



MALTA – November 2021

CONTENTS

| | |
|---|---|
| THE IMPORTANCE OF COMMERCIAL PROPERTY VALUATIONS POST-COVID-19 | 1 |
| AMNESTY WHICH REWARDS PROPERTY TAX DEFAULTERS 'ENDORSES UNLAWFUL BEHAVIOUR' | 2 |

The importance of commercial property valuations post-COVID-19

It is a well-known fact that COVID-19 has affected commercial property values all over the world, including Malta. Many companies leasing Class 4A offices during COVID-19 started introducing flexible work, whereby employees could also work from home. This in turn resulted in owners requiring fewer square metres to house their staff, resulting in a larger supply of office spaces on the market.

In Malta, highly sought-after areas which offered high spec office space, such as Tigné in Sliema, Balluta Bay, Pender Gardens and Portomaso in St Julian's, managed to keep their values stable due to high demand and low supply, while offices in different areas did suffer a 20 to 25 per cent reduction in the quoted prices per square metre.

Perry Ltd currently has a large selection of offices to lease, ranging from €100 per square metre to over €400 per square metre. Perry Ltd currently also has a selection of offices for sale in Sliema, Valletta, St Julian's and Mrieħel.

In contrast to the offices sector, the warehousing sector Class 6A remains robust. There is generally a high demand for good warehouses with a low supply. From our experience at Perry Ltd, centrally located warehouses, having a minimum of five to six metres height, and which are located on the ground floor, with easy accessibility for the loading and unloading of trailers and containers, lease at between €85 and up to €110 per square metre.

We also have warehouses which lease at an average of €60 to €65 per square metre, especially when these warehouses have multiple floors, and the other floors need to be accessed via good lifts. Therefore, the norm is a higher rate for warehousing space on the ground floor and a lower rate – almost half the ground floor rate – for levels which are in the basement or on higher levels.

The rental rates of showrooms and retail outlets (Class 4B) decreased marginally in 2020 due to pandemic-related issues. However, with the relaxing of the restrictions in 2021, well-located showrooms are once again fetching rates in the range of €180 to €200 per square metre. This rate depends on the availability of parking, the location of the showroom, internal heights and its visibility when one considers its glass display windows. In my opinion, showrooms located in central areas, just off main arterial roads and having dedicated parking fetch higher rental rates.

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With regards to catering establishments, demand for cafeterias (Class 4C) and restaurants (Class 4D) in highly sought-after areas such as Valletta, Sliema and St Julian's remains high. The price per square metre varies according to the location, the number of covers inside and outside, and the measurements of the kitchen as well as the bar area.

We highly recommend that all terms and conditions are negotiated and not just the rental price of the property.

Importance is usually given to: the initial rent-free term which is usually requested for setting up; the yearly increase in rent, with the norm being between two and three per cent per annum; the inclusion (if any) of kitchen equipment; and, most importantly, the checking of all Planning Authority and Malta Tourism Authority permits.

When one considers rates per square metres of both hotels (Class 3B) and guest houses and boutique hotels (Class 3A), leasing rates vary depending on the location, amenities, classification and overall finishing of the commercial property.

Rates are usually higher in locations such as St Julian's, Valletta and the Three Cities and are usually lower in areas such as Bugibba, Sliema (especially without sea views) and Gżira. However, we have had cases whereby we rented a guest house at a higher rate in Gżira since it was very well finished, while similar premises in St Julian's were rented at a lower rate due to ongoing works close to the property and other issues.

Perry Commercial Hub offers a good selection of hotels and guest houses both for lease and for sale on its extensive database. We also have a limited selection of commercial properties which are suitable for schools, nurseries or day centres (Class 2C). The price per square metre varies according to the location and the size of the open spaces within the premises, as well as the availability of parking.

Furthermore, a selection of commercial properties which are suitable for gyms (Class 3C) are also available. It should be noted that the rates per square metre for these types of properties depend on the availability of parking within the premises.

We are currently offering our clients a free quotation on all commercial property valuations to ascertain the real value their commercial property can fetch post-COVID-19.

Amnesty which rewards property tax defaulters 'endorses unlawful behaviour'

'Measure patently inequitable and should not be entertained'

Any amnesty or other prescribed or conventional mechanism which effectively rewards defaulting taxpayers, is patently inequitable and should not be entertained, much less promulgated and implemented, two institutes warned on Saturday.

The Malta Institute of Taxation and the Institute of Financial Services Practitioners were reacting to a new measure that allows those with tax arrears due by January 2021 to pay any tax due on the transfer of property purchased before March 2021 against their arrears.

The measure has also been criticised by the Malta Chamber.

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The institutes said in a statement that, if at all possible, the injustice inherent in this amnesty is all the more nefarious as the rules apply selectively favouring defaulting taxpayers who own immovable property situated in Malta acquired on or prior to March 31 and who choose to dispose of such property before the end of this year.

“Why the government has seen fit to promulgate these rules at the current time is beyond our comprehension,” they said.

They added that since Malta was greylisted earlier in the year, both institutes have been actively participating in and contributing to national efforts to procure Malta’s removal from the grey list.

In their opinion, this measure is not at all helpful.

“The lack of any prior consultation in connection with the rules and the government’s failure to explain the underlying rationale or justification for their introduction is regrettable,” they said.

They added that this compelled them to decry the rules and “the apparent motivations” underpinning their promulgation. They called on the authorities to recognise and reward compliant taxpayers and to proceed, as required, against all those in default.

They invited the authorities to reconsider “their implicit endorsement” of unlawful behaviour and repeal the rules with immediate effect.

Tax amnesty to defaulters puts Malta’s efforts to fight tax crime at risk - MIA

In a separate statement, the Malta Institute of Accountants also criticised the measure which it said is “tantamount to a tax amnesty” and “a slap in the face” to all professionals and entrepreneurs who operate their business in full compliance with legal and ethical considerations.

The measure, the institute said, also rewards defaulters who abusively failed to pay their dues towards society.

“Beyond ethical considerations, the MIA expresses deep concern that the enactment of the Legal Notice in question was carried out against the spirit of the collective effort of authorities, institutions, and professionals, to contribute to enhance Malta’s international reputation.

”The notice, it said, risks derailing the country’s efforts on one of the most pressing issues for the country, notably its commitment, both nationally and to the international community, to fight tax crimes.”

By rewarding defaulters that have abusively failed to abide by legal requirements, Malta is risking undermining the progress the country is seeking to make in this regard,” it insisted.

The institute said it has been working closely with the authorities to ensure that Malta strengthens its fight against money laundering and improve its reputation in this regard.

It said no stone should be left unturned to achieve this crucial objective and appealed to the government to withdraw the legal notice.

Measure will create unfair competition - MDA

In another statement, the Malta Developers Association dissociated itself from the measure.

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It said that while it agreed that the government should find a way to collect tax arrears from defaulters, there are various ways of how this can be done without creating an unlevel playing field.

The measure as proposed, it said, will create unfair competition as anyone benefitting from such incentive will be in a position to offer his property at a better price to that of the developer.

It encouraged the government to consult the association before issuing such measures as they could impact the industry negatively. Besides, such measure is also discriminatory against people who are not owners of immovable property, it said.

The MDA said the impression being given that this an amnesty for developers is “absolutely unjust and unfounded”.

This is because developers pay their final withholding tax at source with every contract signed and, therefore, they will not be benefitting from the incentive.

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