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REAL ESTATE

Malta

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Real Estate

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Real Estate

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GENERAL

Legal system
How would you explain your jurisdiction's legal system to an investor?

Malta is a predominantly civil law jurisdiction. Its system of private law is firmly grounded in Roman law and broader continental European legal traditions. At the same time, certain procedural rules and aspects of commercial law continue to reflect the historical influence of English common law. In judicial practice, Maltese courts apply codified legislation as the primary source of law, most notably the Civil Code https://legislation.mt/eli/cap/16/eng-, the Code of Organization and Civil Procedure (COCP) and the Commercial Code. Case law does not operate as an independent source of law but plays an important persuasive and interpretative role in the application of statutory provisions.

As a general principle, Maltese contract law is non-formalistic. Contracts are valid and legally binding irrespective of their form, unless a specific statute expressly requires compliance with a particular form. Consequently, oral agreements may, in principle, be enforceable. However, the law imposes formal requirements, typically written form or execution by public deed for certain categories of transactions. These include, among others, the transfer or promise of transfer of immovable property or rights over immovable property, emphyteusis, hypothecs over immovable property, contracts of suretyship, civil partnerships and specific types of loan agreements.

In the context of real estate, transactions that create, transfer or encumber rights over immovable property particularly contracts of sale, emphyteusis and hypothecs must be executed by means of a public deed before a Maltese notary. Furthermore, such transactions are enforceable against third parties only once they have been duly registered in the relevant public registry in accordance with Maltese law.

Regarding leases, since 1 January 2010, agreements for the letting and hiring of urban, residential and commercial tenements are required to be in writing, failing which they may be null and unenforceable. In addition, private residential leases governed by the Private Residential Leases Act .

(Chapter 604 of the Laws of Malta), which applies to leases entered on or after 1 January 2020, are subject to additional formalities. These leases must be concluded in writing and registered with the Housing Authority within 30 days of the commencement of the lease. This registration period was extended from 10 to 30 days by Act XX of 2024.

Finally, Maltese procedural law provides a structured framework of precautionary measures intended to secure claims pending final adjudication. Under the COCP, a claimant may apply for various precautionary warrants aimed at preserving rights and preventing prejudice before judgment is delivered. These include warrants of description, warrants of seizure (including seizure of a commercial going concern), garnishee orders, warrants for the arrest of sea vessels or aircraft, and prohibitory injunctions. Collectively, these measures allow for effective interim protection of legal and commercial interests.

Law stated - 1 March 2026

Land records

Does your jurisdiction have a system for registration or recording of ownership, leasehold and security interests in real estate? Must interests be registered or recorded?

All real rights over immovable property (ownership, emphyteusis, usufruct, hypothecs, servitudes, etc) must be registered in the Public Registry. Where the property lies in a Land Registration Area, it must also be registered in the Land Registry. Notaries handling a transfer are responsible for registrations and for registering privileges or hypothecs, which rank from the date of registration. Malta is gradually extending Land Registration Areas across the islands.

Law stated - 1 March 2026

Registration and recording

What are the legal requirements for registration or recording conveyances, leases and real estate security interests?

A promise of sale is concluded when the buyer and the seller enter into a written agreement setting out the essential elements of the transaction. This agreement must clearly identify the parties, describe the property, specify the agreed price and outline any conditions governing the sale. Following the execution of the promise of sale, a notice must be filed electronically with the Commissioner for Revenue within 21 days. At this stage, a provisional duty amounting to 1% of the purchase price is payable, subject to the availability of statutory exemptions, including those applicable to first-time buyers and other qualifying circumstances.

The final transfer of ownership is affected through the execution of a public deed before a Maltese notary. Once the final deed is executed, the notary is responsible for paying the applicable taxes and enrolling the deed in the Public Registry, as well as in the Land Registry where applicable. Maltese law provides the notary a period of 15 days from the execution of the deed to complete these formalities, ensuring the proper registration and enforceability of the transaction.

Regarding leases, since the entry into force of the Private Residential Leases Act (PRLA , Chapter 604 of the Laws of Malta), all private residential leases and their renewals are subject to specific statutory requirements. Such leases must be concluded in writing and must be registered with the Housing Authority within the applicable statutory period. Initially, the law required registration within 10 days of the commencement of the lease. However, following the enactment of Act XX of 2024, the registration period has been extended to 30 days, and registration is now carried out exclusively through the Housing Authority's online portal.

Where the lessor fails to comply with the obligation to register the lease within the prescribed time frame, the law grants the lessee the right to effect registration at the lessor's expense. In such cases, the lessee is also entitled to retain part of the rent to recover the registration fees incurred, thereby ensuring compliance with the statutory registration.

Law stated - 1 March 2026

Foreign owners and tenants

What are the requirements for non-resident entities and individuals to own or lease real estate in your jurisdiction? What other factors should a foreign investor take into account in considering an investment in your jurisdiction?

Maltese nationals and citizens of the European Union or European Economic Area who are habitually resident in Malta are generally entitled to freely acquire one immovable property in Malta or Gozo for use as their primary residence. This right applies without the need to obtain any special permit, provided that the property is intended to serve as the buyer's principal place of residence.

The acquisition of additional properties, however, is subject to further regulation. In the case of Maltese or EU/EEA citizens seeking to acquire property beyond their primary residence, as well as non-resident EU citizens acquiring any property that does not qualify as a primary residence, an Acquisition of Immovable Property (AIP) permit is normally required. Certain exemptions apply, most notably where the buyer has been ordinarily resident in Malta for a period of five years or more, or where the property is located within a Special Designated Area (SDA). Properties situated in SDAs may generally be acquired freely, without the need for an AIP permit.

Non-EU and non-EEA citizens are subject to stricter controls and, generally, require an AIP permit for the acquisition of immovable property in Malta or Gozo. An exception applies where the property is situated within a Special Designated Area, in which case no AIP permit is required.

Where an AIP permit is required, the law also imposes minimum value thresholds for the property being acquired. These thresholds are indexed annually and reflect prevailing market values. Currently, the minimum value applicable to a flat or maisonette is €174,274, while the minimum value for any other type of immovable property is €300,619. These thresholds are set by Legal Notice 174 of 2024, which incorporates the Immovable Property Price Index and represents the current benchmarks applied by both the authorities and the market.

Specific rules also apply to acquisitions by companies. Companies established within the European Union, including Maltese companies, may acquire immovable property that is necessary for the conduct of their business, provided that at least 75% of their share capital is owned by EU nationals. By contrast, companies that are not EU-owned are generally required to obtain an AIP permit before acquiring immovable property, unless the acquisition concerns property located within an SDA.

Law stated - 1 March 2026

Exchange control

If a non-resident invests in a property in your jurisdiction, are there exchange control issues?

Malta applies EU free movement of capital rules. There are no exchange controls on repatriation of capital or profits, provided all taxes are settled and AML rules (KYC, source of funds) are complied with.

Law stated - 1 March 2026

Legal liability

What types of liability does an owner or tenant of, or a lender on, real estate face? Is there a standard of strict liability and can there be liability to subsequent owners and tenants including foreclosing lenders? What about tort liability?

What an owner, tenant or lender may incur

Under Maltese law, liability may arise in several forms. Contractual liability typically results from a breach of obligations under sale, lease or financing agreements, where a party fails to perform its contractual duties in accordance with the agreed terms. In such cases, the aggrieved party may seek remedies as provided by law and the relevant contract.

In addition to contractual liability, Maltese law recognises tortious or extra-contractual, liability for damage caused to third parties. This form of liability is governed by the Civil Code and is assessed by reference to the conduct of a "reasonable person" placed in the same circumstances. Where damage is established, fault may be presumed in certain situations; however, such presumptions are rebuttable and the defendant may avoid liability by producing evidence demonstrating that all due care and diligence were exercised.

Environmental liability in Malta is largely founded on the polluter-pays principle. This framework is primarily set out in the Environment Protection Act and the Prevention and Remedying of Environmental Damage Regulations, which transpose the Environmental Liability Directive into Maltese law. Under this regime, operators may be held responsible for preventing, controlling and remedying environmental damage caused by their activities.

Law stated - 1 March 2026

Protection against liability

How can owners protect themselves from liability and what types of insurance can they obtain?

Owners and occupiers are generally required to maintain the property in a reasonable state of repair and to ensure that it complies with applicable standards of safety and habitability. This duty includes taking appropriate measures to prevent deterioration and to avoid creating risks for third parties.

In addition, property owners customarily take out property insurance covering common risks such as fire, flood, storm damage and structural damage. Alongside this, it is standard practice to maintain public liability insurance to cover potential claims arising from personal injury to third parties or damage to third-party property occurring in connection with the property.

Where properties involve environmental risks or form part of larger or more complex projects, owners or operators may also obtain environmental impairment liability insurance, where such cover is available on the market. This type of insurance is intended to provide additional protection against liabilities arising from environmental damage or contamination.

Law stated - 1 March 2026

Choice of law

How is the governing law of a transaction involving properties in two jurisdictions chosen? What are the conflict of laws rules in your jurisdiction? Are contractual choice of law provisions enforceable?

For contractual obligations, Malta applies the Rome I regime through the Rome Convention Act and the subsequent European Union regulations. Under this framework, parties to a contract are generally free to choose the law governing their contractual relationship. This principle of party autonomy allows contracting parties to select the legal system that will regulate their rights and obligations, subject to certain mandatory rules and public policy considerations.

Where the parties have not made an express choice of governing law, the contract is governed by the law of the country with which it is most closely connected. In determining this connection, Maltese courts generally look to the place where the characteristic performer of the contract is established, as this is presumed to reflect the closest and most relevant link to the contractual relationship.

In the specific case of contracts whose subject matter concerns a right in immovable property or a right to use immovable property, the Rome I regime establishes a presumption that the contract is most closely connected with the lex situs. Accordingly, such contracts are governed by the law of the country in which the property is situated, which, in the case of immovable property located in Malta, will be Maltese law.

Law stated - 1 March 2026

Jurisdiction

Which courts or other tribunals have subject-matter jurisdiction over real estate disputes? Which parties must be joined to a claim before it can proceed? What is required for out-of-jurisdiction service? Must a party be qualified to do business in your jurisdiction to enforce remedies in your jurisdiction?

Subject-matter jurisdiction

Disputes relating to ownership and other real rights over immovable property fall within the jurisdiction of the First Hall of the Civil Court in Malta or, in the case of property situated in Gozo, the Court of Magistrates (Gozo) acting in its Superior Jurisdiction. Decisions delivered by these courts may be appealed to the Court of Appeal sitting in its Superior jurisdiction, in accordance with the applicable procedural rules.

Matters concerning leases and rent are subject to specialisation depending on the nature of the lease. Many disputes relating to urban leases and rent issues, particularly those arising under post-1995 legislation, fall within the competence of the Rent Regulation Board. Agricultural leases, on the other hand, are dealt with by the Rural Leases Control Board, which has jurisdiction over disputes concerning rural and agricultural property.

Private residential leases governed by the Private Residential Leases Act (PRLA) are subject to a separate dispute-resolution mechanism. The Adjudicating Panel for Private Residential Leases has exclusive jurisdiction over registered private residential leases in respect of claims not exceeding €5,000. Its competence primarily covers disputes relating to repairs, improvements, deposits and similar matters, but does not extend to issues concerning termination of the lease. Act XX of 2024 has expanded both the scope of the Panel's competence and its enforcement powers, strengthening its role in resolving PRLA-related disputes.

In a cross-border context, the service of documents within the European Union is governed by Regulation (EC) No. 1393/2007 on the service of judicial and extrajudicial documents in civil and commercial matters. Foreign parties are not required to be qualified or established as doing business in Malta merely to institute proceedings or to enforce judgments before the Maltese courts. However, in certain circumstances, such parties may be required to provide security for costs, depending on the nature of the proceedings and the applicable procedural rules.

Law stated - 1 March 2026

Commercial versus residential property

How do the laws in your jurisdiction regarding real estate ownership, tenancy and financing, or the enforcement of those interests in real estate, differ between commercial and residential properties?

Ownership rules under Maltese law are broadly the same for both commercial and residential immovable property. The principal distinctions between the two categories arise not at the level of ownership itself, but rather in relation to lease regulation and financing arrangements.

Regarding lease regulation, residential and commercial leases entered into before 2020 are largely governed by the general provisions of the Civil Code, together with a number of special rent laws that continue to apply to older lease regimes. By contrast, private residential leases commencing on or after 1 January 2020 are governed by the PRLA. This legislation introduced a comprehensive regulatory framework, including mandatory written form, minimum lease terms, caps on security deposits, compulsory registration and limitations on rent increases.

The PRLA regime has been further refined by Act XX of 2024, which introduced clearer and more detailed rules on several practical issues. These include the treatment of express renewals, the substitution or addition of lessees, situations of abandonment, applicable notice periods and standards relating to habitability and maximum occupancy. These amendments aim to enhance legal certainty and strengthen tenant protection while maintaining a balanced framework for landlords.

Differences between commercial and residential property also arise in the context of financing. Banks and other lenders may apply different criteria when assessing commercial property projects, particularly in relation to pricing, loan-to-value ratios and contractual covenants. As a result, financing structures for commercial developments often differ from those applicable to residential property acquisitions.

Law stated - 1 March 2026

Planning and land use

How does your jurisdiction control or limit development, construction, or use of real estate or protect existing structures? Is there a planning process or zoning regime in place for real estate?

Development in Malta is primarily regulated by a combination of planning and environmental legislation and the authorities responsible for their implementation. The principal legal framework is provided by the Development Planning Act, which is administered by the Planning Authority (PA). The PA is responsible for issuing development permissions, including outline development permits, full development permits and non-executable full development permits. The latter category of permits requires specific conditions to be satisfied before development works may lawfully commence.

Environmental aspects of development are overseen by the Environment and Resources Authority (ERA) under the Environment Protection Act. ERA is responsible for conducting and reviewing environmental impact assessments, issuing environmental permits and enforcing compliance with environmental obligations throughout the life cycle of a project. These controls are particularly relevant for developments with potential environmental impact.

Special restrictions apply to land situated outside Development Zones, where development is highly limited and subject to stringent planning controls. In such areas, permission is generally granted only in exceptional circumstances and in accordance with strict policy criteria.

In addition, since 2025, Malta is in the process of implementing a unified environmental permitting system based on a three-tier structure. This new system is expected to affect certain industrial and large-scale projects by introducing harmonised permitting procedures, enhanced oversight and differentiated conditions depending on the nature and scale of the activity.

Law stated - 1 March 2026

Government appropriation of real estate

Does your jurisdiction have a legal regime for compulsory purchase or condemnation of real estate? Do owners, tenants and lenders receive compensation for a compulsory appropriation?

The government may expropriate property for public purposes under the Government Lands Act Cap. 573, but must pay adequate compensation. Expropriation is subject to constitutional protection of property rights and review by Maltese courts (and potentially the ECtHR) under the ECHR.

Law stated - 1 March 2026

Forfeiture
Are there any circumstances when real estate can be forfeited to or seized by the government for illegal activities or for any other legal reason without compensation?

Upon criminal conviction, a court may order confiscation of assets, including immovable property, without compensation, as part of the sentence. The order is appealable with conviction.

Law stated - 1 March 2026

Bankruptcy and insolvency
Briefly describe the bankruptcy and insolvency system in your jurisdiction.

Bankruptcy of traders and commercial partnerships is governed mainly by the Commercial Code and related provisions:

- A declaration of bankruptcy is made by the First Hall Civil Court upon application; creditors are called, ranked and paid in order of priority, with a curator managing the estate.
- Secured creditors (eg, with special hypothecs) rank in preference over unsecured creditors on the encumbered property.
- (Separate corporate insolvency and restructuring tools also exist under company law, but these lie beyond the real estate focus.)

Law stated - 1 March 2026

INVESTMENT VEHICLES

Investment entities
What legal forms can investment entities take in your jurisdiction? Which entities are not required to pay tax for transactions that pass through them (pass-through entities) and what entities best shield ultimate owners from liability?

A range of legal and investment structures are commonly used for real estate investment in Malta. These include investment companies with variable share capital (SICAVs), which may also be established as multi-fund structures, as well as investment companies with fixed capital (INVCOs). Other commonly used vehicles include cell companies and incorporated cell companies, limited liability partnerships (*en commandite*) whose capital is divided into shares, and collective investment structures such as unit trusts and common contractual funds (CCFs).

From a liability perspective, entities that have separate legal personalities such as SICAVs, INVCOs, incorporated cell companies and companies – generally provide stronger protection to investors by effectively ring-fencing liabilities at the level of the vehicle. By contrast, certain structures, including CCFs and some forms of partnership, are tax transparent. In such cases, the vehicle itself is not subject to tax and the income or gains are instead taxed directly in the hands of the investors or partners.

Irrespective of the investment vehicle or legal structure adopted, income derived from immovable property situated in Malta is always taxable in Malta. This principle applies uniformly and ensures that Maltese-source real estate income remains subject to Maltese tax jurisdiction.

Law stated - 1 March 2026

Foreign investors

What forms of entity do foreign investors customarily use in your jurisdiction?

Choice of vehicle depends on the investment strategy and regulatory or tax considerations. Foreign investors often use SICAV fund structures, local companies or special purpose vehicles (SPVs) (sometimes cell companies) for larger developments or portfolios.

Law stated - 1 March 2026

Organisational formalities

What are the organisational formalities for creating and maintaining the above entities? What requirements does your jurisdiction impose on a foreign entity? Does failure to comply incur monetary or other penalties? What are the tax consequences for a foreign investor in the use of any particular type of entity, and which type is most advantageous?

Collective investment schemes and certain SPVs require licensing from the Malta Financial Services Authority (MFSA).

Constitutive documents must include special clauses (eg, for SICAVs, no nominal share value and limited investment objective; for cell companies, clear identification of cells and MFSA consent).

Failure to comply with incorporation and licensing requirements may lead to administrative fines, possible invalidity and, in extreme cases, piercing of the corporate veil with personal liability for owners.

CCFs and partnerships without share capital are tax transparent; partnerships may elect to be treated as companies for tax.

SICAV

A SICAV (investment company with variable share capital) must be incorporated in Malta in the same manner as a standard limited-liability company and is subject to the Companies Act, together with the Companies Act (Investment Companies with Variable Share Capital) Regulations and MFSA fund rules. Its memorandum and articles must expressly provide that the company has variable share capital divided into shares with no fixed nominal value that the share value is linked to the net asset value (NAV) of the fund (ie, the value of the assets less liabilities). The company's objects must be restricted to collective investment activities (typically as a licensed or recognised collective investment scheme under the Investment Services Act), meaning it cannot carry on ordinary trading activities outside this scope. SICAVs are generally structured as open-ended funds, with an obligation to redeem or repurchase shares at the request of shareholders in line with the NAV and they may be established as umbrella or multi-fund vehicles (including, where relevant, incorporated cell structures) to segregate assets and liabilities between sub-funds. Unlike ordinary limited-liability companies, SICAVs are not subject to the usual minimum share-capital thresholds applicable to standard trading companies.

Investment company with variable share capital in multi-fund form

A multi-fund investment company with variable share capital is essentially an umbrella SICAV established under the Companies Act and the SICAV Regulations. It must satisfy all incorporation and constitutional requirements applicable to SICAV, and its memorandum and articles must expressly permit the creation of sub-funds through the issue of separate classes (or groups of classes) of shares. Each sub-fund constitutes a distinct investment pool with ring-fenced assets and liabilities, so that the patrimony of one sub-fund is segregated from that of the others. In practice, multi-fund SICAVs are used to operate multiple strategies under a single legal entity while maintaining statutory segregation between compartments and – consistent with the variable share capital model – remain open-ended collective investment schemes unless structured under a different (fixed-capital) vehicle.

INVCO

An INVCO (investment company with fixed share capital) is a corporate collective investment vehicle that must be constituted as a public limited liability company (plc. under the Companies Act and is regulated as a collective investment scheme under the Investment Services Act and MFSA rules. Unlike SICAV, an INVCO has fixed share capital and is typically used for closed-ended fund structures. Its memorandum and articles must contain a restricted objects clause stating that the company's business is the investment of its funds – mainly in securities – with the aim of spreading investment risk and giving shareholders the benefit of the results of the management of those funds. The INVCO therefore cannot carry on ordinary commercial trading; it is confined to operating as an investment fund vehicle within the statutory framework.

Cell company

Cell companies in Malta are corporate vehicles established under the Companies Act and sector-specific regulations (notably for insurance and securitisation) that allow a single core company to create multiple cells/compartments. The memorandum and articles must expressly authorise the cellular structure and clearly identify each cell, while providing for statutory segregation of assets and liabilities so that the obligations of one cell are ring-fenced from those of the core and of other cells. The incorporation of a cell company – or the conversion of an existing entity into one – requires prior written authorisation from the MFSA and is subject to the relevant MFSA rules for the activity being carried out (eg, insurance PCC/ICC rules or securitisation cell company framework).

Malta law also provides for incorporated cell companies (ICCs/RICCs), under which each incorporated cell is registered as a separate limited-liability entity with its own legal personality distinct from the core and from other cells. Each incorporated cell therefore has its own memorandum and articles, can contract in its own name and maintains legal separation while operating within the umbrella structure

Limited liability partnership

A limited partnership in Malta, commonly referred to as a partnership ***en commandite***-, is constituted under the Companies Act (Tenth Schedule). It must have at least two partners, namely one or more general partners and one or more limited partners. The general partner(s) are responsible for the management and representation of the partnership and bear unlimited, joint and several liability for the partnership's obligations, while the limited partner(s) participate mainly through their capital contribution and their liability is limited to the amount, if any, unpaid on their contribution. The partnership is formed by a partnership deed (deed of partnership), which serves as its constitutive document and must identify the general and limited partners, set out the partnership's objects, contributions and governance, and is filed for registration with the Malta Business Registry.

Unit trust

A unit trust under Maltese law is a trust structure recognised by the Trusts and Trustees Act, where assets are vested in trustees in a fiduciary capacity but constitute a separate and distinct patrimony from the trustees' own estate. Investors participate through units, which represent proportionate beneficial interests in the trust and function economically like shares, with unit values reflecting the underlying net asset value. In practice, Maltese unit trusts are used both as collective investment vehicles (in which case they fall within the Investment Services Act and MFSA Collective Investment Scheme framework) and as flexible special-purpose holding/structuring entities, including for asset-segregation or securitisation-style arrangements. They are also commonly employed in estate and succession planning, given their ability to ring-fence assets and tailor beneficiary rights through the trust deed.

Common contractual fund

A Maltese CCF is a non-corporate, contractual collective investment scheme that does not have separate legal personality. It is constituted by a deed of constitution (a civil-law contract) entered into between the manager and the custodian, under which investors participate as unitholders with freely transferable units representing proportionate beneficial interests in the fund's property. As a CIS, a contractual fund falls within the regulatory framework of the Investment Services Act and MFSA rules.

From a tax perspective, Malta's Income Tax Act generally provides CISs (regardless of legal form) with an exemption on investment income and capital gains to the extent such income is not derived from immovable property situated in Malta; income from Maltese immovable property remains taxable in Malta irrespective of the vehicle used. In practice, therefore, the choice between the various CIS legal forms does not create a specific tax advantage where the underlying source is Maltese real estate. Contractual funds and partnerships whose capital is not divided into shares are typically treated as fiscally transparent, such that income is taxed directly in the hands of the underlying investors/partners. Partnerships may elect to be treated as companies for Maltese tax purposes, depending on their structure and the relevant election under Maltese tax law.

Law stated - 1 March 2026

ACQUISITIONS AND LEASES

Ownership and occupancy

Describe the various categories of legal ownership, leasehold or other occupancy interests in real estate customarily used and recognised in your jurisdiction.

Maltese law recognises a range of rights and interests in immovable property. The most extensive of these is full ownership (dominium), which confers upon the owner the broadest powers of use, enjoyment and disposal of the property, subject to any applicable servitudes, planning controls and other restrictions imposed by public law.

Another important real right is emphyteusis, which involves the transfer of a real right of long-term enjoyment over immovable property, whether for a temporary period or in perpetuity, in return for the payment of an annual ground rent, commonly referred to as ċens. Emphyteusis may often be redeemed, allowing the emphyteuta to acquire full ownership of the property upon payment of a redemption price, thereby converting the interest into freehold.

Leases, whether commercial or private residential, also constitute recognised interests in immovable property under Maltese law. In addition, the legal system recognises usufruct and other limited real rights, which confer rights of use or enjoyment without transferring ownership. Easements or servitudes, such as rights of way or restrictions on height or construction, further qualify and limit the exercise of rights over property.

While ownership confers the most comprehensive set of rights, its exercise remains subject to existing servitudes, planning regulations and other public-law constraints. Emphyteusis continues to be widely encountered in practice, particularly in the context of government property schemes. A common example is the grant of temporary emphyteutical concessions, often for a term of 50 years, in respect of government-owned commercial property.

Law stated - 1 March 2026

Pre-contract

What are the typical pre-contractual steps?

A typical property transaction in Malta begins with negotiations between the parties, followed by the conclusion of a promise of sale. This agreement is often entered into before a notary, although, as a matter of law, it may also be concluded by means of a private written agreement. At this stage, the buyer usually pays an earnest deposit, commonly amounting to around 10% of the purchase price, which is typically held by the notary or otherwise paid in accordance with the parties' agreement.

Estate agents frequently play a role in the negotiation and conclusion of property transactions. As a general practice, estate agents are remunerated by the seller and receive a commission of approximately 5% of the sale price. Since the enactment of the Real Estate Agents, Property Brokers and Property Consultants Act (Chapter 615 of the Laws of Malta) and, more recently, under theProperty Market Agency Act (Chapter 644), real estate brokers and agents are required to be duly licensed. They are subject to regulatory oversight by the Property Market Agency, which monitors compliance with professional and statutory standards.

Following the execution of the promise of sale, the agreement must be notified to the Commissioner for Revenue, together with the payment of the applicable duty deposit. This notification constitutes an essential procedural step in the conveyancing process and ensures compliance with Maltese fiscal requirements.

Law stated - 1 March 2026

Contract of sale
What are typical provisions in a contract of sale?

A notarial public deed of sale formally records and completes the transfer of immovable property under Maltese law. The deed identifies the date of execution, the parties to the transaction and the immovable property being transferred, together with a description of the title under which the property is held. It also sets out the agreed purchase price, any conditions attached to the sale and the applicable tax and duty amounts payable in connection with the transaction.

Upon execution of the public deed before a Maltese notary, ownership of the property is legally transferred from the seller to the buyer. The deed customarily includes standard warranties provided by the seller, notably warranties relating to good and valid title and the buyer's peaceful possession of the property. In addition, the seller is generally deemed to warrant against latent defects in accordance with the provisions of the Civil Code, unless lawfully excluded.

The notary plays a central role in the conveyancing process and is responsible for carrying out the necessary title searches, verifying ownership and checking for any burdens, charges or encumbrances affecting the property. Following execution, the notary must ensure that the deed is properly enrolled and registered in the relevant public registries in accordance with the law. The costs associated with the transaction, including notarial fees, search fees and registration expenses, are typically borne by the buyer, unless otherwise agreed between the parties.

Law stated - 1 March 2026

Environmental clean-up

Who takes responsibility for a future environmental clean-up? Are clauses regarding long-term environmental liability and indemnity that survive the term of a contract common? What are typical general covenants? What remedies do the seller and buyer have for breach?

Responsibility for environmental damage in Malta is primarily governed by the polluter-pays principle. Under the Environment Protection Act and the Prevention and Remedying of Environmental Damage Regulations (Subsidiary Legislation 549.97), the operator whose activity has caused environmental damage, or who poses an imminent threat of such damage, bears primary responsibility for taking preventive and remedial measures. The Environment and Resources Authority is empowered to order the implementation of remedial action and, in certain circumstances, may itself carry out the necessary measures and subsequently recover the costs from the parties responsible. This power may extend to current owners or operators, even where the pollution or contamination predates their ownership or control of the site.

In the context of real estate transactions, environmental risk is typically addressed through contractual allocation between the parties. This is commonly achieved by including representations and warranties relating to environmental compliance, the existence of permits, known contamination and the historical use of the property. Sellers often provide indemnities and, in some cases, parent company guarantees, to cover environmental liabilities arising from pre-closing contamination or breaches of environmental law. In addition, transaction documents frequently include covenants requiring ongoing environmental compliance and cooperation with regulatory authorities following completion.

Such indemnities and contractual protections usually survive completion of the transaction for an agreed period. They may also be subject to negotiated limitations, including financial caps, time limits and materiality thresholds, reflecting the parties agreed allocation of risk.

Where a seller breaches environmental representations, warranties, or covenants, the buyer may have recourse to a range of contractual remedies under the Civil Code. Depending on the nature and seriousness of the breach, these remedies may include claims for damages, demands for specific performance, price reductions or, in more serious cases, rescission of the contract. These contractual remedies operate independently of the public law enforcement regime. Accordingly, administrative enforcement action by the authorities, including orders and fines, and, in serious cases, criminal liability may arise regardless of any private contractual arrangements between the parties.

Environmental insurance is available in the Maltese market, typically provided by international insurers, particularly for larger or higher-risk transactions. However, such insurance is not yet standard practice for routine residential or ordinary commercial property transactions.

Law stated - 1 March 2026

Lease covenants and representation

What are typical representations made by sellers of property regarding existing leases? What are typical covenants made by sellers of property concerning leases between contract date and closing date? Do they cover brokerage agreements and do they survive after property sale is

completed? Are estoppel certificates from tenants customarily required as a condition to the obligation of the buyer to close under a contract of sale?

In a property sale, the seller is required to disclose the existence of any leases affecting the property, together with their principal terms and conditions. As a matter of standard conveyancing practice in Malta, the relevant lease agreement is usually attached to and forms part of the notarial deed of sale, ensuring transparency and full disclosure to the buyer.

Upon completion of the transaction, the buyer acquires the property subject to any existing leases. A change of ownership does not prejudice the rights of tenants, who continue to enjoy the protections and entitlements arising under their lease agreements in accordance with Maltese law.

Brokerage agreements entered in connection with the sale of the property are generally personal to the seller. Unless expressly assigned or otherwise agreed by the parties, such brokerage arrangements do not bind the buyer and do not transfer automatically upon completion of the sale.

In commercial practice, estoppel certificates issued by tenants – confirming matters such as the amount of rent payable, the term of the lease and the absence of tenant defaults – are not universally standard in Malta. However, they may be requested in larger or more complex commercial transactions, particularly where sophisticated buyers or lenders are involved, such as in structured acquisitions or financing arrangements.

Law stated - 1 March 2026

Leases and real estate security instruments

Is a lease generally subordinate to a security instrument pursuant to the provisions of the lease? What are the legal consequences of a lease being superior in priority to a security instrument upon foreclosure? Do lenders typically require subordination and non-disturbance agreements from tenants? Are ground (or head) leases treated differently from other commercial leases?

Under Maltese law, leases are generally not contractually subordinated to security instruments such as hypothecs. As a result, the existence of a mortgage or other real security over immovable property does not render a lease subordinate or ineffective.

In the event of a judicial sale by auction following enforcement proceedings, an existing lease will generally continue to bind the property. In such circumstances, the purchaser at the auction steps into the position of the lessor and assumes the rights and obligations arising from the lease, subject to the applicable legal framework.

From a financing perspective, lenders commonly seek to manage leasing risk contractually. It is therefore standard for loan agreements to require the lender's prior consent before the borrower grants leases over property that is subject to security. This requirement is particularly common where the original financing was structured and priced as an owner-occupied residential mortgage, and the granting of a lease could affect the risk profile of the loan.

Ground leases and head leases, including emphyteusis and long-term commercial concessions, are treated differently under Maltese law. These arrangements are characterised as real rights rather than purely contractual leases. Consequently, the taking of security over such rights, as well as their valuation, depends on the specific nature, scope and duration of the right being granted.

Law stated - 1 March 2026

Delivery of security deposits

What steps are taken to ensure delivery of tenant security deposits to a buyer? How common are security deposits under a lease? Do leases customarily have periodic rent resets or reviews?

In practice, the treatment of security deposits differs between residential and commercial leases. Under the Private Residential Leases Act (PRLA), the security deposit payable in respect of a residential lease may not exceed the equivalent of one month's rent. By contrast, in commercial leasing arrangements, the amount of any security deposit is not subject to statutory limits and is therefore freely negotiable between the parties.

Security deposits are typically held by the lessor rather than placed in a central escrow or custodial mechanism. Where the leased property is sold during the term of the lease, it is standard practice for the buyer and the seller to document the transfer of the deposit as part of the transaction. However, Maltese law does not provide for a centralised escrow system for holding lease deposits, and responsibility for ensuring proper transfer rests with the contracting parties.

Rules governing rent reviews also differ depending on the type of lease. In commercial leases, the parties enjoy broad contractual freedom to agree on rent review mechanisms, including the timing, method and frequency of any rent adjustments. In contrast, private residential leases governed by the PRLA are subject to statutory controls. Annual rent increases are permitted only when the lease term exceeds one year, and any adjustment is capped by reference to the Property Price Index. Moreover, such increases are subject to a maximum ceiling of 5 % per year, calculated on the initial rent.

Law stated - 1 March 2026

Due diligence

What due diligence should be conducted before executing a contract? Is any due diligence customarily permitted or conducted after contract but before closing? What is the typical method of title searches and are they customary? How and to what extent may acquirers protect themselves against bad title? Discuss the priority among the various interests in the estate. Is it customary to obtain government confirmation, a zoning report or legal opinion regarding legal use and occupancy?

Before completing the purchase of immovable property in Malta, the notary plays a central role in verifying title. This involves conducting title research in the Public Registry and, where applicable, the Land Registry. Such searches typically cover a period of at least 30 years, although the duration may be extended depending on the nature of the property and the perceived level of risk. On the basis of these searches, the notary may issue a title report summarising the findings and confirming the state of title.

In certain transactions, such as donations, title searches may be waived by agreement of the parties. In such cases, the contract of transfer usually includes provisions exonerating the notary from liability arising from defects in title, reflecting the fact that the standard verification process has been dispensed with at the parties' request.

In addition to the notarial role, lawyers are often engaged to review title research and to advise the buyer on related legal issues. This may include an assessment of servitudes and other burdens affecting the property, as well as a review of planning permits, development approvals and general regulatory compliance.

While formal government confirmations or zoning reports are not standard practice in ordinary conveyancing, additional diligence is advisable for development projects. In such cases, the buyer should independently verify that all required planning and environmental permits are in place, confirm whether the property lies within or outside a Development Zone, and ensure that the intended use of the property is permitted under the applicable use-class regime.

Law stated - 1 March 2026

Structural and environmental reviews

Is it customary to arrange an engineering or environmental review? What are the typical requirements of such reviews? Is it customary to get representations or an indemnity? Is environmental insurance available?

As part of the pre-acquisition due diligence process, it is common practice to engage a perit (a Maltese-registered architect or civil engineer) to assess the structural soundness of the property. The perit's review typically also covers compliance with approved planning permits, building regulations and applicable sanitary laws, providing assurance that the property has been constructed and maintained in accordance with legal requirements.

Environmental assessments are generally not undertaken as a matter of course for ordinary residential properties. They are more commonly commissioned in relation to industrial sites or large-scale commercial properties, where the risk of contamination or environmental liability is higher and warrants a more detailed environmental evaluation.

Law stated - 1 March 2026

Review of leases

Do lawyers usually review leases or are they reviewed on the business side? What are the lease issues you point out to your clients?

Leases, particularly commercial leases, are commonly subject to legal review rather than being left solely to business-level negotiations. Lawyers are typically engaged to ensure that the terms of the lease properly reflect the parties' intentions, allocate risk appropriately and comply with applicable legal requirements.

Key issues reviewed in this context include the duration of the lease, together with any renewal rights and break options available to either party. Particular attention is also given to rent review mechanisms, including the method and frequency of rent adjustments, as these provisions can have significant financial implications over the life of the lease.

Legal review further focuses on the allocation of responsibility for repairs, maintenance and service charges, as well as the structure and transparency of any service charge regime. Provisions governing permitted use of the premises, assignment of the lease and sub-letting are also closely examined, given their impact on flexibility and value.

In addition, force majeure and change-in-law clauses have assumed increased importance, particularly in light of the experience of the covid-19 pandemic. Lawyers also assess how the lease interacts with any applicable property management arrangements or condominium regulations, ensuring consistency and avoiding conflicts between overlapping contractual obligations.

Law stated - 1 March 2026

Other agreements
What other agreements does a lawyer customarily review?

In a property transaction, lawyers typically review a range of key contractual and title-related documents to ensure that the buyer's interests are adequately protected. This review usually includes the promise of sale and the draft notarial deed of sale, with particular attention paid to the commercial terms, conditions precedent, warranties and risk allocation between the parties.

Legal due diligence also extends to any servitude or easement agreements affecting the property, as well as existing condominium regulations that may impose restrictions on use, alterations or management of the property. Where applicable, lawyers further examine property management agreements or hotel operation agreements, particularly in transactions involving managed developments or hospitality assets, to assess ongoing obligations and revenue arrangements.

Where the acquisition is being financed through bank funding, lawyers will additionally review the relevant finance and security documentation. This includes loan agreements, security instruments and related undertakings, ensuring that the financing structure aligns with the transaction documents and that the buyer's obligations are clearly understood and properly documented.

Law stated - 1 March 2026

Closing preparations
How does a lawyer customarily prepare for a closing of an acquisition, leasing or financing?

Counsel plays a key role in guiding the transaction through to completion and ensuring that the client's legal and commercial interests are adequately protected. This includes reviewing the draft notarial deed to confirm that it accurately reflects the agreed commercial terms and incorporates appropriate warranties, representations and limitations of liability in favour of the client.

Counsel also verifies the authority and legal capacity of all parties and signatories involved in the transaction, ensuring that the documents are executed by duly authorised persons. Where the acquisition is financed, counsel confirms that the bank financing arrangements are in place and properly aligned with the completion mechanics, including the timing of drawdown and the creation of security.

In addition, counsel coordinates the completion process by ensuring that all required deliverables are in order. These typically include the handover of keys, confirmation of vacant possession or delivery of an accurate tenancy schedule, provision of relevant planning and compliance documentation, and confirmation that any required Acquisition of Immovable Property permit has been obtained where applicable. This coordination is essential to achieving a smooth and legally effective completion.

Law stated - 1 March 2026

Closing formalities

Is the closing of the transfer, leasing or financing done in person with all parties present? Is it necessary for any agency or representative of the government or specially licensed agent to be in attendance to approve or verify and confirm the transaction?

Transactions that require execution by public deed, such as sales, emphyteusis and hypothecs, must be signed in person before a Maltese notary public. Where a party cannot attend in person, execution may take place through a duly authorised attorney acting under the valid power of attorney. In all cases, the notary is required to read the deed aloud to the parties, verify their identity and ensure that their consent is freely and validly given before the deed is signed.

By contrast, private agreements, including certain lease agreements and ancillary documents such as side letters, do not require execution before a notary. Such agreements may be validly executed in private form, subject to compliance with any applicable statutory requirements. Increasingly, and where the parties agree, private agreements may also be executed by electronic signature, provided that the relevant legal formalities and validity requirements are satisfied.

Law stated - 1 March 2026

Contract breach

What are the remedies for breach of a contract to sell or finance real estate?

Where one party appears unwilling or refuses to execute the final deed of sale despite all conditions precedent having been duly satisfied, Maltese law provides procedural remedies to protect the other party. In such circumstances, the aggrieved party may issue a judicial intimation, which has the effect of formally calling upon the defaulting party to proceed with completion. The issuance of this intimation also extends the validity of the promise of sale by a further period of 30 days and signals the intention to pursue legal enforcement if completion does not take place.

If the refusal or failure to complete persists, the aggrieved party may then file a sworn application before the competent court, seeking specific performance of the promise of sale or, alternatively, a claim for damages, depending on the circumstances and the relief sought.

Separately, where the transaction involves bank financing, the relevant finance documents will typically define events of default and the consequences flowing from them, including rights of acceleration. Upon the occurrence of an event of default, lenders may exercise their contractual and statutory rights to enforce the security granted in their favour, in accordance with Maltese law.

Law stated - 1 March 2026

Breach of lease terms

What remedies are available to tenants and landlords for breach of the terms of the lease? Is there a customary procedure to evict a defaulting tenant and can a tenant claim damages from a landlord? Do general contract or special real estate rules apply? Are the remedies available to landlords different for commercial and residential leases?

In the event of a breach of a lease, Maltese law provides a range of remedies to the aggrieved party. Depending on the nature of the breach, the parties may institute proceedings seeking performance of the lease obligations, termination of the lease, eviction of the tenant, recovery of unpaid rent and claims for damages.

The competent forum for such proceedings depends on the type of lease involved. Disputes may fall within the jurisdiction of the Rent Regulation Board, the Adjudicating Panel for Private Residential Leases, or the civil courts, depending on whether the lease is residential, commercial or governed by specific statutory regimes.

In this context, the Private Residential Leases Act and the various rent laws operate as an overlay to the general principles of contract law. This is particularly evident in relation to residential leases, where termination and eviction are subject to stricter statutory controls and procedural safeguards. By contrast, commercial leases are governed more extensively by the parties' contractual arrangements and the general provisions of the Civil Code.

Law stated - 1 March 2026

FINANCING

Secured lending

Discuss the types of real estate security instruments available to lenders in your jurisdiction. Who are the typical providers of real estate financing in your country? Are there any restrictions on who may provide financing?

A variety of security instruments are recognised under Maltese law to secure obligations arising in connection with real estate and financing transactions. These include hypothecs, which may be constituted either as general hypothecs or as special hypothecs and may extend to both present and future property of the debtor. The law also recognises privileges, whether arising by operation of law or by contract, which grant the holder a preferential ranking over other creditors. In addition, security may be taken by way of pledges over movable property, shares and receivables, as well as through personal guarantees and contracts of suretyship.

Special hypothecs and certain types of privileges are attached to specific immovable property and run with the property, meaning that they continue to affect the property even after it passes into the hands of third parties. For such security rights to be effective and properly ranked, they must be duly registered in the relevant public registry. Unregistered hypothecs or privileges do not produce effects vis-à-vis third parties and do not benefit from priority ranking.

In practice, lending secured over immovable property is typically provided by banks and other licensed credit institutions established in Malta or in other European Union or European Economic Area states. Pursuant to the Banking Act, foreign lenders are required to hold the appropriate authorisation to carry on lending activities in Malta on a professional basis, ensuring regulatory oversight and compliance with applicable prudential requirements.

Law stated - 1 March 2026

Leasehold financing

Is financing available for ground (or head) leases in your jurisdiction? How does the financing differ from financing for land ownership transactions?

Financing in Malta is available not only in respect of full ownership of immovable property but also in relation to emphyteutical rights, which involve ground rent or *ċens*. In such cases, lenders may take special hypothecs over the emphyteutical right itself rather than over freehold ownership. Where the underlying property is government-owned, lenders commonly require the consent or acknowledgment of the dominus or the Lands Authority as a condition to the granting and enforcement of security.

Long-term commercial leases or concessions are also commonly financed, including concessions over government-owned commercial property granted on long emphyteusis, such as those regulated under Legal Notice 131 of 2024. Banks often treat these arrangements in a manner broadly comparable to freehold ownership for financing purposes. However, adjustments are typically made to reflect the inherent differences, including reversion risk at the end of the term and any continuing obligations relating to ground rent. These factors may influence loan-to-value ratios, the duration of the loan and the pricing of the financing.

Compared to financing secured on freehold property, leasehold or emphyteutical financing generally involves a more detailed level of legal and title review. This includes close scrutiny of the underlying title and the terms governing ground rent and reversion. Lenders commonly impose conditions precedent, such as confirmation that no arrears of ground rent are outstanding and, where applicable, formal recognition or consent from the Lands Authority.

In addition, loan tenors are sometimes structured to align with the remaining duration of the emphyteusis or lease, reflecting the finite nature of the secured right.

Law stated - 1 March 2026

Form of security

What is the method of creating and perfecting a security interest in real estate?

Under current Maltese law: hypothecs only take effect against third parties once registered in the Public Registry and rank from their registration date, general privileges arise automatically without registration, and special privileges over immovables (and certain specified movables) are ineffective unless registered within two months. Since then, there have been no substantive changes to these Civil Code rules on the validity, registration or ranking of hypothecs and privileges; recent property-law updates have largely targeted lease regulation rather than secured-lending formalities. Practitioner materials published in the past couple of years continue to restate the same mechanics and time limits, and, while there are policy discussions and draft proposals aimed at streamlining registration systems, they have not altered the operative rules for hypothecs or privileges.

Law stated - 1 March 2026

Valuation

Are third-party real estate appraisals required by lenders for their underwriting of loans? Are there government or industry standards for appraisals? Must appraisers have specific qualifications or required government or industry certifications? Who is required to order the appraisal?

In commercial practice, independent property valuations are standard in the context of significant financing transactions. Banks and institutional lenders typically require third-party valuation reports prepared by independent appraisers, using recognised valuation methodologies such as discounted cash flow analysis, income-based valuation or comparable market analysis. These appraisals play a critical role in assessing credit risk and determining appropriate lending terms.

While there is no single overarching statute prescribing mandatory valuation standards, market practice in Malta often aligns with international or Swiss valuation standards. In addition, financial regulators expect lending institutions to maintain robust internal valuation guidelines and risk management frameworks. Appraisers engaged for these purposes are expected to possess appropriate professional qualifications and relevant experience. For regulated institutions, internal policies frequently require the appointment of externally approved valuers for larger or higher-risk exposures.

As a matter of standard practice, the valuation is commissioned by the lender, who also initially bears the cost of the appraisal. However, loan agreements often provide that such costs may be passed on to the borrower, either directly or through reimbursement, as part of the overall financing arrangements.

Law stated - 1 March 2026

Legal requirements

What would be the ramifications of a lender from another jurisdiction making a loan secured by collateral in your jurisdiction? What is the form of lien documents in your jurisdiction? What other issues would you note for your clients?

Under the Banking Act (Cap. 371) and MFSA practice, lending into Malta on a professional/regular basis remains a regulated activity: Maltese borrowers may be financed by MFSA-authorised credit institutions EU/EEA lenders can provide cross-border loans into Malta under the CRD/CRR "passporting" framework without re-licensing, while non-EU/EEA lenders generally need an MFSA authorisation or an equivalent permitted structure to lend on a continuing basis. From a tax perspective, Malta does not generally levy withholding tax on interest paid to non-resident lenders provided the interest is not effectively connected to a Maltese permanent establishment (subject to targeted anti-avoidance exceptions), so foreign lenders' tax exposure is primarily assessed by reference to general Income Tax Act rules and treaty/residency analysis rather than any special banking-law tax charge. As for security formalities, the strongest liens over immovables continue to be created by public deed; hypothecs must be registered in the Public Registry to be effective and rank from registration, general privileges arise automatically and special privileges over immovables (and specified movables) require registration within two months. Finally, MFSA authorisation and ongoing supervisory fees for banking or financial institutions were revised upward with effect from 1 January 2025, so applicants and licensed lenders should factor in the updated annual fee schedule.

Law stated - 1 March 2026

Loan interest rates

How are interest rates on commercial and high-value property loans commonly set? What rate of interest is legally impermissible in your jurisdiction and what are the consequences if a loan exceeds the legally permissible rate?

Interest rates on real-estate loans in Malta continue to be set by each financial institution according to the property type, borrower profile and whether the facility is residential or commercial. In practice, pricing is now typically linked to ECB/Euribor-based benchmarks (with a bank margin), reflecting the discontinuation of LIBOR for new lending and the market-wide shift to Euribor or other euro risk-free benchmarks for euro facilities. Rates may be fixed or variable and are adjusted over the life of the loan in line with the chosen benchmark and contractual reset of mechanics. As a matter of Maltese public policy, the Civil Code still sets a general maximum contractual interest of 8% per annum and allows courts to reduce any excess to that level, while subsidiary legislation continues to exempt licensed banks or credit institutions from this statutory ceiling for their regulated lending business. Where no interest rate is agreed, the Civil Code default interest remains 5% per annum. Charging interest beyond the legal limits by an unlicensed lender constitutes usuary under the Criminal Code and recent prosecutions confirm that the offence remains actively enforced.

Law stated - 1 March 2026

Loan default and enforcement

How are remedies against a debtor in default enforced in your jurisdiction? Is one action sufficient to realise all types of collateral? What is the time frame for foreclosure and in what circumstances can a lender bring a foreclosure proceeding? Are there restrictions on the types of legal actions that may be brought by lenders?

If a borrower defaults, a lender can still pursue payment through Maltese civil enforcement procedures. The creditor will typically serve a judicial letter under article 166A of the Code of Organization and Civil Procedure for a debt that is certain, liquidated, due and not exceeding €25,000; if the debtor does not contest it within 30 days, the letter becomes an executive title and can be registered and enforced without a full merits trial. For larger or disputed debts, the lender proceeds with ordinary court action to obtain a judgment, which is also an executive title. Once an executive title exists, enforcement is carried out through executive warrants (eg, garnishee, seizure and sale), and where the debt is secured by a registered hypothec or privilege, the lender may ultimately seek a judicial auction sale of the encumbered immovable.

Law stated - 1 March 2026

Loan deficiency claims

Are lenders entitled to recover a money judgment against the borrower or guarantor for any deficiency between the outstanding loan balance and the amount recovered in the foreclosure? Are there time limits on a lender seeking a deficiency judgment? Are there any limitations on the amount or method of calculation of the deficiency?

Where the proceeds realised from a judicial sale by auction are insufficient to satisfy the outstanding debt in full, Maltese law permits the creditor to pursue recovery of the remaining shortfall. In such circumstances, the creditor may bring claims against the borrower and, where applicable, against any guarantors who have provided personal guarantees or suretyships in connection with the obligation.

Any such recovery action remains subject to the applicable rules on prescription. Where the debt does not arise from a public deed, a prescriptive period of five years generally applies, after which the claim may become time barred.

Law stated - 1 March 2026

Protection of collateral

What actions can a lender take to protect its collateral until it has possession of the property?

Pending the enforcement of their security, lenders in Malta may avail themselves of various interim remedies designed to preserve assets and protect their position. Lenders may apply for precautionary warrants under the Code of Organization and Civil Procedure, such as garnishee orders, warrants of seizure or prohibitory injunctions, to freeze assets or prevent their disposal while enforcement proceedings are ongoing.

In addition, lenders may take steps to secure income generated by the property. This may include arranging for rents payable by tenants to be paid directly to the lender, or applying for garnishee orders over rent receivables, thereby ensuring that rental income is applied towards satisfaction of the secured debt during the enforcement process.

It should be noted that Maltese law does not adopt the common-law concept of a 'mortgage'. Instead, security over immovable property is created by way of hypothecs, which operate as real rights governed by civil law principles and are subject to registration and ranking rules under Maltese law.

Law stated - 1 March 2026

Recourse

May security documents provide for recourse to all of the assets of the borrower? Is recourse typically limited to the collateral and does that have significance in a bankruptcy or insolvency filing? Is personal recourse to guarantors limited to actions such as bankruptcy filing, sale of the mortgaged or hypothecated property or additional financing encumbering the mortgaged or hypothecated property or ownership interests in the borrower?

In financing transactions, lenders in Malta commonly require a layered security structure. This often includes the granting of a general hypothec over all present and future property of the borrower, in addition to one or more specific hypothecs over the particular immovable property being financed. This approach allows lenders to benefit from recourse not only to the financed asset itself but also to the borrower's wider asset base in the event of default.

Personal guarantees are also frequently required as part of the security package, particularly where the borrower is a special purpose vehicle (SPV). In such cases, guarantees are often provided by the shareholders or parent entities of the SPV, thereby strengthening the lender's position and mitigating credit risk.

Law stated - 1 March 2026

Cash management and reserves

Is it typical to require a cash management system and do lenders typically take reserves? For what purposes are reserves usually required?

In ordinary Maltese lending practice, there is no standard cash-management structure comparable to the CMBS-type arrangements commonly found in some other jurisdictions.

Instead, financing structures tend to be more straightforward and are tailored to the nature and risk profile of the transaction.

Nevertheless, banks typically impose certain protective requirements as part of their lending arrangements. These commonly include the provision of adequate collateral, encompassing both immovable and movable assets. In addition, particularly in the context of project finance or income-generating properties, lenders may require the assignment of rental income or the blocking of specific bank accounts, in order to enhance control over cash flows and reduce credit risk.

Law stated - 1 March 2026

Credit enhancements
What other types of credit enhancements are common? What about forms of guarantee?

One of the most used credit-enhancement techniques in Malta is over-collateralisation, whereby the value of the collateral or receivables pool exceeds the amount of securities or lending exposure, providing a built-in buffer against losses. In structured transactions, parties also frequently rely on excess (retained) spread and reserve accounts, meaning that cash-flows generated by the underlying receivables are higher than the amounts due to investors, with the surplus trapped to cover shortfalls or first-loss risk. Liquidity facilities remain another standard enhancement, typically provided to address temporary cash-flow timing mismatches and ensure timely payment on the issued securities.

From a legal-security perspective, Maltese law (primarily under the Civil Code) continues to recognise guarantees and suretyships, under which a third party undertakes to satisfy the debtor's obligation if the debtor fails to do so. Pledges are widely used as real security and may be taken over movable property and rights, including (in modern practice) shares, bank accounts, receivables and other financial assets; the pledge of shares is additionally shaped by the Companies Act and, where applicable, the Financial Collateral Arrangements Regulations, which allow for streamlined enforcement in qualifying cases.

Creditors may also benefit from statutory privileges (general or special), which grant a legally mandated priority ranking, and from hypothecs, which are non-possessory securities over immovable property that may be general or special and arise by law, judgment or convention (the latter typically created by public deed). Together, these structural and legal tools are routinely combined in Maltese financing and securitisation deals to enhance credit quality and investor protection.

Law stated - 1 March 2026

Loan covenants
What covenants are commonly required by the lender in loan documents?

In Maltese securitisation and real-estate financing structures, credit support is typically achieved through a combination of structural and legal protections. Transactions commonly include over collateralisation, whereby the value of the collateral or receivables pool exceeds the securities issued, together with excess or retained spread and reserve accounts to absorb first-loss risk. Liquidity facilities are also frequently deployed to cover temporary cash-flow shortfalls or timing mismatches, ensuring timely payments to noteholders. On the legal-security side, Maltese law recognises a wide toolkit of guarantees and suretyships, pledges (including over shares, bank accounts and receivables) and real-security rights such as statutory privileges and hypothecs, each providing ranked or asset-backed recourse to enhance investor protection and improve transaction credit quality.

Law stated - 1 March 2026

Financial covenants
What are typical financial covenants required by lenders?

Given the generally conservative approach adopted by Maltese banks, loan documentation commonly includes a range of financial and operational covenants designed to manage risk. These frequently require the borrower to maintain specified financial ratios, such as loan-to-value interest cover, or debt service cover ratios, particularly in the case of investment or income-generating properties. Compliance with these ratios is typically monitored on an ongoing basis throughout the term of the financing.

Loan agreements also often contain restrictions on the borrower's ability to incur additional indebtedness without the lender's prior consent. Such provisions are intended to prevent the dilution of the lender's security position and to ensure that the borrower's financial profile remains consistent with the assumptions underlying the original credit approval.

In addition, lenders commonly reserve audit rights or impose obligations on the borrower to provide periodic financial information. This may include the submission of audited accounts prepared by a certified public accountant, enabling the lender to assess the borrower's financial condition and ongoing compliance with the loan covenants.

Equity contribution requirements are also a standard feature of Maltese bank financing. Borrowers are often required to contribute a minimum percentage of the overall project costs from their own funds, commonly in the region of 30%, before or alongside the drawdown of bank financing. This requirement ensures an appropriate level of borrower commitment and risk-sharing in the transaction.

Law stated - 1 March 2026

Secured movable (personal) property
What are the requirements for creation and perfection of a security interest in movable (personal) property? Is a 'control' agreement necessary to perfect a security interest and, if so, what is required?

A contractual hypothec extending to movable property must be constituted by means of a public deed and must be duly registered in the Public Registry to be effective and to benefit from ranking against third parties. Without proper execution and registration, such a hypothec does not produce the intended legal effects under Maltese law.

By contrast, a pledge is perfected through the transfer of control or detention of the movable asset, or of the relevant document of title, to the pledge. The effectiveness of a pledge therefore depends on delivery, which may take place physically, constructively or notionally, if control over the asset is clearly transferred to the creditor.

Maltese law does not provide for a separate "control agreement" regime comparable to that found under article 9 of the UCC in common-law jurisdictions. Instead, effective control is achieved in practice through possession of the pledged asset or, in the case of financial assets or receivables, through account mandates or similar arrangements that place the creditor in control.

Law stated - 1 March 2026

Single purpose entity (SPE)

Do lenders require that each borrower be an SPE? What are the requirements to create and maintain an SPE? Is there a concept of an independent director of SPEs and, if so, what is the purpose? If the independent director is in place to prevent a bankruptcy or insolvency filing, has the concept been upheld?

Lenders in Malta do not usually insist that borrowers be SPEs, although SPEs are used in larger or securitised transactions.

Under the Securitization Act, securitisation vehicles (which can take company, partnership, trust or cell company form) may be established with restricted objects and bankruptcy-remote features. Maltese law does not expressly require "independent directors", though management can be delegated to third-party administrators.

Law stated - 1 March 2026

UPDATE AND TRENDS

International and national regulation

Are there any emerging trends, international regulatory schemes, national government or regulatory changes, or other hot topics in real estate regulation in your jurisdiction?

Act XX of 2024, formally titled the Various Laws relating to Private Residential Leases (Amendment) Act, introduced significant amendments to both the Civil Code and the Private Residential Leases Act XX-2024-PRLA These amendments clarified several practical aspects of the residential leasing regime, including mandatory online registration of leases and the extension of the registration window. The Act also provided clearer rules on express renewals of leases, the substitution or addition of lessees, situations of abandonment and standards relating to habitability and maximum occupancy. In addition, it strengthened the regulatory and enforcement powers of the Housing Authority and expanded the competence and tools available to the Adjudicating Panel for Private Residential Leases.

The Property Market Agency Act, Act XXVII of 2024 (Chapter 644 of the Laws of Malta), established the Property Market Agency as the dedicated regulator of property market intermediaries. This legislation transferred regulatory oversight from the former Real Estate Licensing Board established under Chapter 615 and introduced a more comprehensive framework governing estate agents, property brokers and consultants. The Property Market Agency is now responsible for licensing, setting professional standards and supervising compliance across the property intermediation sector.

Recent Budgets for 2025 and 2026 have continued and enhanced a range of property-related tax incentives aimed at supporting home ownership and urban regeneration. These measures include extended first-time and second-time buyer schemes, grants and stamp-duty reliefs. Incentives apply to the acquisition and restoration of older, vacant and Urban Conservation Area (properties, offering substantial grants together with capital gains tax and stamp-duty relief on properties valued up to €750,000, as well as VAT refunds on eligible restoration works. First-time buyers continue to benefit from zero stamp duty on the first €200,000 of the purchase price, together with a grant of €10,000 payable over 10 years. Additional affordability measures include deposit assistance schemes, equity-sharing arrangements and social housing loan facilities.

Acquisition of Immovable Property (AIP) thresholds have also been updated. Under Legal Notice 174 of 2024, the minimum price thresholds applicable to non-residents seeking an AIP permit were revised to €174,274 for flats or maisonettes and €300,619 for other types of immovable property. These revised thresholds reflect adjustments linked to property price indices and current market conditions.

Finally, environmental permitting reforms introduced in 2025 have brought about a new three-tier environmental permitting system. This reform impacts industrial, infrastructure and other large-scale projects by introducing a more structured approach to environmental authorisation. The new system enhances coordination between planning and environmental controls, resulting in closer regulatory oversight and more integrated permitting processes for developments with potential environmental impact.

Law stated - 1 March 2026