

Buying Guide

Why Malta?

The benefits of Malta, and its neighbouring island of Gozo, are plentiful. Great weather, a low crime rate, political stability, a favourable tax regime and good healthcare have attracted tourists for decades – the fact that it is easy for Brits to buy property here just seems to be the icing on a very rich cake. This is thanks to the years of British rule which came to an end in 1969, leaving behind English as the island's main language. Friendly locals complete the picture, promising a laid-back lifestyle.

Malta is slightly smaller than the Isle of Wight, a fact that results in short journey times no matter where in the island you are travelling to – or from. Such limited land mass is also promising for property prices, as developers cannot simply keep retreating further inland.

Gozo, just 6 kilometres away, tends to be quieter than its more commercial neighbour, and as a result attracts those looking to buy somewhere relatively undeveloped.

Popular buying locations

Properties with sea views command premium price tags in both Malta and Gozo. Due to the size of the islands however, there is really no such thing as an area to avoid, although there is, of course, the usual choice between the tourist resorts and traditional villages.

The capital of Valletta offers a wealth of history, but may perhaps be classed as a little too business-like for many buyers, as it has a reputation of becoming somewhat subdued at the end of the working day. If you are after something a bit more lively try Sliema or St Julian's. These coastal destinations are Malta's main resort towns and have a wide choice of both bars and restaurants. They are also home to some of the island's newest development – namely Portomaso in St Julian's.

Away from the resorts, you will find there are numerous sandy beaches dotted around the coast, and the opportunity to get away from the crowds in the high season. Many of these beaches are near small villages of just a few hundred friendly inhabitants.

If, however, you are looking to get away from it all consider Gozo – or even tiny Comino. Both of these islands are greener and more tranquil than Malta itself, especially Comino, as it is home to only one resort hotel and is completely car free.

The buying process

When you have found a property that suits your needs, you will sign a preliminary contract, known as a convenium, and pay a ten per cent deposit to the notary. From this stage on you are committed to the purchase – as is the vendor. The convenium is valid for three months, during which time all necessary searches are carried out, including title and credit checks.

At a glance

Currency

Euro adopted January 2008. Current exchange rate: EUR1.10 = £1.00 sterling

Cost of living

- Loaf of bread: £0.25
- Bottle of wine: £2.85

Time

An hour ahead of GMT (two hours from the last Sunday in March to the last Sunday in October)

Business hours

- Offices: 8:30 am to 4:30/5:00 pm, Monday to Friday
- Banks: 8:30 am to 2:00 pm, Monday to Friday, and 8:30 am to 12 noon on Saturdays
- Shops: 9:00 am to 7:00 pm, Monday to Saturday. Some close between 1:00 pm and 4:00 pm. In tourist areas, shops may remain open until 10:00 pm, and some open on Sundays

Population

Approximately 400,000

Languages

Maltese and English (both official)

Religions

Roman Catholic: 98 per cent

Driving

Driving is on the left. Citizens of EU countries, aged 18 and above, may drive on a licence from their country of origin, or obtain a Maltese licence after six months. To rent a car, a driver must be aged not less than 21 and not more than 70, and have held a UK licence for a minimum of two years

Three-bedroom house

From £185,000 (modernised, with sea/harbour view)

Two-bedroom apartment

From £87,000 (modernised, with sea/harbour view)

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It is during this period that the notary will apply to the Ministry of Finance on your behalf for permission to buy. Permission is needed if the property isn't your primary residence and if you already own a property on Malta or Gozo. When permission has been granted, all permits have been issued and the title has been declared clean, both parties sign a final contract and the balance is paid – along with the relevant fees and taxes – thereby completing the transaction. The entire process should take no more than three months in total, and all contracts are in English.

Legal issues

If you are considering buying a property in Malta, there are some legal restrictions that you should be aware of. Firstly, you will have to pay over a certain price in order to get on to the property ladder. This restriction was introduced by the government in order to protect locals from being priced out of the market, and the thresholds currently stand at €99,000 (£79,100) in case of apartments and €165,024 (£131,900) for a house or villa. However, if the property you have your eye on is a renovation project, you may be able to secure the deal for under these price brackets, providing that you spend the difference on the renovation works.

As a foreign buyer you are also restricted to the purchase of just one property, unless they are purchased in the Special Designated Areas (SDAs), in which case you may own a selection. If your property is located outside of a SDA then you must sell it before you are able to buy another on Malta or Gozo.

There are restrictions on the letting of property as a holiday home. Unlike many other European countries, you will need to obtain a permit in order to let your property as a tourist residence, as well as declaring the earnings to the tax authorities.

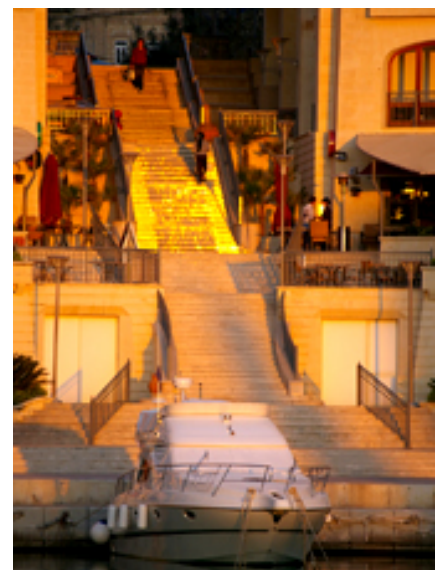
Finance

Mortgages in Malta are relatively easy to arrange, with lenders such as Bank of Valletta and HSBC used to dealing with British buyers. It is possible to borrow up to 90 per cent of the purchase price, but this really depends on the amount that you want to borrow, and what your existing financial commitments are. The minimum loan amount is around £20,000 but, no matter how much you decide to borrow, you will always have to provide proof of income.

Once you have secured a local mortgage, it is possible to re-finance – but only if the purpose of this is for home improvements on that particular property.

The length of loans also tends to be lower than in the UK, around ten to 20 years, and interest rates are generally higher (around seven per cent). Repayment and interest-only mortgages are available. Therefore it may be worth considering raising the finance for your Maltese home in the UK, either with a British mortgage or by releasing equity in an existing property.

Fees and taxes



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All in all, you should budget around ten per cent of the purchase price to cover the initial costs of buying. This is broken down into stamp duty of five per cent, notary fees of one per cent, searches and registration fees totalling £300, the Ministry of Finance fee (if applicable) of £150, and legal fees of one per cent.

There aren't any monthly or annual property taxes payable in Malta or Gozo, and there is no such thing as capital gains tax. However, when you come to sell, you will be liable for transfer tax if the property hasn't been your main residence for the past three years – and this figure can amount to a whopping 35 per cent. An alternative option available to sellers is to pay a flat rate of 12 per cent of the asking price up front.

Inheritance tax was abolished in 1992, but transfer tax is also applicable on all inherited Maltese property. This is usually five per cent, but if the recipient is a spouse then the tax will only be charged on 50 per cent of the property's value.

Visas, residency and work permits

Malta, and therefore Gozo, joined the EU on May 1st 2004, meaning that many of the restrictions on foreign buyers were relaxed. This pretty much replaced the 1988 Residence Scheme that allowed British buyers to remain in Malta, but with the ability to come and go as they wished.

Generally, tourists are able to stay on the island for up to three months, but it is possible to extend this. You are able to renew this extension at set intervals, but in order to do this you must satisfy the local government that you can afford to support yourself financially.

It is also possible to gain permanent residency, but you must be able to prove that you have an annual income of €23,300 (£18,600) or existing capital of €349,400 (£279,120). The Maltese government is keen to attract permanent residents to the island, so there are schemes in place to make it easier to apply and cut through some of the red tape.

If you are considering working in Malta, your choice of profession will probably be restricted in a bid to protect the locals from losing employment opportunities. You are also forbidden to set up your own business without government permission.

New-build versus resale

There is a huge choice of property available in Malta, and the type that you plump for will ultimately depend on how you are planning to use it. Older townhouses and villas are proving popular with retirees and émigrés alike, who are moving to the islands for the lifestyle, lower cost of living and character properties. Farmhouses in need of renovation are being snapped up by short-term investors in the know, who aren't afraid to get their hands dirty in a bid to capitalise on Malta's promising property boom. However, all older properties, whether they need work or not, can be difficult to come across due to limited supply.

New-builds however are springing up by the day. This isn't to say that the quality is missing, as Malta is home to some very up-market developments, they are simply filling a gap in the market. These purpose-built resorts also tend to offer a wide range of facilities and amenities, such as bars, restaurants, spas and even marinas.



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Investment potential

Malta and Gozo's primary income is tourism, and as a result both islands offer good investment potential. Officially, if you are planning on renting out your Maltese home, you will need to seek permission from the government. However, as letting property generally encourages tourists, gaining the permission is really only a formality, and history shows that you shouldn't have a problem renting out your home. Gross yields are currently estimated at between four and five per cent per year, when based on average occupancy of 60 per cent.

Property prices have gone up since 2004 when Malta joined the EU, with recent government figures showing a sixteen per cent rise in the year to March 2006. This rapid growth has slowed a little in the months following the adoption of the Euro in January 2008. The positive tax situation is also an attraction for investors; as is the strong local market when the time comes to sell.

Health and education

The healthcare system on Malta has a reputation for being very good, with excellent medical facilities available. The UK enjoys a reciprocal health agreement with Malta, meaning that British passport-holders staying less than 30 days may receive free emergency treatment at a state-run hospital should they be taken ill while on the island. Despite this, it is still advisable to arrange comprehensive travel and health insurance before you leave Britain. No vaccinations are required to enter Malta.

The education system is also held in esteem, with schools following the English model. Attendance is compulsory between the ages of 5 and 16 years, and students in both the public and private sectors study for GCSEs and then A levels, with a pass rate at the latter qualifying them for entrance to either the University of Malta or a British equivalent.

Transport

At just three hours away from the UK, Malta is easily accessible. A range of scheduled and charter flights operate on a frequent and not too costly basis. There are no direct flights to Gozo, but a helicopter service runs between the two islands eight times a day, and takes just ten minutes. If you prefer to take the more leisurely route, however, regular ferry services are available with a journey time of half an hour.

Once on the islands the easiest way to navigate is to drive – unless you are on car-free Comino! Unfortunately, most Maltese roads are in a terrible state, with poor foundations and bad-quality surfacing the main causes for concern. The good news is that the Maltese drive on the left, and you are able to drive on a British licence without having to retake your test. There is a wide choice of car hire firms available.

Metered taxis are always available and charge government set rates, while buses operate between the airports and all major towns on a frequent basis.

And finally...

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The climate in Malta is Mediterranean, and while this means hot, dry summers, the flip side can be cool, wet winters. During January and February the average temperature is around 12 degrees Celsius and, while this is perhaps considerably warmer than in the UK, it is not ideal for those sun worshippers looking for a year-round destination. Both Malta and Gozo can also be quite windy.

Malta ranks as one of the less affluent of European countries, with 2005 figures stating the national GDP at approximately £2.8 billion – around half that of Germany, France and the UK. This can work in your favour if you are planning on using your Maltese property as a holiday home, or even if you are retiring there, but if you are planning on working in Malta be prepared to take a loss in income.

It is also worth bearing in mind that island life is friendly by nature – but this can feel claustrophobic at times, especially if you are not used to it. The limited space may also cause a degree of cabin fever if you are used to rolling countryside and taking long, leisurely drives on quality roads!

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