax applicable to that individual. It is to be noted that the Treaty provides specific provisions for any pension or allowance that is paid in respect of wounds, disabilities or death caused by war, or in respect of war service. The latter shall be considered as exempt from tax upon receipt of the pension.

Australian pensioners do not generally receive monthly or yearly statements reflecting their pension received. When this arises, taxpayers should use bank deposit statements to keep records of all pensions received. Pensions received from Australia by Maltese residents should be declared in their Malta tax returns. Copies of bank statements are to be attached to an individual's tax return to reflect the total yearly pension received. Since tax is not withheld at source, there is no question of double taxation relief.

7.2. Canada-Malta Double Taxation Treaty

L.N. 12 of 1998, and synthesised text, refers to pensions and annuities in Article 18 of the Treaty. Pensions and annuities arising in Canada and received by a resident in Malta may be taxed in Malta according to the applicable tax rate. The pension may also be taxed in Canada. Thus, Canadian pensions are taxable in Malta, but tax may also be withheld in Canada at source. When pensions arise in Canada and are taxable in the latter, the tax so charged shall not exceed the lesser of:

> (a) 15% of the gross amount of the payment, and
> (b) the rate determined by reference to the amount of tax that the recipient of the payment would otherwise be required to pay for the year on the total amount of the periodic pension payments received by him in the year if he were resident in the Canada in which the payment arises and if such total amount were his only income in that year.

The above shall only apply if the pension received is a periodic pension payment. Where the pension does not qualify as a periodic pension than no restriction of taxing rights shall apply.

Thus, annuities received by Malta residents may also be taxed in Canada but the tax so charged shall not exceed 15%. No limitation will apply to lump-sum payments arising on the surrender, cancellation, redemption, sale or other alienation of an annuity, or to payments of any kind under an income-averaging annuity contract.

Special provisions apply in the case of war veterans' pensions or allowances or war disability benefits received from Canada by Malta resident taxpayers. Malta residents in receipt of such pensions are exempt from tax on the condition that no tax was charged in Canada on those pensions.

When pensions are received by residents of Malta, they should be declared in Malta. Upon declaration, an individual will be eligible for double taxation relief. In order to qualify for relief of tax paid on Canadian pensions, taxpayers should attach to their tax return a copy of the pension slip showing the amount of pension received and the amount of tax deducted from their pension.

7.3. Germany-Malta Double Taxation Treaty

L.N. 383 of 2010 outlines the taxability of pensions and annuity received from Germany by a resident in Malta. Article 18 of the double taxation treaty between Malta and Germany states that pensions and similar payments or annuities paid to a resident of Malta from Germany shall be taxable only in Malta. Notwithstanding this, an exception to this is where a Malta resident is in receipt of pensions from Germany that arise from statutory social insurance payments made in Germany. In the latter case the pension shall only be taxable in Germany.

Special provisions apply with respect to pensions received for damages sustained as a result of war or political persecution or of military of civil service (including restitution payments). Whether received in the form of recurrent or non-recurrent payments, the receipt of the pension by a Malta resident shall only be taxable in Germany.

With respect to pensions paid by the State of Germany, a land, a political subdivision or a local authority thereof or some other legal entity under public law of that State to an individual in respect of services rendered to that State, a land, a political subdivision or a local authority thereof or some other legal entity under public law shall be taxable only in Malta if the individual is a resident and national of Malta.

7.4. Ireland-Malta Double Taxation Treaty

L.N. 62 of 2009, and synthesisied text provides the opportunity for taxpayers in receipt of pensions or similar payments from Ireland to establish their Malta tax position. Article 18 of the Double Tax Convention between Ireland and Malta states that pensions and other similar remuneration paid in consideration of past employment, or any annuity paid, to an individual who is a resident of Malta is only taxable in Malta. However, it is important to note that pensions paid, and other payments made under the social security legislation in Ireland shall be taxable only in Ireland.

Special provisions govern pensions arising from previous government services. Salaries, wages and other similar remuneration, other than a pension, paid by the government of Malta or Ireland to an individual in respect of services rendered thereto shall be taxable only in that Country. However, such salaries, wages and other similar remuneration shall be taxable only in the other country if the services are rendered in that country and the individual is a resident of that country and is a national of that country; or did not become a resident of that State solely for the purpose of rendering the services. Any pension paid by, or out of funds created by, a country to an individual in respect of services rendered to that country shall be taxable only in that State. However, such pension shall be taxable only in the other country if the individual is a resident of, and a national of, that country.

7.5. British Pensions – United Kingdom-Malta Double Taxation Treaty

L.N. 105 of 1999, and synthesisied text states in Article 18 that pensions and other similar remuneration paid in consideration of past employment, or any annuity paid, to an individual who is a resident of a Malta shall be taxable only in Malta. Thus, individuals residing in Malta in receipt of pensions or annuities arising from funds in the United Kingdom are taxable solely in Malta.

Special provisions apply with respect to pensions received for past government services rendered in the UK. In this case, such pensions shall be taxable only in the UK. However, there is an exception which stipulates that if the individual is a resident and national of Malta then they shall only be taxable in Malta on such pensions. This is on condition that that individual did not become a resident of Malta solely for the purpose of rendering the service.

All other pensions received from the UK by a resident of Malta are taxable only in Malta. UK Tax Authorities will not be required to withhold, nor charge, any tax on such pension payments to Malta. Thus, pensions are exempt from tax in the UK. As a result, a British Pension received by a Malta resident individual must be declared for tax purposes in Malta. Where tax is however withheld in the U.K., the individual concerned cannot claim double taxation relief (DTR) in their Malta tax return as such income should have been exempt from tax. Therefore, should taxes be withheld in the UK, the individual taxpayer is encouraged to contact the UK tax authorities and request that such pension payments be exempted from any U.K. withholding tax. In this regard, taxpayers will be required to complete an exemption form and submit this to the relevant authorities. A refund claim may also be submitted for tax incorrectly withheld in the UK.

7.5.1. Additional Comments

Data from British Pensions regarding pensions received by residents in Malta is no longer available to the Commission for Revenue. Up to year of assessment 2011, amounts received from the UK were reported through the FSS system. As a result, up to year of assessment 2011 non-filer statements for such pensioners were possible. However as of year of assessment 2012, non-filer individual pensioners who in previous years had income from British Pensions (PE740008) started receiving a mismatch notification. As of YA2012 such individual/pensioners have the possibility of sending this British pension “FS3” with an adjustment form (AF) in which they can insert the amount of pension received, without the need of sending a tax return. A return will have to be sent, however, if this “FS3” is not available. If this type of statement is not available, then a self-assessment return should be filed by the taxpayer accompanied by whatever documents the individual pensioner deems adequate to confirm the amount of pension received (e.g., bank statements). Individual pensioners who are in receipt of a UK pension and have received their Pension Statement, are to await their tax statements (mismatch letter)/returns as usual. There is no need for them to send their British Pension statements to the Office of the Commissioner for Malta Tax and Customs beforehand.

7.6. United States of America-Malta Double Taxation Convention

L.N. 560 of 2010, outlines the tax treatment of pensions from the USA in Articles 17, 18 and 19 of the Treaty. Maltese residents in receipt of USA based pensions, social security or annuities beneficially owned by a resident of Malta shall be taxable only in Malta.
Any exemption applicable to the beneficial owner resident in Malta would continue to apply if he would also have been exempt in the USA on such income.

Pensions paid by a fund created by the State or its political subdivision or a local authority to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State. They may however only be taxable in the other State if the individual is a resident of, and a national of that State.

Payments related to the provisions of social security or similar legislation, to a resident of Malta or citizen of the USA shall continue to be taxable only in the USA whilst annuities received by a resident of Malta shall be taxable only in Malta.

All other pensions received by a resident of Malta are taxable in Malta only.

With respect to U.S. citizens and residents that are establishing personal retirement schemes in Malta under the Retirement Pensions Act of 2011 with no limitation based on earnings from employment or self-employment, the competent authorities of Malta and the United States have entered into Competent Authority Arrangement. The competent authorities therefore confirm that distributions from this type of fund, scheme or arrangement are not "pensions or other similar remuneration" in consideration of past employment for purposes of paragraph 1(b) of Article 17 of the Treaty. Accordingly, U.S. citizens and residents may not claim benefits under paragraph 1(b) of Article 17 and Article 18 of the Treaty with respect to the type of fund, scheme or arrangement described in the paragraph immediately above, including a personal retirement scheme established in Malta under the Retirement Pensions Act of 2011. Additionally, these funds, schemes or arrangements may not apply paragraph 2(e) of Article 22 of the Treaty to be treated as a qualified resident and may not claim the benefits of paragraph 3 of Article 10 of the Treaty.

7.7. Pensions from the United Nations

The United Nations Pensions Programme Rules, 2015 (UNPP) contemplate the granting of "special tax status" to individuals in receipt of pensions from the United Nations and who satisfy a number of conditions.

7.8. Pension from other countries

Although the treatment regarding the tax liability of foreign pensions received in Malta is found to be similar in different treaties, it is important to refer to the specific treaty in each and every case. Some important divergencies arise for instance in the case of pensions received from certain EU countries. For example, according to some treaties, a pension issued from an EU country under its Social Security system is taxable only in that country, and not taxable at all in Malta, even if the recipient is resident in Malta. Therefore, as a general rule pensions received by a resident of Malta from another EU country or from any other country with which Malta has a Double Taxation Relief (DTR) Treaty, are largely taxed in the country where they arise and not in Malta. Therefore, pensions received from a country, a political sub-division or a local authority thereof in respect of services rendered to that country, political sub-division or local authority, shall be taxable in that country. An exception arises where the recipient of the pension is a national and resident of Malta, in which case the pension would be taxable only in Malta.

It is therefore important to consult with the relative Treaty to confirm all annual tax compliance requirements.

Pensions from a country with which Malta does not have a DTR Treaty that are received in Malta by an individual resident in Malta are taxable in Malta.

It is important to note that EU and other pensioners living in Malta may also benefit from the special Tax Rebates given to pensioners, as long as these pensioners are subject to tax at the rates prescribed in Article 56(1)(a) and 56(1)(b) of the Income Tax Act, that is, at the single, married or parent rates of tax.

8. Submitting your Tax Return

8.1. Non-Filers

Many pensioners are considered as non-filers for tax purposes and are not required to submit a tax return. Pensioners will be considered as non-filers when the Office of the Commissioner for Malta Tax and Customs has all the necessary information to assess their taxable income for any particular year. Pensioners only in receipt of Malta State pension who are also non-filers will not be required to declare such income as the Office of the Commissioner for Malta Tax and Customs will already have such information. Taxpayers must however still file a tax return where they are required to submit a self-assessment when they earn other income upon which tax is due.

If you are an employee, and receive a pension in Malta, you are likely to be a non-filer. If you are a pensioner and you work in the same year in which you receive a pension, the MTCA will already have details of your income based on submitted FSS declarations.

In the case of a taxpayer receiving a foreign pension, you would need to submit a tax return. A pensioner who also works on a part-time basis will benefit from reduced rate of 10% withholding taxes. Income received in excess of the part-time thresholds, €10,000 in the case of employment income and €12,000 in the case of self-employment, must be declared in their tax return.

8.2. Exempt Pensions

War pensions and certain allowances and benefits payable under the Social Security Act are exempt from income tax. These exempt pensions need not be declared for tax purposes.

Contact the Department of Social Security to see if your pension is exempt from tax.

Article 50A of the Income Tax Act refers to arrears that arise from the Social Security Act. Any arrears received in terms of the Social Security Act are to be charge to tax in the year to which the contributory pensions were earned. In the case of other benefits, tax is to charge to tax in the year the payment was received.

8.3. Submission of Returns

Pensioners are subject to the same compliance and reporting obligations as other taxpayers. Pensioners must meet all deadline requirements as applicable to other taxpayers. Taxpayers receiving a pension are required to review their tax status on an annual basis and declare both income from pensions and other income earned.

Pensions and Social Security Benefits are to be declared in Section 3 of page 2 of the tax return. In this section, you are to include both local and foreign gross pension income and certain social security benefits received. For each source of pension income, you are required to include the PE number (or any other reference number you may have) and attach an FS3 or similar statement to page 3 of your tax return.

Taxpayers who have already paid their taxes in relation to these categories should not declare these sources in the tax return:

i. Rental income already paid by a TA 24 (15% final withholding tax) – submissions of TA24 for individuals are to be made through myTax,
ii. Bank interest already taxed at source (15% final withholding tax),
iii. Part-time employment income that the employer has already deducted the 10% tax amount (€10,000 maximum income amount at 10%),*
iv. Part-time self-employment if the 10% tax has already been paid by a TA22/TA23(€12,000 maximum income amount at 10%).*

***any income above the prescribed amount in case of part-time employment and part-time self-employment should be declared in the tax return.**

However, remember that any income is taxable under the Income Tax Act and when in doubt please call at our offices.

Married taxpayers will receive one tax return and they can opt to either use a joint computation or a separate tax computation. In the case of a joint computation, the total income earned by both spouses is declared jointly and the married tax bracket will apply to calculate any tax due. Pensioners who opt for a separate computation, whilst still submitting one tax return, must consider the source of their income and ensure that it is allocated to that income earning spouse. Pensions received for past employment must be allocated to the spouse who had been in that employment. All other income must be declared on page 3 of the tax return, Investments, Capital gains and other Income and is chargeable in the hands of the spouse with the higher total emolument or the responsible spouse, as elected. Private pensions must also be declared on page 3 of the tax return. Taxpayers may also request a separate return wherein each spouse would be required to declare their taxable income separately.

8.4. Payments Tax Compliance Obligations and Responsibilities

Pensioners are subject to the same compliance and reporting obligations as other taxpayers. Pensioners must meet all deadline requirements as applicable to other taxpayers. Taxpayers receiving a pension are required to review their tax status on an annual basis and declare both income from pensions and other income earned in the annual tax return. If a tax return is issued, it must be filled and submitted by the prescribed deadline, irrespective of the sources of income received. Even if you think you do not need to fill a tax return, check with our offices to confirm your responsibilities and obligations to ensure that you do not incur a fine for not filing a tax return within the prescribed period.

8.5. Bank Payments

Payments for any taxes due may be made online by accessing My Account. Where taxpayers choose to submit the form manually, cash or cheque payments can be made at any Malta Post branch. All payments are to be accompanied by a statement indicating taxes due. The lower part of the tax statement and the lower part of page 4 in the tax return can be removed and used to make the payment. Pensioners may also seek assistance from servizz.gov should they have any queries regarding payments due. Late payments will not be accepted by Malta Post.

8.6. Bank Details and Tax Refunds

Taxpayers should ensure that the correct bank details have been provided to the Commissioner for Malta Tax and Customs. Providing bank details to the Commissioner of Malta Tax and Customs will facilitate the direct payment of any tax refunds owed to taxpayers. It is the responsibility of all taxpayers to provide the Commissioner of Malta Tax and Customs with details of their bank account in which they wish any payment to be made. Bank details can be provided online using the My Account facility found on cfr.gov.mt website. Taxpayers who are unable to access their My Account can request assistance from officials of servizz.gov. by going personally to any regional office. When visiting the offices of the serivzz.gov please bring with you your bank details, including bank account number, branch details and IBAN number, a valid ID card will also be required to update your bank details. Click on the following link to find the closest regional hub, as well as office hours and google map location of your nearest servizz.gov office.

8.7. Checking your Tax Balance

Pensioners should confirm that they have no pending tax returns or balances with the Commissioner for Malta Tax and Customs before submitting their return. This is particularly important in the first year when they cease to be gainfully employed, if they opt to no longer work upon retirement. Taxpayers may access My Account to check their current tax balances and also make any online payment, should this be necessary.

8.8. Late Payment and Penalties

Pensioners are subject to late payment and penalties at the standard rates of tax if they fail to submit a tax return when it is required by the Commissioner or if they fail to pay their taxes due or make a late payment. Refunds which cannot be processed by the Commissioner of Malta Tax and Customs due to lack of banking details may possibly not be processed in time. It is therefore in the interest of all pensioners to ensure that the correct bank details are provided to the Commissioner.

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