



MALTA
INSTITUTE
OF TAXATION

2020 in Review

An overview of the work carried out by the Malta Institute of Taxation in 2020 and of the key tax legislative developments

22 December 2020

The contents of this paper are for information purposes only.

Any comments or queries concerning the contents of this paper should be addressed to the Chief Technical Officer on CTO@maintax.org or MIT@maintax.org

The Malta Institute of Taxation is a professional body for advisors, practitioners and academics operating in the field of taxation in Malta, which has as its main purposes, the promotion of tax learning and ongoing professional education, as well as contributing toward the development of local tax policy and legislation. The Institute does not provide tax advice and is not a lobby group for tax professionals.



The Malta Institute of Taxation in 2020

The following is an overview of some of the initiatives undertaken by the Institute in 2020, including the tax resources published, and of the key legislative developments.

MIT's Participation in Consultations

In 2020 the MIT participated in and provided input in connection with the following initiatives of the Office of the Commissioner for Revenue, including the:

- Guidelines on the Consolidated Group (Income Tax) Rules
- Guidelines on the EU Anti-Tax Avoidance Directives Implementation Regulations (ATAD1)
- Consolidated guidelines on the automatic exchange of financial account information
- Launch of the Tax Residence Certificate online request process
- Discussions in connection with proposed guidelines on ATAD2
- Discussions in connection with impact of the OECD Pillar 1 and Pillar 2 Blueprints
- Consultation on the draft DAC6 Guidelines

MIT Proposals

The Institute made a number of submissions to the Office of the Commissioner for Revenue during 2020, some of which were made in collaboration with the Malta Institute of Accountants and the Institute for Financial Services Practitioners. These included:

- Proposals in connection with measures to address the economic impact of COVID-19
- Proposals for Budget Measures
- Requests for extension of tax deadlines

In July the Institute also formed part of the Malta Chamber of Commerce delegation to the office of the Prime Minister to discuss the Moneyval evaluation.

MIT Publications

This year the Institute published a number of Position Papers which document the Institute's views on certain issues, specifically:

Position Paper 01/20: Interpreting Regulation 7 of the VAT Grouping Regulations

Position Paper 02/20: VAT Treatment of the reimbursement of employee costs

Position Paper 03/20: Interpreting the Mandatory Disclosure rules for Tax Intermediaries

In addition, further to discussions with the Office of the CfR, we published a MIT Information Paper 01/20 on the VAT treatment of Directors Fees.

A Q&A document on the TRA110 was issued in October 2020. This document, which was subsequently updated to include further clarifications received, outlines some practical queries encountered and for which we have sought clarification from the Office of the CfR.

These papers can be downloaded from the [Position Papers & Reports](#) section of the MIT Website (Members Area).



2020 Legislative Round-up

The following is an overview of some of the key tax developments that took place between 1 January 2020 and 22 December 2020. Click on the links for further details. We invite you to follow our [News page](#) for daily tax news and updates. All news is also circulated to Members and Subscribers, in 'The MIT Weekly'.

Local Legislation

- [ATAD II](#): LN 348 of 2019 published on 24 December 2019, implemented the provisions of EC Directives 2016/1164 (ATAD I) and 2017/952 (ATAD II) concerning hybrid mismatches, revising the European Union Anti-Tax Avoidance Directives Implementation Regulations (LN 411 of 2018).
- [Amendment](#) to the Deduction (Income from employment) rules, increasing the annual threshold.
- [Budget Measures implementation](#): Act VIII of 2020 – The Budget measures Implementation Act – was published on 20 March 2020, implementing the key measures announced in October 2019 in the Budget for 2020.
- [Subsidiary Legislation under the DDTA](#): the Adaptation of Subsidiary Legislation (Duty on Documents and Transfers Act) Order, 2020, published on 17 March 2020, is a 3-part Legal Notice amending subsidiary legislation enacted in terms of the Duty on Documents and Transfers Act.
- [Suspension of legal times \(COVID-19\)](#): The Suspension of Legal Times (Revenue Acts) Order, 2020 (LN 135 of 2020) was published on 3rd April 2020. The legislation provides for the suspension of time-limits and deadlines arising under the relevant tax legislation. The legislation was [repealed](#) in June 2020.
- [Interest under the DDTA](#): the rates of interest were revised effective 1 January 2020.
- [Amendment to the DDTR](#): the Duty on Documents and Transfer rules were amended to provide for a deadline for the refund of duty in terms of article 62 of the Duty on Documents and Transfers Act.
- [Assignments of Rights Acquired under a Promise of Sale Agreement](#): LN 191 of 2020 set out the criteria that must be satisfied for an assignment to be regarded as valid for the purposes of the rules, the deductions allowable when computing the income derived from an assignment and the criteria to be satisfied for such deductions to be allowable.



- [Amendments to the VAT Act](#): Legal Notices 219 to 226 of 2020 were published on 2 June 2020, introducing amendments to the VAT Act implementing the EU VAT e-commerce package. The entry into force date of the legislation has been postponed from 1 January 2021 until 1 July 2021.
- [Reduction of stamp duty on immovable property transfers](#): the Exemption of Duty in Terms of Article 23 Order (SL 364.12) was revised introducing a reduction of duty on certain property transfers to 1.5% on the first €400,000.
- [Reduction of tax on immovable property transfers](#): the Exemption from Tax on Certain Property Transfers Rules 2020 introduced a reduction of tax on qualifying immovable property transfers to 5% on the first €400,000. The rules were revised in virtue of [LN 459 of 2020](#).
- [Tax on overtime rules published](#): Further to the introduction of article 90B of the Income Tax Act with the Budget Measures Implementation Act (15% tax rate on qualifying overtime income with effect from 1 January 2020), these rules govern the application of this reduced rate. The FSS Rules (S.L. 123.200) were also [revised](#) in connection with the introduction of the reduced rate, as were [the FSS forms](#).
- [Private Residential Leases \(Tax Rebate\) Rules](#): the rules were published on 23 June 2020, providing for a tax rebate (where the option under article 31D(2) of the Income Tax Act for taxation at 15% on the gross rental income has been exercised) in the form of a deduction from the tax chargeable on the qualifying rental income under article 31D of the Income Tax Act.
- [Get Qualified Scheme extended](#): The Deductions and Tax Credits (Relevant Qualifications for Industry) Rules (S.L. 123.107) have been revised, effectively extending the application of the rules to relevant educational courses commencing before 31 December 2023.
- [Postponement of reporting deadline for Tax Intermediaries \(DAC6\)](#): further to the [amendment](#) to the EU Directive on Administrative Co-operation, the Cooperation with Other Jurisdictions on Tax Matters Regulations (SL 123.127) were revised, extending the reporting deadlines.

Budget 2021

- On 19 October 2020 the Minister for Finance and Financial Services, Prof. Edward Scicluna, delivered the Budget Speech for 2021, announcing a number of [fiscal](#) and [non-fiscal](#) measures.
- The Budget Measures Implementation Bill published on 20 October 2020, inter alia, proposed legislative measures relating to:
 - [Taxation of royalties](#) on qualifying literary works
 - A new [exclusion](#) from tax deductions
 - An amendment to the [Participation Exemption](#) rule
 - [Amendments](#) to the Duty on Documents and Transfers Act
 - [Amendment](#) to the Income Tax Management Act



- Pursuant to the Budget announcements in connection with the extension of the various duty relief schemes for property transfers, the relevant legislation was revised ([First Time Buyers Scheme](#); [Urban Conservation Area Property Scheme](#); [Second Time Buyers Scheme](#));
- Further to the budget announcement concerning the change to the VAT 'small undertaking' threshold, LN 463 of 2020 introduced [changes](#) to the Sixth Schedule to the VAT Act.

CfR Guidelines & Administrative Practices

- [VAT Form 005s](#): With effect from January 2020, submissions and payments by persons registered under article 12 of the VAT can only be made electronically. The Office of the Commissioner for Revenue no longer issues the annual declaration (VAT Form 005).
- [Guidelines on the Automatic Exchange of Financial Account Information](#): In January 2020 the Office of the CfR published consolidated guidelines on the automatic exchange of financial account information in connection with the application of FACTA, IGA, CRS and DAC II. These were [updated](#) in March 2020.
- [Guidelines – withholding tax on assignment of PoS](#): The Office of the CfR published guidance on one of the measures announced with the budget for 2020 concerning the taxation of income derived from assignments of rights acquired under a promise of sale agreement (ċessjoni ta' konvenju).
- [COVID-19 Fiscal Assistance Measures](#): in March 2020 a series of fiscal measures were announced intended to provide assistance to businesses impacted by the pandemic. The office of the CfR published guidance on the scope of the scheme, which guidance was updated on [20 April 2020](#) , 30 [April 2020](#) and [25 May 2020](#).
- [Government Notice – Wage Supplement](#) - published on 13 April 2020, the Notice sets out the implementing measures of the Wage Supplement Scheme announced in March, also specifying details concerning National Insurance Contributions and Income Tax.
- [Guidelines - COVID wage supplement](#): The Office of the CfR published guidance on the implications of the wage supplement on Payroll and SSC reporting.
- [Fiscal Unit](#): Guidelines on the Registration of a Fiscal Unit in terms of the Consolidated Group (Income Tax) Rules were published in May 2020. These were [updated](#) in June 2020.
- [COVID recovery measure – reduced taxes on property transfers](#): The Commissioner for Revenue issued guidance on the recovery measure announced concerning the reduced rates of income tax and duty on documents and transfers on certain property transfers.



- [ATAD I Guidelines](#): the CfR guidance published in August 2020 covers the scope and application of the rules concerning: Interest Deduction Limitations, Exit Taxation and CFCs.
- [Guideline](#) on the EU Dispute Resolution Mechanism Directive Regulations

EU Legislation

- [Quick Fixes](#): following the entry into force of the rules implementing the so-called “Quick-fixes” the European Commission published Explanatory Notes.
- [VAT rules for SMEs](#): On 18 February 2020 the Council adopted simplified VAT rules applicable to SMEs. Member States are required to transpose the new rules by 31 December 2024 and they will apply with effect from 1 January 2025.
- [VAT on E-commerce transactions](#): On 18 February the EU Council adopted rules which will facilitate the detection of tax fraud in cross-border e-commerce transactions. These measures, which will apply as of 1 January 2024, complement the framework for e-commerce which will come into force in 2021.
- [Postponement of entry into force of VAT e-commerce rules](#): further to the [proposal](#) by the EU Commission in light of the COVID-19 pandemic, the 1 January 2021 entry into force of the new VAT rules for e-commerce businesses was postponed to 1 July 2021. In October 2020, the EU Commission [published Explanatory Notes](#) on the new rules.
- [Postponement of filing deadlines under DAC 6](#): further to the [proposal](#) by the EU Commission, the European Council has approved an amendment to the Directive on Administrative Cooperation (DAC) allowing member states an option to defer the time limits for the filing and exchange of certain information by up to 6 months.