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Date: 19 January 2023

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AGENDA

- Introduction
- The Final Tax Account
- The Immovable Property Account
- The Foreign Income Account
- The Maltese Taxed Account
- The Untaxed Account
- Summary

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THE MALTA TAX ACCOUNTING SYSTEM
INTRODUCTION

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INTRODUCTION
THE FIVE MALTA INCOME TAX ACCOUNTS

- Every **Malta registered company** is required, for Malta income tax purposes, to allocate its **distributable profits / losses** to five tax accounts:

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INTRODUCTION
THE FIVE MALTA INCOME TAX ACCOUNTS

- This requirement emerges from article 2 of the Income Tax Act, chapter 123 of the laws of Malta (**'ITA'**), through the definition of **'distributable profits'**:

> ***"distributable profits"*** *shall mean the total profits which are available for distribution by a company registered in Malta under the laws for the time being in force in Malta, and the distributable profits shall, for the purposes of this Act, be allocated to the following accounts, that is to say, final tax account, immovable property account, foreign income account, Maltese taxed account, and untaxed account, and for the purposes of this definition these accounts shall comprise the distributable profits as set out in the respective definitions*

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INTRODUCTION
THE IMPORTANCE OF THE MALTA INCOME TAX ACCOUNTS

- A tax return, even though submitted to the Inland Revenue Department ('IRD'), may be regarded by the Commissioner for Revenue ('CfR') as **not being complete in all material respects** for the purposes of article 10(5) of the Income Tax Management Act, chapter 372 of the laws of Malta ('ITMA'), in the event that the **allocation of distributable profits** included in the tax return is **materially incorrect**.
- For the purposes of the **Full Imputation System**, the tax treatment of dividend income at the level of the shareholders depends on the tax account from which such dividend was distributed.
- In certain cases, dividend distributions from the FIA and / or the MTA may trigger an entitlement at the level of a qualifying shareholder to claim refunds of the Malta tax paid at the level of the subsidiary. This is referred to as the **Malta Tax Payment and Refund System**.

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INTRODUCTION
THE IMPORTANCE OF THE MALTA INCOME TAX ACCOUNTS

- Local legislation dictates a **Dividend Distribution Hierarchy** in that the profits of a company allocated to its IPA must be distributed prior to profits allocated to the MTA.
- In certain cases, there may also be considerations for **taxation at the level of qualifying shareholders** (referred to as 'recipients') in the case of dividend distributions from the UTA.
- The allocation of distributable profits to the Malta income tax accounts could also impact the **availability of certain tax credits**. The Flat Rate Foreign Tax Credit ('FRFTC') could possibly be availed of in the following situations:
  - Income or gains which fall to be allocated to the FIA of a company (subject to other conditions being met); or
  - Income or gains receivable by a company which elected in terms of Rule 9 and where such income or gains would have been allocated to the FIA had the company not elected in terms of Rule 9 (subject to other conditions being met).

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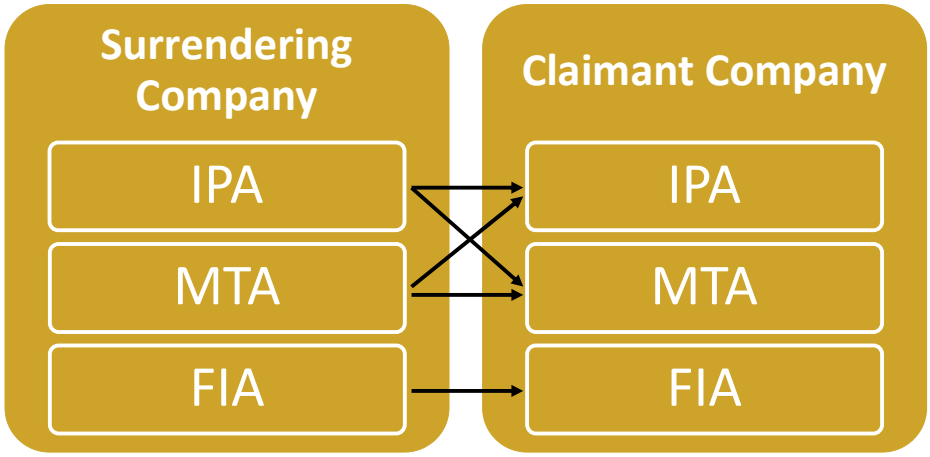
INTRODUCTION
GROUP LOSS RELIEF



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THE MALTA TAX ACCOUNTING SYSTEM
THE FINAL TAX ACCOUNT

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THE FINAL TAX ACCOUNT ('FTA')
DEFINITION

- The FTA is defined in article 2 ITA:

> ***"final tax account"*** *shall mean the taxed account to which an amount of distributable profits which suffered tax, calculated in such manner and in such amount as may be prescribed, shall be allocated before any distributable profits are allocated to any other taxed account*

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THE FINAL TAX ACCOUNT ('FTA')
ALLOCATIONS

- The Tax Accounts (Income Tax) Rules, S.L. 123.101 ('TAR') then provide an exhaustive list of the profits which are allocated to the FTA.
- Profits typically allocated to the FTA are the following, amongst others:
  - Profits after tax resulting from income which has been charged to tax under the investment income provisions (articles 41 and 41A of the ITA);
  - Profits which have been exempt from tax under the provisions of any Maltese law and where the distribution of such profits by the company is exempt from tax in the hands of the shareholders;
  - Dividend income received out of profits allocated to the FTA of another company;
  - Profits after tax derived from the transfer of immovable property, where the transfer is taxable under article 5A of the ITA;
  - Gains or profits chargeable to tax in accordance with article 23 of the ITA (profits derived from the production of petroleum);
  - …

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THE FINAL TAX ACCOUNT ('FTA')
ALLOCATIONS

- ...
  - Profits after tax which under the provisions of Maltese law are **not subject to tax** when such profits are distributed by a company to any person and where upon a distribution **no person is entitled to claim any tax credit** in respect of any tax paid on such profits;
  - The amount which should be allocated to the MTA computed in accordance with rule 13 of the **Sale of Agricultural Produce Rules** (S.L. 123.80);
  - Profits after tax resulting from transfers in accordance with the provisions of article 27G of the ITA (**transfers of property by listed companies**) – applicable from year of assessment 2020;
  - Profits resulting from any **grant or subsidy** where the distribution of such profits is **exempt** from tax in the hands of the shareholders;
  - Profits after tax resulting from **rents** to which **articles 31A to 31D** of the ITA apply.

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THE FINAL TAX ACCOUNT ('FTA')
THE NOTIONAL INTEREST DEDUCTION

- Where profits of a company are relieved from tax through claiming the Notional Interest Deduction ('**NID**') in terms of paragraph (o) of sub-article (1) of article 14 of the ITA, an amount corresponding to 110% of the amount of profits which are so relieved from tax shall be allocated to the company's FTA as follows:
  - The **Direct Allocation**: an amount corresponding to 100% of the amount of profits which are so relieved from tax shall be allocated directly to the FTA; and
  - The **Additional Reallocation**: an additional reallocation of profits of an amount corresponding to 10% of the relieved profits, out of the tax account to which such relieved profits would otherwise have been allocated.

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THE FINAL TAX ACCOUNT ('FTA')
THE NOTIONAL INTEREST DEDUCTION

- The Additional Reallocation is effected subject to the following conditions:
  - If the amount of the Additional Reallocation exceeds the total profits of the undertaking for the particular basis year that would have otherwise been allocated to the tax account to which such profit would have been allocated had they not been relieved from tax, any such excess shall be ignored for the purposes of the Additional Reallocation;
  - The Additional Reallocation shall be effected subsequent to any tax account reallocation required to the IPA; and
  - The Direct Allocation and the Additional Reallocation shall not be effected in respect of NID claimed as a deduction against Notional Interest Income deemed to be received by the shareholder of a company claiming NID.

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THE FINAL TAX ACCOUNT ('FTA')
EXAMPLE 1

- Alpha Limited is a company incorporated in Malta. During the financial year ended 31 December 2022, the company received dividends from its Maltese subsidiary, Beta Limited, amounting to €300,000 (gross).
- Beta Limited distributed such dividend out of profits allocated to its FTA which had been subject to a final withholding tax of 15%.

	Distribution
Gross	€300,000
Tax	(€45,000)
Net	**€255,000**

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 1 – TRA 08

ITA - DIVIDENDS

Details of Dividends received

IT No. / R.O.C. No.	Paying Company	Gross Dividend					Tax Deducted				Net Dividend
		Final Tax Account	Immovable Property Account	Maltese Taxed A/c	Foreign Income A/c	Untaxed A/c	Malta tax paid	DTR	FRFTC	W'hlding tax	
999999999	Beta Limited	255,000									255,000
											0
											0
											0
											0
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Totals >		255,000	0	0	0	0	0	0	0	0	255,000
Dividends the tax on which is relieved by Tax Credits			IPA	MTA			Tax credit				
Totals >		TRA 35	0	0		TRA 35	0				

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 1 – TRA 08

ITA - Dividends	Allocated					
	Dividends from FTA [TRA 18]	Tax computation [page 4 of tax return]			Exempt Dividends or Dividends from Untaxed A/c [page 3 of the tax return]	ALL DIVIDENDS RECEIVED EITHER FROM THE FINAL TAX ACCOUNT OF ANOTHER COMPANY OR FROM A PROPERTY TRANSFER RESERVE ARE TO BE ALLOCATED TO THE FINAL TAX ACCOUNT. Dividends from the FTA of another company have to be reported net of tax.
		Immovable Property Account	Maltese Taxed Account	Foreign Income A/c		
Gross Dividends Received	255,000	0	0	0	0	
Grossed up element for Flat rate foreign tax credit						
Gross Dividends Received	255,000	0	0	0	0	
Less direct expenses [Details required]						
Interest expense	0	0	0	0	0	
Dividend income after deducting direct expenses	255,000					
	255,000	0	0	0	0	
Net non-distributed income in terms of Regulation 7(2) of SL123.187		0	0	0	TRA 112	
Total dividends		0	0	0		
Foreign tax paid where Article 12(1)(u) applies						
Dividend Income allocated to the Final Tax Account	255,000	TRA 18				
Dividend Income allocated to the Untaxed Account					0	TRA18
CfR - Malta		TA2_e-CO_2022_Ver 1.5				TRA 08

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 1 – TRA 18

Exempt Income (and other income not subject to tax)			
Legislation	Income	Attachment	Taxed A/c or Non-Distributable Reserve
Exempt incentives, benefits and grants			
ERDF Grants			
Other exempt grants			
Business Promotion Act			
BPA - Article 19 (Training Grant)			
BPA - Article 20 (Management Services Grant)			
BPA - Article 23 (3) and (4) (Accom. & Training grants to industry in Gozo)			
BPA Regulations - Benefits and Grants			
Regulation 9 - (Loan Interest Subsidy)			
Regulation 11 - (Grants for experts)			
Regulation 13 (9) - (Grant(s) in lieu of deductions for job creation)	0	TRA 02	
Regulation 14 - (Training Grant)			
Regulation 22 - General exemption of grants			
Other exempt income and income not subject to tax [1]			
Dividends from the FTA of another company	255,000	TRA 08	Final Tax Account
Capital Gains on disposal of a participating holding	0	TRA 15	Untaxed Account
Income of a Co-operative society [Income Tax Act Article 12 (1) (q)] [1]			
Income from shipping activities of a licensed shipping organisation [SL 234.43]			Final Tax Account
Royalties, advances and similar income derived from patents [ITA Article 12(1)(v) and LN429 of 2010]	0	TRA 67	
Gains arising on the transfer of securities exempt from tax in terms of article 5(6) of ITA			
Transfer of shares that have been admitted for trading on an alternative trading platform (Rule 4A of the CG R	0	TRA 17	
Exempt income of a retirement fund or scheme [ITA 12(1)(d)]			
Agricultural subsidies [ITA 12(1)(r) and LN 52 of 2006]			
Exempt income of a collective investment scheme [ITA 12(1)(s)]			
Profits from a partnership or EBG (not being a property partnership and not electing to be treated as a company in terms of Article 27(6) of the ITMA) where Article 12(1)(u)(1) applies			Untaxed Account
Income or gains from a permanent establishment situated outside Malta [ITA 12(1)(u)(2)]			Untaxed Account
Gains arising on the transfer of assets qualifying for rollover relief under Article 5(8) of the ITA			
Gains arising on an intra-group transfer of assets qualifying for tax relief under Article 5(9) of the ITA			
Gains from a proportionate reduction in shareholding not subject to tax in terms of the proviso to Article 5(13)(b)(i) of the ITA			
Gains arising on transfers involving the exchange of shares on restructuring of holdings qualifying for tax relief under Article 5(14) of the ITA			
Gains arising on transfers of assets upon the incorporation of a business or a partnership en nom collectif as a going concern into a limited liability company and satisfying the conditions of Article 5(15) of the ITA			
Gains on intra-group transfers of property exempt from tax under Article 5A(4)(f)			
Gains from the transfer of property by a company to its individual shareholder (or related individual) exempt from tax under Article 5A(4)(j)			
Gains on the settlement of property on trust, distribution or reversion of property settled on trust or the transfer of property of a trust involving only a change in trustee not subject to tax in terms of the provisions of Articles 5(18) to (25) of the ITA			
Tax refunds claimed under Articles 48(4) and 48(4A) of the ITMA			
Exempt dividends or dividends from the UTA of another company	0	TRA 08	Untaxed Account

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 1 – TRA 18

Note 1 - Where the exemption does not extend to the ultimate beneficiaries, income stands to be allocated to the untaxed account.

Total Exempt Income (for tax computation purposes)	255,000	Page 3 return
Allocation to the taxed accounts and other non-distributable reserves		
Final Tax Account	255,000	
Untaxed Account	0	
Incentives and Benefits Reserve	0	
Total amounts allocated	255,000	

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 1 – TRA 61

Final Tax Account

Profits allocated to the Final Tax Account		TRA	Movement in reserves - FINAL TAX ACCOUNT (to page 6 of the tax return)			
			Brought Forward	Current Year: Net Income after Tax (To Page 6 Return)	Current Year: Dividends Paid	Carried Forward
Interests subject to 15% FWT		TRA 09		0		0
Rents subject to 5% FWT (Housing Authority)		TRA 11		0		0
ITA / ITMA LN 49 of 2005 - Sale of Agricultural Produce Rules, 2005		TRA 41		0		0
ITA - Article 5A - Profits on transfer of Immovable Property subject to Final Withholding Tax		TRA 53		0		0
Investment Allowance		TRA 06		0		0
Total Exempt Income		TRA 18	0	255,000	0	255,000
Income the tax on which was relieved by tax credits (up to Y/A 2014)						0
ITA - Art 31A - Housing Authority [Rental Income subject to 5% FWT]		TRA 75		0		0
ITA - Art 31B - Housing Authority [FWT 0f 10% deducted from subsidy]		TRA 76		0		0
ITA - Art 31C - Rental income from restored property [rental income subject to FWT]		TRA 77		0		0
ITA - Art 31D - Rental income from letting of residential / commercial tenements subject to FWT		TRA 83		0		0
ITA - Art 27G - Transfers of property by a company that has issued debt securities to the public		TRA 89		0		0
ITA - LN 228 of 2017 - Voluntary Occupational Pension Scheme Rules, 2017		TRA 96		0		0
ITA - Article 31E- Rental of property to another person for at least seven years (Housing Authority Sche		TRA 97		0		0
ITA - LN 37 of 2018 - Notional Interest Deduction Rules, 2018		TRA 100		0		0
ITA - Article 5A - Assignment of Rights acquired under a Promise of Sale Agreement Rules. 2020		TRA 119		0		0
ITMA - Option exercised under Article 48(4A)(b)(i)(1) - Taxable profits after tax						0
Other Profits that stand to be allocated to the Final Tax Account (Please specify Legislation)						
Legislation	LN 324 of 2011 - Securitisation vehicle - Rule 7(2)	TRA 74		0		0
Legislation						0
Legislation						0
Adjustments to relocate current year profits						
Legislation	*ITA - Collective Investment Scheme - Relocation*					0
Legislation						0
Totals [to page 6 of the return]		Page 6	0	255,000	0	255,000

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 2

- During the financial period ended 31 December 2022, XYZ Rentals Limited received rental income amounting to €400,000 from the rental of various residential flats located across Malta to third parties.
- XYZ Rentals Limited has opted for such rental income to be subject to a final withholding tax of 15% on the gross rental income (without any deductions) in terms of article 31D of the ITA.

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THE FINAL TAX ACCOUNT ('FTA')
EXAMPLE 2 – TRA 83

ITA - Article 31D
Rental income subject to Final Witholding Tax

Please indicate the number of residential tenements and commercial properties: 3

IT Reference (in case of fiscal unit)	Property type	Number and Name of property	Street	Council	Gross Annual Rental Income
	Residential	1, Sea View	Beach Street	Qawra	75,000
	Residential	Flat 1, Point Place	Tower Street	Sliema	200,000
	Residential	No. 43	Merchant Street	Valletta	125,000

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THE FINAL TAX ACCOUNT ('FTA')
EXAMPLE 2 – TRA 83

Gross Rental Income subject to tax at 15%	TRA 60	400,000
Total tax - 15% of Gross Rental Income		60,000
		60,000
Less Tax rebate		0
Transfer to the Final Tax Account	TRA 61	340,000

Have all conditions been satisfied, the TA24 form submitted and the 15% Tax paid? Yes

IS THE ATTACHMENT COMPLETE ? Yes

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 2 – TRA 60

Adjustment of Profit/(Loss) per Financial Statements Income subject to a Final Withholding Tax, Statutory deductions and corresponding add backs [where applicable]	Deduct Profits subject to a FWT and / or statutory deductions			Other Add Backs Amounts reported in the Income Statement [TIFD]	
[Amounts derived in this attachment are reflected on Page 3 of the tax return]	Attach	Amount		TIFD Code	Amount
Income/Transfers subject to F.W.T					
Investment Income Provisions [Income subject to 15% F.W.T]	TRA 09	0			
Sale of Agricultural Produce Rules [Income subject to F.W.T]	TRA 41	0			
Profit on transfer of Immovable Property subject to a Final Withholding Tax	TRA 53	0			
ITA - Art 31A - Housing Authority [Rental Income subject to 5% FWT]	TRA 75	0			
ITA - Art 31B - Housing Authority [FWT Of 10% deducted from subsidy]	TRA 76	0			
ITA - Art 31C - Rental income from restored property [rental income subject to FWT]	TRA 77	0			
ITA - Art 31D - Rental income from letting of tenements [rental income subject to FWT]	TRA 83	400,000			
ITA - Art 27G - Transfers of property by a listed company issuing debt securities to the public	TRA 89	0			
ITA - Art 5A - Assignments of rights acquired under a Promise of Sale Agreement Rules, 2020	TRA 119	0			
ITA - Article 14(1)(h) - Scientific Research	TRA 01	0			
BPA - Regulation 13 - Incentive for job creation	TRA 02	0			
Other statutory inflation of expenditure					
Add	TRA 03	0			
Allowable deductions					
ITA - LN 266 of 2006 - Donations and Restoration [National Heritage]	TRA 52	0			
ITA - LN 179 of 2014 - Deduction (Apprentices and Work Placements) Rules, 2014	TRA 84	0			
ITA - LN 180 of 2014 - Deduction (Mature Workers) Rules, 2014	TRA 85	0			
ITA - LN 412 of 2014 - Donations (Community Chest Fund) Rules 2014	TRA 87	0			
ITA - LN 139 of 2008 Donations (Sports and Culture) Rules, 2008 [Sports]	TRA 56	0			
ITA - LN 139 of 2008 Donations (Sports and Culture) Rules, 2008 [Arts Fund]	TRA 57	0			
ITA - LN 139 of 2008 Donations (Sports and Culture) Rules, 2008 [Sports]	TRA 58	0			
ITA - LN 171 of 2010 - Deduction (Pharmacy of your choice) Rules, 2010 [POYC]	TRA 68	0			
ITA - LN 187 of 2010 - Donations (University research, Innovation & Development) Rules, 2010	TRA 68	0			
ITA - LN 430 of 2010 - Deduction (Childcare Facilities at the Workplace) Rules, 2010	TRA 69	0			
ITA - LN 428 of 2010 - Deduction (Workplace Accessibility) Rules, 2010	TRA 70	0			
ITA - LN 73 of 2011 - Deductions (Electric Vehicles) Rules 2011	TRA 73	0			
ITA - LN 324 of 2011 - Securitisation Transactions (Deductions) Rules, 2011 [Rule 4(1)]	TRA 74	0			0
ITA - LN 324 of 2011 - Securitisation Transactions (Deductions) Rules, 2011 [Rule 4(2)]	TRA 74	0			
ITA - LN 23 of 2012 - Donations (Creativity Trust) Rules, 2013	TRA 79	0			0
ITA - LN 87 of 2018 - Deduction for Transportation Cost of Employees Rules, 2018	TRA 95	0			0
ITA - LN 228 of 2017 - Voluntary Occupational Pension Scheme Rules, 2017	TRA 96	0			0
ITA - Article 31E- Rental of property to another person for at least seven years (Housing Authority Scheme)	TRA 97	0			
ITA - LN 274 of 2017 - Deduction (Embellishment project) Rules	TRA 98	0			0
ITMA - Article 19(4)(a) and LN 306 of 2017 - Audit report waiver and Deduction Rules	TRA 99	0			
ITA - Article 14(1)(p) and LN 238 of 2019 - Patent Box Regime (Deduction) Rules, 2019	TRA 113	0			
Totals to Page 3 of the tax return	Page 3	400,000	Page 3 (field 20a)		0 Page 3 (field 18a)

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 2 – TRA 61

Final Tax Account

Profits allocated to the Final Tax Account		TRA	Movement in reserves - FINAL TAX ACCOUNT (to page 6 of the tax return)			
			Brought Forward	Current Year: Net Income after Tax (To Page 6 Return)	Current Year: Dividends Paid	Carried Forward
Interests subject to 15% FWT		TRA 09		0		0
Rents subject to 5% FWT (Housing Authority)		TRA 11		0		0
ITA / ITMA LN 49 of 2005 - Sale of Agricultural Produce Rules, 2005		TRA 41		0		0
ITA - Article 5A - Profits on transfer of Immovable Property subject to Final Withholding Tax		TRA 53		0		0
Investment Allowance		TRA 06		0		0
Total Exempt Income		TRA 18		0		0
Income tax on which was relieved by tax credits (up to Y/A 2014)						0
ITA - Art 31A - Housing Authority [Rental Income subject to 5% FWT]		TRA 75		0		0
ITA - Art 31B - Housing Authority [FWT Of 10% deducted from subsidy]		TRA 76		0		0
ITA - Art 31C - Rental income from restored property [rental income subject to FWT]		TRA 77		0		0
ITA - Art 31D - Rental income from letting of residential / commercial tenements subject to FWT		TRA 83	0	340,000	0	340,000
ITA - Art 27G - Transfers of property by a company that has issued debt securities to the public		TRA 89		0		0
ITA - LN 228 of 2017 - Voluntary Occupational Pension Scheme Rules, 2017		TRA 96		0		0
ITA - Article 31E- Rental of property to another person for at least seven years (Housing Authority Scheme)		TRA 97		0		0
ITA - LN 37 of 2018 - Notional Interest Deduction Rules, 2018		TRA 100		0		0
ITA - Article 5A - Assignment of Rights acquired under a Promise of Sale Agreement Rules, 2020		TRA 119		0		0
ITMA - Option exercised under Article 4(6)(A)(b)(i) 1 - Taxable profits after tax						0
Other Profits that stand to be allocated to the Final Tax Account (Please specify Legislation)						
Legislation	LN 324 of 2011 - Securitisation vehicle - Rule 7(2)	TRA 74		0		0
Legislation						0
Legislation						0
Adjustments to relocate current year profits						
Legislation	*ITA - Collective Investment Scheme - Relocation*					0
Legislation						0
Totals [to page 6 of the return]		Page 6	0	340,000	0	340,000

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THE FINAL TAX ACCOUNT ('FTA')
EXAMPLE 3

- Sunshine Limited is a Malta registered company. For the financial year ended 31 December 2022, Sunshine Limited derived chargeable income (pre-NID) amounting to €5,000,000.
- The company was eligible to claim NID amounting to €1,000,000 for the year.
- As a result, the company's chargeable income was reduced to €4,000,000 (tax at 35% thereon is €1,400,000).

Tax Account Allocations	Direct Allocation	Indirect Allocation	Closing Balance
FTA	€1,000,000	€100,000	€1,100,000
MTA	€2,600,000	(€100,000)	€2,500,000
Total	€3,600,000	-	€3,600,000

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THE FINAL TAX ACCOUNT ('FTA')
EXAMPLE 3 – PAGE 4

PART 3 - SELF ASSESSMENT — TA2_e-CO_2022_Ver 1.5

Section 1 - COMPUTATION OF CHARGEABLE INCOME — Electronic filing is mandatory!!

ITA Article	Description [Allocation to Tax Accounts for tax computation purposes ONLY]	Attach.	Immovable Property Account [Total]		Maltese Taxed Account [total]		Foreign Income Account [total]	
4(1)(a)	Income/(loss) from trade, business, etc. after tax adjustments	Page 3	40a	0	40b	5,000,000	40c	0
	but before capital allowances		40d	0	40e	0	40f	0
	Balancing charge	TRA04	41a	0	41b	0	41c	0
	Capital Allowances							
	Brought forward		42a		42b		42c	
	Income Tax Act - Wear & Tear	TRA 05	43a	0	43b	0	43c	0
	BPA [Article 7] - Investment Allowance	TRA 06	44a	0	44b	0	44c	0
	BPA [Article 8] - Accelerated Depreciation	TRA 07	45a	0	45b	0	45c	0
	Balancing allowance(s)	TRA04	46a	0	46b	0	46c	0
	Capital allowances absorbed		47a		47b		47c	
	Allowable deductions surrendered to group companies	TRA 125	47d	0	47e	0	47f	0
	Unabsorbed capital allowances c/f		48a	0	48b	0	48c	0
Income from trade, business, etc. net of capital allowances / (Loss)			49a	0	49b	5,000,000	49c	0
	Loss transferred between Tax Accounts		49d		49e		49f	
4(1)(c)	Dividend(s)	TRA 08	50a	0	50b	0	50c	0
	Interest(s) - Including Deemed Notional Interest Received	TRA 09	51a	0	51b	0	51c	0
	Discounts or premiums	TRA 10	52a	0	52b	0	52c	0
4(1)(e)	Net Income from Rent(s)	TRA 11	53a	0			53b	0
	Net Income from Ground Rent(s)	TRA 12	54a	0			54b	0
	Net income from Royalties, etc.	TRA 13	55a	0	55b	0	55c	0
4(1)(g)	Other income	TRA 14	56a	0	56b	0	56c	0
Net income/(loss)			57a	0	57b	5,000,000	57c	0
5	Capital gains charged for the year	TRA 15	58a	0	58b	0	58c	0
Net income/(Loss) after Capital Gains			59a	0	59b	5,000,000	59c	0

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THE FINAL TAX ACCOUNT ('FTA')
EXAMPLE 3 – PAGE 4

	Loss transferred between Tax Accounts		60a	0	60b	0	60c	0
Net Income / (Loss) after loss transfer between tax accounts			61a	0	61b	5,000,000	61c	0
16 to 22	GROUP LOSS RELIEF							
	Loss SURRENDERED to group company/companies	TRA 19	62a	0	62b	0	62c	0
Net Income/(Loss) after loss surrender to group companies			63a	0	63b	5,000,000	63c	0
16 to 22	Group Loss CLAIMED							
	Group Loss Absorbed this year	TRA 20	64a	0	64b	0	64c	0
Net Income /(Loss) after Group Relief			65a	0	65b	5,000,000	65c	0
	Unabsorbed Trading Losses b/fwd from previous year		66a		66b		66c	0
Total Income /(Loss)			67a	0	67b	5,000,000	67c	0
	Loss transferred between Tax Accounts		68a	0	68b	0	68c	0
27G	**Chargeable Income for the year from Projects**	TRA 89	68d	0				
14(1)(o)	**Notional Interest Deduction**	TRA 100			68e	(1,000,000)	68f	0
Net Income /(Loss) after Notional Interest Deduction					68g	4,000,000	68h	0
	Allowable deductions claimed from group companies	TRA 125	68i	0	68j	0	68k	0
Chargeable income for the year			69a	0	69b	4,000,000	69c	0
14(1)(g)	Unabsorbed Trading Losses c/fwd		70a	0	70b	0	70c	0
				0		4,000,000		0

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THE FINAL TAX ACCOUNT ('FTA')
EXAMPLE 3 – PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS — TA2_e-CO_2022_Ver 1.5

Allocation of Income to the Taxed Accounts after the tax computation and calculation

Allocation and adjustments		Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account	
Income allocated to the Final Tax Account	TRA 61	91a	1,000,000						
Chargeable Income for the year per tax computation	Page 5			92a	0	92b	4,000,000	92c	0
Deduct									
Tax thereon (net of tax credits)				93a	0	93b	1,400,000	93c	0
Sub-total				94a	0	94b	2,600,000	94c	0
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	0	97b	2,600,000	97c	0
Relocation from the FTA - CIB & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	0	99b	2,600,000	99c	0
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	0				
Transfers from MTA and / or FIA to the IPA				101a	0	101b	0	101c	0
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (NID Rules)	TRA 100	101f	100,000			101g	(100,000)	101h	0
Income for the year allocated to the different tax accounts		102a	1,100,000	102b	0	102c	2,500,000	102d	0

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THE FINAL TAX ACCOUNT ('FTA')

EXAMPLE 3 – TRA 61

Final Tax Account

Profits allocated to the Final Tax Account		TRA	Movement in reserves - FINAL TAX ACCOUNT (to page 6 of the tax return)			
			Brought Forward	Current Year: Net Income after Tax (To Page 6 Return)	Current Year: Dividends Paid	Carried Forward
Interests subject to 15% FWT		TRA 09		0		0
Rents subject to 5% FWT (Housing Authority)		TRA 11		0		0
ITA / ITMA LN 49 of 2005 - Sale of Agricultural Produce Rules, 2005		TRA 41		0		0
ITA - Article 5A - Profits on transfer of Immovable Property subject to Final Withholding Tax		TRA 53		0		0
Investment Allowance		TRA 06		0		0
Total Exempt Income		TRA 18		0		0
Income the tax on which was relieved by tax credits (up to Y/A 2014)						0
ITA - Art 31A - Housing Authority [Rental Income subject to 5% FWT]		TRA 75		0		0
ITA - Art 31B - Housing Authority [FWT 0f 10% deducted from subsidy]		TRA 76		0		0
ITA - Art 31C - Rental income from restored property [rental income subject to FWT]		TRA 77		0		0
ITA - Art 31D - Rental income from letting of residential / commercial tenements subject to FWT		TRA 83		0		0
ITA - Art 27G - Transfers of property by a company that has issued debt securities to the public		TRA 89		0		0
ITA - LN 228 of 2017 - Voluntary Occupational Pension Scheme Rules, 2017		TRA 96		0		0
ITA - Article 31E- Rental of property to another person for at least seven years (Housing Authority Scheme)		TRA 97		0		0
ITA - LN 37 of 2018 - Notional Interest Deduction Rules, 2018		TRA 100	0	1,100,000	0	1,100,000
ITA - Article 5A - Assignment of Rights acquired under a Promise of Sale Agreement Rules, 2020		TRA 119		0		0
ITMA - Option exercised under Article 48(4A)(b)(i)(1) - Taxable profits after tax						0
Other Profits that stand to be allocated to the Final Tax Account (Please specify Legislation)						
Legislation	LN 324 of 2011 - Securitisation vehicle - Rule 7(2)	TRA 74		0		0
Legislation						0
Legislation						0
Adjustments to relocate current year profits						
Legislation	*ITA - Collective Investment Scheme - Relocation*					0
Legislation						0
Totals [to page 6 of the return]		Page 6	0	1,100,000	0	1,100,000

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THE MALTA TAX ACCOUNTING SYSTEM

THE IMMOVABLE PROPERTY ACCOUNT

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
DEFINITION

- The IPA is defined in article 2 ITA:

> ***"immovable property account"*** *shall mean the taxed account to which distributable profits which have suffered tax and which are not allocated to the final tax account calculated in such manner as may be prescribed, shall be allocated before any distributable profits are allocated to the other taxed accounts*

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
DEFINITION

- The IPA has two types of allocations:

Primary Allocations	Secondary / Notional Allocations

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
PRIMARY ALLOCATIONS

- The TAR provides an exhaustive list of the profits which are allocated to the IPA.
- Profits typically allocated to the IPA are the following:
  - Dividends paid out of profits allocated to the **IPA of another company**;
  - The amount of chargeable income after tax resulting from any profits or gains in respect of which a company has exercised its option to make an election in accordance with **Rule 9 of the TAR**.
- Additionally, any profits, gains or income derived, directly or indirectly, from immovable property situated in Malta are allocated to the IPA, consisting of:
  - The amount of chargeable income after tax from any profits or gains of whatever nature derived from the **transfer of such immovable property** or of any rights whatsoever on such property or in relation thereto, **if article 5A of the ITA does not find application**;
  - …

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
PRIMARY ALLOCATIONS

- …
  - The amount of chargeable income after tax derived from rents, premiums, provisions of accommodation and any income or gains however described and of whatever nature derived, directly or indirectly, from such immovable property, including gains or profits derived from any **timeshare option** and from the **provision of accommodation**;
  - The amount of chargeable income after tax resulting from profits directly derived from, and not merely from the **utilization of, services provided through the use of cables, wires, pipes and any other material, device or apparatus**, where such cable, wire, pipe, material, device or apparatus is annexed to a tenement or installed in the ground permanently to remain incorporated therewith. The provision of services shall include the provision of electricity, gas, fuel, water, telephone services, telecommunication infrastructures, electronic communication services / networks, associated facilities, services and data, radio and television;
  - The amount of chargeable income after tax, **derived from work carried out on or in relation to such immovable property** consisting of brokerage and professional services, construction work, project management of construction work and work of tradesmen;
  - …

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
PRIMARY ALLOCATIONS

- ...
  - The amount of chargeable income after tax resulting from profits derived from the **provision of management services** in relation to any activity as a result of which income is derived from the provision of accommodation;
  - Any other profits however described whether the CfR is of the opinion that the said profits are directly or indirectly derived from immovable property situated in Malta and, in such a case, the CfR may determine the manner in which such profits are to be determined;
  - Profits or gains after tax however described derived from the **disposal of shares** or other interests in any entity which, directly or indirectly, principally owns immovable property situated in Malta.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
SECONDARY / NOTIONAL ALLOCATIONS

- Rule 5(3)(e) of the TAR provides that the following shall be determined **gross** before any deductions whatsoever:
  - **Interest, fees or any other consideration howsoever described** derived, directly or indirectly, from the granting of loans or from any form of credit to finance the acquisition, development, construction, refurbishment, renovation of immovable property situated in Malta or any right thereon including professional fees related thereto (including fees related to the acquisition of finance) and any other matter which increases or enhances the value of such immovable property or any right thereon; and
  - **Insurance premiums** related to the insurance of such property.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
SECONDARY / NOTIONAL ALLOCATIONS

- Rule 5(3)(h) of the TAR introduces the concept of the Annual Market Rent ('AMR'):
  - The amount of the AMR of such immovable property **owned and used** by the company for the purpose of its activities (excluding property which is rented by the said company to other parties) calculated by multiplying the aggregate surface area in square metres of all floors of such premises so owned and used by €250 per annum;
  - For the purposes of the above, any property held by a company under the **title of emphyteusis** shall be deemed to be owned by the said company.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
SECONDARY / NOTIONAL ALLOCATIONS

- Rule 5(4) of the TAR states that for the purposes of allocating distributable profits to the IPA in terms of sub-rules 5(3)(e) and 5(3)(h), the allocation of profits must first be made to **ALL** tax accounts, with the provisions of sub-rules 5(3)(e) and 5(3)(h) being ignored.
- After all primary allocations are effected, the amounts of chargeable income after tax which are to be allocated to the IPA in terms of sub-rules 5(3)(e) and 5(3)(h) are to be re-allocated to the IPA. Such amounts shall **first** be transferred from amounts which would have been allocated to the **Maltese Taxed Account** and then from amounts which would have been allocated to the **Foreign Income Account**.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 1

- XYZ Limited took out a bank loan in order to finance the acquisition of immovable property situated in Malta. The interest charged by the bank on this loan for the financial year ended 31 December 2022 amounted to €20,000. Allowable expenses of the bank against such interest income amounted to €1,500.
- Tax return extracts for the bank are as follows:

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 1 – TRA 09

Interests [Article 4 (1)(c) ITA]	Allocated			
	Final Tax Account	Immovable Property Account	Maltese Taxed Account	Foreign Income Account
Gross Interest NOT subject to 15% Final Withholding tax			20,000	
Deemed Interest Income as per NID Rules				
Grossed up element for Flat rate foreign tax credit				
Gross Interest Received	0	0	20,000	0
Less direct expenses [Details required]				
Interest expense	0	0	0	0
Allowable expenditure			1,500	
Interest income after deducting direct expenses			18,500	
	0	0	18,500	0
Net non-distributed income in terms of Regulation 7(2) of SL123.187		0	0	0
Total interest income	0	0	18,500	0
Final Withholding Tax on Investment Income				
Transfer to the Final Tax Account				
CfR - Malta				TRA 09

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 1 – TRA 62A

Part 2 - Profits allocated to the Immovable Property Account [Second allocation in terms of Sub - Regulations 5(4) to 5(8) where applicable]		
Aggregate amount not allocated in previous years BROUGHT FORWARD		0
Amount(s) provided for the CURRENT YEAR		
Interest, fees and any other consideration directly or indirectly related to the granting of loans or from any form of credit to finance acquisition, development, refurbishment, renovation of immovable property or rights, etc [Reg 5 (3) (e) (i)]		20,000
Insurance premiums related to the insurance of such property [Reg 5 (3) (e) (ii)]		0
Amount of annual market rent of immovable property owned and used by the company for the purpose of its activities [Reg 5 (3) (h)] including emphyteusis [Reg 6 (2) (a)]		
Aggregate surface area of all floors of such premises [square metres]	0	
RATE [€ 250 (or equivalent) per square metre]		
Amount of annual market rent for the year		0
Immovable property used by the company but owned by a related person for no consideration or for a consideration which is less than the market rental value of that property [Reg 6 (2) (b)]		
Aggregate surface area of all floors of such premises [square metres]	0	
RATE [€ 250 (or equivalent) per square metre]		
Amount of annual market rent for the year	0	
Consideration paid for the use of the immovable property		
Amount of annual market rent for the year less consideration paid		0
Total amount that may be allocated for the year		20,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 1 – TRA 62A

	Total amount that may be allocated for the year	20,000
	Amount attributable to company allocated in the CURRENT YEAR of ASSESSMENT	12,025
	Unallocated Amount	7,975
1	Amount TO be allocated to the IPA of a Related company	0
	Unallocated Amount	7,975
2	Amount FROM a Related company allocated to the IPA	
	Amount allocated for the CURRENT YEAR of ASSESSMENT	
	Unallocated Amount	0
	TOTAL Immovable Property Account unallocated amount CARRIED FORWARD	7,975
	TOTAL amounts ALLOCATED for the Year	12,025 TRA 62

Amounts TO or FROM related companies under 1 or 2 above (column A)		
Name of Related Company	Tax / ROC No.	Amount
	Total	0

Details of Related Compan(y)/ies under 3 above (column A)	
Name of Related Company	Tax / ROC No.

IS ATTACHMENT COMPLETE [Y or N] ? Yes

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 1 – PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS									TA2_e-CO_2022_Ver 1.5
Allocation of Income to the Taxed Accounts after the tax computation and calculation									
Allocation and adjustments		Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account	
Income allocated to the Final Tax Account	TRA 61	91a	0						
Chargeable Income for the year per tax computation	Page 5			92a	0	92b	18,500	92c	0
Deduct									
Tax thereon (net of tax credits)				93a	0	93b	6,475	93c	0
Sub-total				94a	0	94b	12,025	94c	0
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	0	97b	12,025	97c	0
Relocation from the FTA - CIS & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	0	99b	12,025	99c	0
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	12,025				
Transfers from MTA and / or FIA to the IPA				101a	12,025	101b	(12,025)	101c	0
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (NID Rules)	TRA 100	101f	0			101g	0	101h	0
Income for the year allocated to the different tax accounts		102a	0	102b	12,025	102c	0	102d	0

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 2

- Purple Limited is a Malta registered company. The company owns an office in Malta measuring 500 square metres, from which it carries out its operations.
- The below are the primary allocations of Purple Limited for the financial year ended 31 December 2022:

Tax Accounts	Primary Allocation
IPA	-
FIA	100,000
MTA	75,000
Total	**175,000**

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 2

- The following are the workings for the secondary allocation:
- 500 square metres multiplied by €250 = €125,000

Tax Accounts	Primary Allocation	Secondary Allocation	Closing Balance
IPA	-	125,000	125,000
FIA	100,000	(50,000)	50,000
MTA	75,000	(75,000)	-
Total	**175,000**	**-**	**175,000**

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 2 – TRA 62A

Part 2 - Profits allocated to the Immovable Property Account [Second allocation in terms of Sub - Regulations 5(4) to 5(8) where applicable]		
Aggregate amount not allocated in previous years BROUGHT FORWARD		0
Amount(s) provided for the CURRENT YEAR		
Interest, fees and any other consideration directly or indirectly related to the granting of loans or from any form of credit to finance acquisition, development, refurbishment, renovation of immovable property or rights, etc [Reg 5 (3) (e) (i)]		0
Insurance premiums related to the insurance of such property [Reg 5 (3) (e) (ii)]		0
Amount of annual market rent of immovable property owned and used by the company for the purpose of its activities [Reg 5 (3) (h)] including emphyteusis [Reg 6 (2) (a)]		
Aggregate surface area of all floors of such premises [square metres]	500	
RATE [€ 250 (or equivalent) per square metre]	250	
Amount of annual market rent for the year		125,000
Immovable property used by the company but owned by a related person for no consideration or for a consideration which is less than the market rental value of that property [Reg 6 (2) (b)]		
Aggregate surface area of all floors of such premises [square metres]	0	
RATE [€ 250 (or equivalent) per square metre]		
Amount of annual market rent for the year	0	
Consideration paid for the use of the immovable property		
Amount of annual market rent for the year less consideration paid		0
Total amount that may be allocated for the year		125,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 2 – TRA 62A

	Total amount that may be allocated for the year	125,000
	Amount attributable to company allocated in the CURRENT YEAR of ASSESSMENT	125,000
	Unallocated Amount	0
1	Amount TO be allocated to the IPA of a Related company	
	Unallocated Amount	0
2	Amount FROM a Related company allocated to the IPA	0
	Amount allocated for the CURRENT YEAR of ASSESSMENT	
	Unallocated Amount	0
	TOTAL Immovable Property Account unallocated amount CARRIED FORWARD	0
	TOTAL amounts ALLOCATED for the Year	125,000

TRA 62

Amounts TO or FROM related companies under 1 or 2 above (column A)

Name of Related Company	Tax / ROC No.	Amount
	Total	0

Details of Related Compan(y)/ies under 3 above (column A)

Name of Related Company	Tax / ROC No.

IS ATTACHMENT COMPLETE [Y or N] ? Yes

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 2 – TRA 62 (EXTRACT)

Immovable Property Account [LN 79 of 2008 as amended by LN 247 of 2011]

Has there been an apportionment of income from the provision of accommodation or management services related thereto? No

Election in terms of Rule 9 not to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account
[An election in terms of rule 9 is only made once. It may not be renounced unless, upon being requested, the Commissioner gives his written permission.]

Is the Company electing NOT to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account? No
Has the election been approved by the board of directors? Date of election
Effective date of election

Movement in Reserves (to page 6)

Part 1 - Profits allocated to the Immovable Property Account
(First allocation of Chargeable Income AFTER TAX in terms of Rule 5)

	Tax Rate %	Brought Forward	Allocated Current year	Dividends Paid	Carried Forward
Income the tax on which is relieved by tax credits (TRA 35)	0.00%	0	0	0	0
Income suffering tax at					0
Income suffering tax at					0
Income suffering tax at					0
Sub Totals		0	0	0	0

Part 2 - Profits allocated to the Immovable Property Account
(Second allocation in terms of Rule 5)

TRA 62A

	Tax Rate %	Brought Forward	Allocated Current year	Dividends Paid	Carried Forward
Income the tax on which is relieved by tax credits (relocation from TRA 63)	0.00%	0	0	0	0
Income suffering tax at	35.00%	0	125,000	0	125,000
Income suffering tax at					0
Income suffering tax at					0
Sub Totals		0	125,000	0	125,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 2 – PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS									TA2_e-CO_2022_Ver 1.5
Allocation of Income to the Taxed Accounts after the tax computation and calculation									
Allocation and adjustments		Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account	
Income allocated to the Final Tax Account	TRA 61	91a	0						
Chargeable Income for the year per tax computation	Page 5			92a	0	92b	115,385	92c	153,846
Deduct									
Tax thereon (net of tax credits)				93a	0	93b	40,385	93c	53,846
Sub-total				94a	0	94b	75,000	94c	100,000
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	0	97b	75,000	97c	100,000
Relocation from the FTA - CIB & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	0	99b	75,000	99c	100,000
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	125,000				
Transfers from MTA and / or FIA to the IPA				101a	125,000	101b	(75,000)	101c	(50,000)
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (NID Rules)	TRA 100	101f	0			101g	0	101h	0
Income for the year allocated to the different tax accounts		102a	0	102b	125,000	102c	0	102d	50,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

SECONDARY / NOTIONAL ALLOCATIONS

- It shall be deemed that immovable property is owned by a company using such property, and such company shall therefore be required to allocate AMR to its IPA in the event that the company:
  - Uses immovable property for the purpose of its activities which is **owned by a related person**; and
  - The property is being rented for no consideration or for a consideration which is **less than the market rental value** of that property and the said consideration is less than €250 per square metre per annum.
- In this case, the amount to be re-allocated to the IPA is **reduced** by the amount of rent, if any, that such company is paying to the owner of the property.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
SECONDARY / NOTIONAL ALLOCATIONS

- For this purpose, **a person shall be deemed to be related** to a company if:
  - That person and the company are, directly or indirectly, **controlled or beneficially owned to the extent of more than 25% by the same persons**; or
  - That person owns, directly or indirectly, **more than 25% of the ordinary share capital and voting rights of the company**; or
  - That person, in any capacity whatsoever, including that of a trustee, **holds the said property or receives the said consideration for and on behalf of or for the benefit of a related party**.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 3

- Black Limited is a Malta registered company owning immovable property situated in Malta measuring 2,000 square metres. Black Limited rents such property to its fully owned subsidiary, White Limited, for a consideration amounting to €100,000 per annum.
- The below are the primary allocations of White Limited for the financial year ended 31 December 2022:

Tax Accounts	Primary Allocation
IPA	-
FIA	250,000
MTA	300,000
Total	**550,000**

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 3

- The following are the workings for the secondary allocation:
- 2,000 square metres multiplied by €250 = €500,000
- Less rental expense of €100,000 = €400,000

Tax Accounts	Primary Allocation	Secondary Allocation	Closing Balance
IPA	-	400,000	400,000
FIA	250,000	(100,000)	150,000
MTA	300,000	(300,000)	-
Total	**550,000**	**-**	**550,000**

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 3 – TRA 62A

Part 2 - Profits allocated to the Immovable Property Account [Second allocation in terms of Sub - Regulations 5(4) to 5(8) where applicable]		
Aggregate amount not allocated in previous years BROUGHT FORWARD		0
Amount(s) provided for the CURRENT YEAR		
Interest, fees and any other consideration directly or indirectly related to the granting of loans or from any form of credit to finance acquisition, development, refurbishment, renovation of immovable property or rights, etc [Reg 5 (3) (e) (i)]		0
Insurance premiums related to the insurance of such property [Reg 5 (3) (e) (ii)]		0
Amount of annual market rent of immovable property owned and used by the company for the purpose of its activities [Reg 5 (3) (h)] including emphyteusis [Reg 6 (2) (a)]		
Aggregate surface area of all floors of such premises [square metres]	0	
RATE [€ 250 (or equivalent) per square metre]		
Amount of annual market rent for the year		0
Immovable property used by the company but owned by a related person for no consideration or for a consideration which is less than the market rental value of that property [Reg 6 (2) (b)]		
Aggregate surface area of all floors of such premises [square metres]	2,000	
RATE [€ 250 (or equivalent) per square metre]	250	
Amount of annual market rent for the year	500,000	
Consideration paid for the use of the immovable property	100,000	
Amount of annual market rent for the year less consideration paid		400,000
Total amount that may be allocated for the year		400,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 3 – TRA 62A

	Total amount that may be allocated for the year	400,000
	Amount attributable to company allocated in the CURRENT YEAR of ASSESSMENT	400,000
	Unallocated Amount	0
1	Amount TO be allocated to the IPA of a Related company	0
	Unallocated Amount	0
2	Amount FROM a Related company allocated to the IPA	0
	Amount allocated for the CURRENT YEAR of ASSESSMENT	
	Unallocated Amount	0
	TOTAL Immovable Property Account unallocated amount CARRIED FORWARD	0
	TOTAL amounts ALLOCATED for the Year	400,000

TRA 62

Amounts TO or FROM related companies under 1 or 2 above (column A)

Name of Related Company	Tax / ROC No.	Amount
	Total	0

Details of Related Compan(y)/ies under 3 above (column A)

Name of Related Company	Tax / ROC No.

IS ATTACHMENT COMPLETE [Y or N] ? Yes

CIR - Malta TA2_e-CO_2022_Ver 1.5 TRA 62A

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 3 – TRA 62 (EXTRACT)

Immovable Property Account [LN 79 of 2008 as amended by LN 247 of 2011]

Has there been an apportionment of income from the provision of accommodation or management services related thereto? No

Election in terms of Rule 9 not to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account
[An election in terms of rule 9 is only made once. It may not be renounced unless, upon being requested, the Commissioner gives his written permission.]

Is the Company electing NOT to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account? No
Has the election been approved by the board of directors? Date of election
Effective date of election

Movement in Reserves (to page 6)

Part 1 - Profits allocated to the Immovable Property Account
(First allocation of Chargeable Income AFTER TAX in terms of Rule 5)

	Tax Rate %	Brought Forward	Allocated Current year	Dividends Paid	Carried Forward
Income the tax on which is relieved by tax credits (TRA 35)	0.00%		0		0
Income suffering tax at					0
Income suffering tax at					0
Income suffering tax at					0
Sub Totals		0	0	0	0

Part 2 - Profits allocated to the Immovable Property Account TRA 62A
(Second allocation in terms of Rule 5)

	Tax Rate %	Brought Forward	Allocated Current year	Dividends Paid	Carried Forward
Income the tax on which is relieved by tax credits (relocation from TRA 63)	0.00%	0	0	0	0
Income suffering tax at	35.00%	0	400,000	0	400,000
Income suffering tax at					0
Income suffering tax at					0
Sub Totals		0	400,000	0	400,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 3 – PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS									TA2_e-CO_2022_Ver 1.5
Allocation of Income to the Taxed Accounts after the tax computation and calculation									
Allocation and adjustments		Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account	
Income allocated to the Final Tax Account	TRA 61	91a	0						
Chargeable Income for the year per tax computation	Page 5			92a	0	92b	461,538	92c	384,615
Deduct									
Tax thereon (net of tax credits)				93a	0	93b	161,538	93c	134,615
Sub-total				94a	0	94b	300,000	94c	250,000
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	0	97b	300,000	97c	250,000
Relocation from the FTA - CIS & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	0	99b	300,000	99c	250,000
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	400,000				
Transfers from MTA and / or FIA to the IPA				101a	400,000	101b	(300,000)	101c	(100,000)
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (NID Rules)	TRA 100	101f	0			101g	0	101h	0
Income for the year allocated to the different tax accounts		102a	0	102b	400,000	102c	0	102d	150,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

'SPILL-OVER' OF EXCESS AMR, GROSS INTEREST & PREMIUMS

- Rule 5(7) of the TAR regulates the treatment whereby any excess AMR and Gross Interest and Premiums at the level of one company are reallocated from the MTA and FIA of **related companies** to the IPA of the **related company**.
- This implies that where notional allocations cannot be made by a company for a particular year of assessment because there are no or limited taxable profits allocated to the company's MTA and / or FIA, **then any notional allocations not allocated to the IPA of the company are to be taken over by a related company**.
- The related company taking over the unallocated notional allocations would be required to **re-allocate profits from its MTA and FIA into its IPA**.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
'SPILL-OVER' OF EXCESS AMR, GROSS INTEREST & PREMIUMS

- The amount of unallocated notional allocations that can be taken over by the related company **cannot be in excess of the related company's current year MTA and FIA allocations**.
- For this purpose, a company shall be deemed to be related to another company if, at the end of the year preceding the relevant year of assessment, both companies are:
  - **Resident in Malta**; and
  - **One is a subsidiary of the other or both are subsidiary companies of a third company, resident in Malta**.
- Notwithstanding the above, a company which elected in terms of Rule 9 of the TAR shall **not** be considered as a related company for the purposes of this rule.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
'SPILL-OVER' OF EXCESS AMR, GROSS INTEREST & PREMIUMS

- A company is deemed to be a subsidiary of another company (the 'parent company'):
  - If and so long as **more than 50% of its ordinary share capital and more than 50% of its voting rights are owned directly or indirectly by the parent company**; or
  - The parent company is beneficially entitled either directly or indirectly to **more than 50% of any profits available for distribution to the ordinary shareholders of the subsidiary company**; or
  - The parent company would be beneficially **entitled either directly or indirectly to more than 50% of any assets of the subsidiary company available for distribution to its ordinary shareholders on a winding up**.
- It is important to note that the CfR may, in his absolute discretion, consider a company to be related to another company where in his opinion the relationship between the companies has been structured with the sole or main purpose of circumventing the provisions of this rule.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 4

- Malta Holding Limited is a Malta registered company, owning immovable property situated in Malta measuring 2,500 square metres. The primary allocations of Malta Holding Limited for the financial year ended 31 December 2022 are as follows:

Tax Accounts	Primary Allocation
MTA	250,000
Total	250,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
EXAMPLE 4

- Malta Trading Limited is a fully-owned subsidiary of Malta Holding Limited. The primary allocations of Malta Trading Limited for the financial year ended 31 December 2022 are as follows:

Tax Accounts	Primary Allocation
MTA	300,000
Total	300,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 4 – MALTA HOLDING LIMITED TRA 62A

Part 2 - Profits allocated to the Immovable Property Account [Second allocation in terms of Sub - Regulations 5(4) to 5(8) where applicable]		
Aggregate amount not allocated in previous years BROUGHT FORWARD		0
Amount(s) provided for the CURRENT YEAR		
Interest, fees and any other consideration directly or indirectly related to the granting of loans or from any form of credit to finance acquisition, development, refurbishment, renovation of immovable property or rights, etc [Reg 5 (3) (e) (i)]		0
Insurance premiums related to the insurance of such property [Reg 5 (3) (e) (ii)]		0
Amount of annual market rent of immovable property owned and used by the company for the purpose of its activities [Reg 5 (3) (h)] including emphyteusis [Reg 6 (2) (a)]		
Aggregate surface area of all floors of such premises [square metres]	2,500	
RATE [€ 250 (or equivalent) per square metre]	250	
Amount of annual market rent for the year		625,000
Immovable property used by the company but owned by a related person for no consideration or for a consideration which is less than the market rental value of that property [Reg 6 (2) (b)]		
Aggregate surface area of all floors of such premises [square metres]	0	
RATE [€ 250 (or equivalent) per square metre]		
Amount of annual market rent for the year	0	
Consideration paid for the use of the immovable property		
Amount of annual market rent for the year less consideration paid		0
Total amount that may be allocated for the year		625,000

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 4 – MALTA HOLDING LIMITED TRA 62A

	Total amount that may be allocated for the year	625,000
	Amount attributable to company allocated in the CURRENT YEAR of ASSESSMENT	250,000
	Unallocated Amount	375,000
1	Amount TO be allocated to the IPA of a Related company	(300,000)
	Unallocated Amount	75,000
2	Amount FROM a Related company allocated to the IPA	
	Amount allocated for the CURRENT YEAR of ASSESSMENT	
	Unallocated Amount	0
	TOTAL Immovable Property Account unallocated amount CARRIED FORWARD	75,000
	TOTAL amounts ALLOCATED for the Year	250,000

TRA 62

Amounts TO or FROM related companies under 1 or 2 above (column A)		
Name of Related Company	Tax / ROC No..	Amount
Malta Trading Limited	999999999	300,000
	Total	300,000

Details of Related Compan(y)/ies under 3 above (column A)	
Name of Related Company	Tax / ROC No..

IS ATTACHMENT COMPLETE [Y or N] ? Yes

CfR - Malta TA2_e-CO_2022_Ver 1.5 TRA 62A

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 4 – MALTA HOLDING LIMITED PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS — TA2_e-CO_2022_Ver 1.5

Allocation of Income to the Taxed Accounts after the tax computation and calculation

Allocation and adjustments		Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account	
Income allocated to the Final Tax Account	TRA 61	91a	0						
Chargeable Income for the year per tax computation	Page 5			92a	0	92b	384,615	92c	0
Deduct									
Tax thereon (net of tax credits)				93a	0	93b	134,615	93c	0
Sub-total				94a	0	94b	250,000	94c	0
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	0	97b	250,000	97c	0
Relocation from the FTA - CIS & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	0	99b	250,000	99c	0
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	250,000				
Transfers from MTA and / or FIA to the IPA				101a	250,000	101b	(250,000)	101c	0
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (ND Rules)	TRA 100	101f	0			101g	0	101h	0
Income for the year allocated to the different tax accounts		102a	0	102b	250,000	102c	0	102d	0

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 4 – MALTA TRADING LIMITED TRA 62A

Part 2 - Profits allocated to the Immovable Property Account
[Second allocation in terms of Sub - Regulations 5(4) to 5(8) where applicable]

Aggregate amount not allocated in previous years BROUGHT FORWARD		0
Amount(s) provided for the CURRENT YEAR		
Interest, fees and any other consideration directly or indirectly related to the granting of loans or from any form of credit to finance acquisition, development, refurbishment, renovation of immovable property or rights, etc [Reg 5 (3) (e) (i)]		0
Insurance premiums related to the insurance of such property [Reg 5 (3) (e) (ii)]		0
Amount of annual market rent of immovable property owned and used by the company for the purpose of its activities [Reg 5 (3) (h)] including emphyteusis [Reg 6 (2) (a)]		
Aggregate surface area of all floors of such premises [square metres]	0	
RATE [€ 250 (or equivalent) per square metre]		
Amount of annual market rent for the year		0
Immovable property used by the company but owned by a related person for no consideration or for a consideration which is less than the market rental value of that property [Reg 6 (2) (b)]		
Aggregate surface area of all floors of such premises [square metres]	0	
RATE [€ 250 (or equivalent) per square metre]		
Amount of annual market rent for the year	0	
Consideration paid for the use of the immovable property		
Amount of annual market rent for the year less consideration paid		0
Total amount that may be allocated for the year		0

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 4 – MALTA TRADING LIMITED TRA 62A

	Total amount that may be allocated for the year	0
	Amount attributable to company allocated in the CURRENT YEAR of ASSESSMENT	0
	Unallocated Amount	0
1	Amount TO be allocated to the IPA of a Related company	
	Unallocated Amount	0
2	Amount FROM a Related company allocated to the IPA	300,000
	Amount allocated for the CURRENT YEAR of ASSESSMENT	
	Unallocated Amount	0
	TOTAL Immovable Property Account unallocated amount CARRIED FORWARD	0
	TOTAL amounts ALLOCATED for the Year	300,000

TRA 62

Amounts TO or FROM related companies under 1 or 2 above (column A)

Name of Related Company	Tax / ROC No.	Amount
Malta Holding Limited	999999999	300,000
	Total	300,000

Details of Related Compan(y)/ies under 3 above (column A)

Name of Related Company	Tax / ROC No.

IS ATTACHMENT COMPLETE [Y or N] ? Yes

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

EXAMPLE 4 – MALTA TRADING LIMITED PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS TA2_e-CO_2022_Ver 1.5

Allocation of Income to the Taxed Accounts after the tax computation and calculation

Allocation and adjustments		Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account	
Income allocated to the Final Tax Account	TRA 61	91a	0						
Chargeable Income for the year per tax computation	Page 5			92a	0	92b	461,538	92c	0
Deduct									
Tax thereon (net of tax credits)				93a	0	93b	161,538	93c	0
Sub-total				94a	0	94b	300,000	94c	0
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	0	97b	300,000	97c	0
Relocation from the FTA - CIS & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	0	99b	300,000	99c	0
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	300,000				
Transfers from MTA and / or FIA to the IPA				101a	300,000	101b	(300,000)	101c	0
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (IND Rules)	TRA 100	101f	0			101g	0	101h	0
Income for the year allocated to the different tax accounts		102a	0	102b	300,000	102c	0	102d	0

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY

- When a company is related to more than one company, one needs to consider the **percentage of beneficial entitlement that the parent company of the group has to the amounts of distributed profits allocated to the MTA and FIA** of the various related companies for that particular year of assessment.
- The spill-over shall first be allocated by the related company in which the parent company has the **highest percentage beneficial entitlement** to the amount of distributable profits, derived in the respective accounting period and allocated to the MTA and FIA.
- Any unallocated secondary allocations (not taken over by the parent company referred to in the above paragraph) shall then be allocated to the related company in which the parent company has the **second highest beneficial entitlement** to the distributable profits for that year, and so on.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY

- The **parent company shall be deemed to hold a 100% beneficial entitlement to the amount of distributable profits derived in the respective accounting period and allocated to the MTA and FIA of the parent company**. Accordingly, the parent company is deemed to be one of the related companies by which an allocation must be made.
- It is important to note that dividends received from a company registered in Malta are to be **disregarded** for spill-over purposes.

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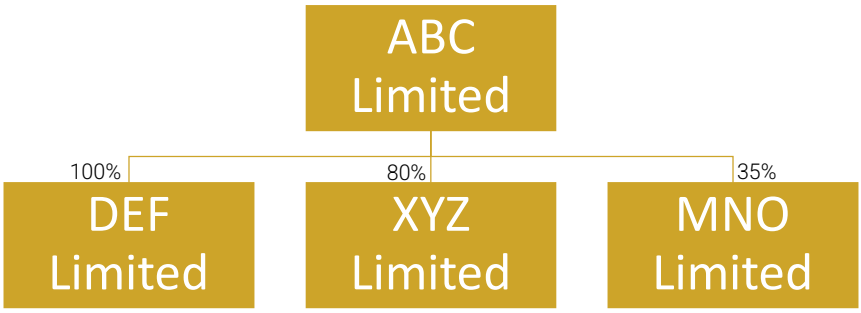
THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY



- To which companies and in what order would DEF Limited transfer its unutilised notional allocations?

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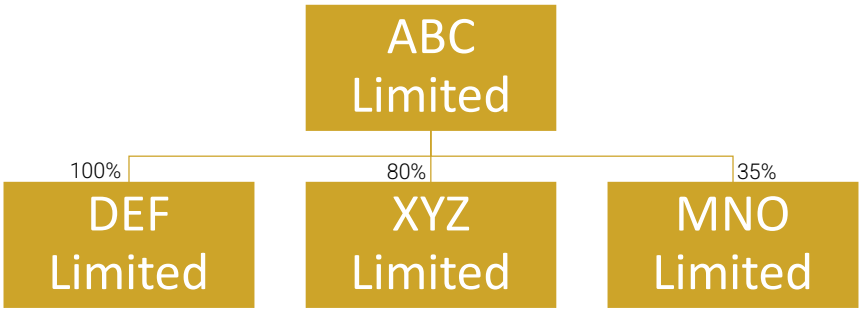
THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY



- To which companies and in what order would DEF Limited transfer its unutilised notional allocations?
  - ABC Limited
  - XYZ Limited

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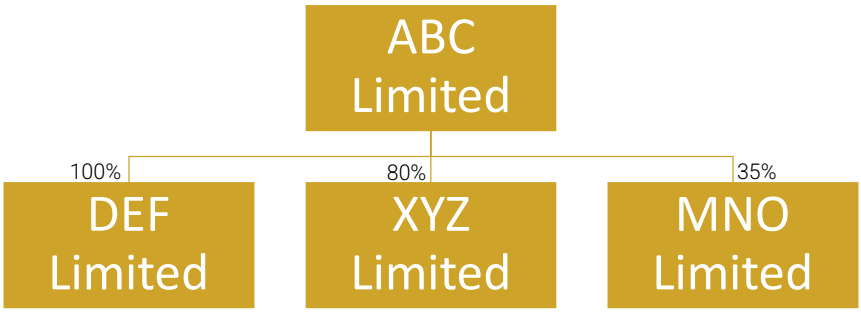
THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY



- To which companies and in what order would XYZ Limited transfer its unutilised notional allocations?

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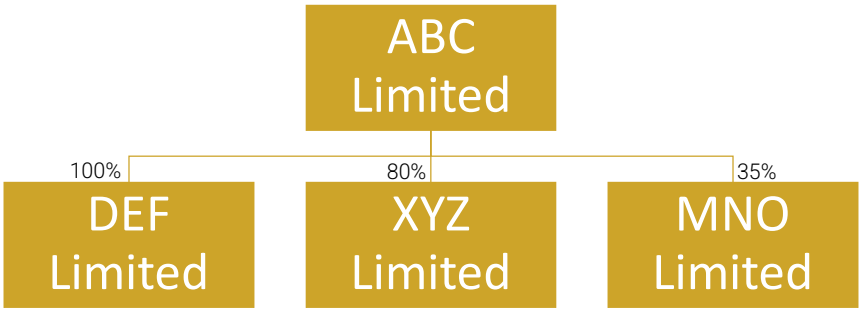
THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY



- To which companies and in what order would XYZ Limited transfer its unutilised notional allocations?
  - ABC Limited and DEF Limited, in no particular order

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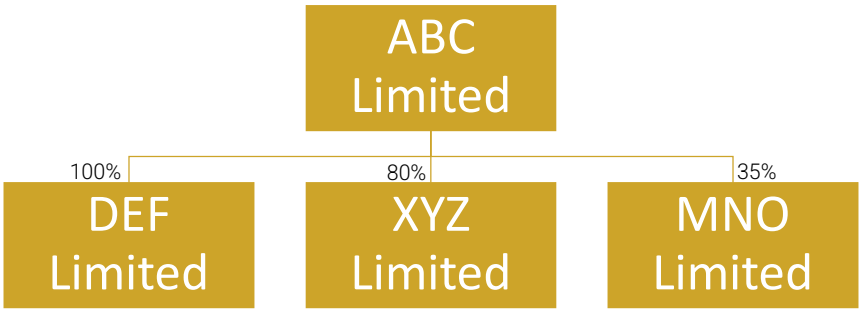
THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY



- To which companies and in what order would MNO Limited transfer its unutilised notional allocations?

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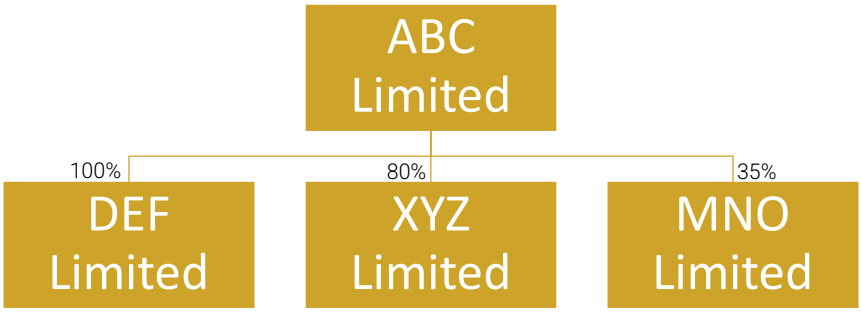
THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
MORE THAN ONE RELATED COMPANY



- To which companies and in what order would MNO Limited transfer its unutilised notional allocations?
  - No unutilised notional allocations would be transferred since the relationship with the other companies is less than 50%

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
RULE 5(8) - TRANSACTIONS BETWEEN RELATED COMPANIES

- In the event that **a company derives profits consisting of interest, royalties, fees** or any other consideration from the granting of loans or any form of credit or **from the provision of services to a related company** or **from the use of tangible or intangible assets by a related company** where such profits would have been **allocated to the IPA**, were it not for the said transaction or transactions, and where such a transaction or transactions from which such profits are derived are entered into with the sole or main purpose of a shareholder or shareholders of any of the said companies obtaining a refund of an amount of tax in terms of article 48(4) or 48(4A) of the Income Tax Management Act to which the said shareholder or shareholders would not have been entitled were it not for the said transaction or transactions, **the provisions of article 48(10) of the Income Tax Management Act shall apply**.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')
RULE 9 ELECTION

- Companies have the option to elect so that the profits that stand to be allocated to the MTA and the FIA are instead **allocated automatically to the IPA of the company**.
- All the secondary / notional IPA allocations do not find application for companies that elect in terms of Rule 9, unless one of the related companies (< 50% relationship) does not elect.
- Once made, an election **applies automatically to all subsequent years**. The election can only be revoked at the absolute discretion of the CfR and the company would be required to effect allocations to the MTA and FIA as if it had never elected.
- The main scope of the Rule 9 election is to facilitate tax accounting through a direct allocation of a company's profits to the IPA and FTA.

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

RULE 9 ELECTION – TAX RETURN EXTRACT (PAGE 2)

Part 1 - Company Details		TA2_e-CO_2022_Ver 1.5
8	Taxation Data	
		(mark (Y)es or (N)o as appropriate)
	State whether the Company	
1	is claiming benefits under the Business Promotion Act (Cap. 325) and Regulations	Required!
2	is claiming other fiscal benefits [legislation other than the BPA]	Required!
3	is claiming any scientific research or research and development expenditure	Required!
4	operates a foreign income account (FIA) OR is using the FIA in this return to claim FRFTC	Required!
5	has elected NOT to allocate distributable profits to the MTA and FIA [Rule 9 of LN 79 of 2008 as amended by LN 247 of 2011]	Required!
6	is owned in whole or in part by non-resident shareholders	Required!
7	is exercising the option referred to in Articles 48(4A)(b)(i)(1) or 48(4A)(b)(i)(2) of the ITMA	Required!
8	forms part of a group as defined in Articles 16 to 22 of the Income Tax Act	Required!
9	has paid out dividends during the year	Required!
10	has carried out trading activities during the year	Required!

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THE IMMOVABLE PROPERTY ACCOUNT ('IPA')

RULE 9 ELECTION – TAX RETURN EXTRACT (TRA 62)

Immovable Property Account [LN 79 of 2008 as amended by LN 247 of 2011]	
Has there been an apportionment of income from the provision of accomodation or management services related thereto?	No
Election in terms of Rule 9 not to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account [An election in terms of rule 9 is only made once. It may not be renounced unless, upon being requested, the Commissioner gives his written permission.]	
Is the Company electing NOT to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account?	No
Has the election been approved by the board of directors? Date of election Effective date of election	

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THE MALTA TAX ACCOUNTING SYSTEM
THE FOREIGN INCOME ACCOUNT

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THE FOREIGN INCOME ACCOUNT ('FIA')
DEFINITION

- A list of distributable profits which are to be allocated to the FIA can be found in article 2 ITA:

> ***"foreign income account"*** *shall … mean any of the following categories of distributable profits arising in that year and in subsequent years to the extent that they result from taxable income*

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THE FOREIGN INCOME ACCOUNT ('FIA')
ALLOCATIONS

- Article 2 of the ITA provides an exhaustive list of what is to be allocated to the FIA of a particular company:
  - Profits resulting from **royalties and similar income arising outside Malta** and from **dividends, capital gains, interest, rents, income or gains derived from a participating holding or from the disposal of such holding other than a participating holding in a company resident in Malta**, or in a partnership *en commandite* the capital of which is not divided into shares which is resident in Malta, and **any other income derived from investments situated outside Malta, which are liable to tax in Malta** and are receivable by a company registered in Malta (not under the Malta Financial Services Authority Act);
  - **Profits resulting from investments, assets or liabilities situated outside Malta** to a company not registered under the MFSA Act, and either licensed as a bank in Malta or in possession of a licence granted under the provisions of the Financial Institutions Act;

    Provided that with effect from year of assessment 2016, the above paragraph shall not be applicable to any company which is not specifically empowered to receive such profits or gains;
  - ...

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THE FOREIGN INCOME ACCOUNT ('FIA')
ALLOCATIONS

It is important to consider that for companies which are licensed as a bank in Malta or which form part of a banking group, the following also need to be considered in order for the company to allocate profits to the FIA:

- More than 95% of the bank's average daily deposits throughout the financial year must be taken from persons who are not residents in Malta; and
- Where the company forms part of a banking group, such group must meet (on a consolidated basis) the requirement referred to in the above point.
- A definition of a *'banking group'* and *'average daily deposits'* is found in article 2 of the ITA.

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THE FOREIGN INCOME ACCOUNT ('FIA')
ALLOCATIONS

- ...
  - All profits or gains of a company registered in Malta which are liable to tax in Malta and attributable to a **permanent establishment** (including a branch) situated outside Malta;
  - Profits resulting from dividends paid out of the **FIA of another company**;
  - Profits or gains resulting to a company registered in Malta authorised under the Insurance Business Act (not under the MFSA Act) from the business of insurance in relation to risks situated outside Malta.

    The above provision however, only applies to companies which allocated such profits to the FIA on the basis of such paragraph up to year of assessment 2007 and such companies were only entitled to continue allocating such profits to the FIA up to year of assessment 2011.
- It is important to note that Collective Investment Schemes and insurance companies (with effect from year of assessment 2012) cannot make any allocations to the FIA.

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THE FOREIGN INCOME ACCOUNT ('FIA')
EXAMPLE 1

- Alpha Limited is a Malta registered company with a minority shareholding (less than 5%) in Beta Limited, a company incorporated in Italy. During the financial year ended 31 December 2022, Beta Limited distributed gross dividends amounting to €50,000 to Beta Limited.
- The dividend income was not subject to any withholding tax in Italy.

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THE FOREIGN INCOME ACCOUNT ('FIA')

EXAMPLE 1 – TRA 08

ITA - DIVIDENDS

Details of Dividends received

IT No. / R.O.C. No.	Paying Company	Gross Dividend					Tax Deducted				Net Dividend
		Final Tax Account	Immovable Property Account	Maltese Taxed A/c	Foreign Income A/c	Untaxed A/c	Malta tax paid	DTR	FRFTC	W'hlding tax	
	Beta Limited				50,000						50,000
											0
											0
											0
											0
											0
											0
											0
											0
											0
											0
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											0
											0
Totals >		0	0	0	50,000	0	0	0	0	0	50,000

Dividends the tax on which is relieved by Tax Credits	IPA	MTA		Tax credit
Totals >	TRA 35	0	0	TRA 35	0

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THE FOREIGN INCOME ACCOUNT ('FIA')

EXAMPLE 1 – TRA 08

ITA - Dividends	Allocated				
	Dividends from FTA [TRA 18]	Tax computation [page 4 of tax return]			Exempt Dividends or Dividends from Untaxed A/c [page 3 of the tax return]
		Immovable Property Account	Maltese Taxed Account	Foreign Income A/c	
Gross Dividends Received	0	0	0	50,000	0
Grossed up element for Flat rate foreign tax credit					
Gross Dividends Received	0	0	0	50,000	0
Less direct expenses [Details required]					
Interest expense	0	0	0	0	0
Dividend income after deducting direct expenses				50,000	
	0			50,000	0
Net non-distributed income in terms of Regulation 7(2) of SL 123.187		0	0	0	TRA 112
Total dividends		0	0	50,000	
Foreign tax paid where Article 12(1)(u) applies					
Dividend Income allocated to the Final Tax Account	0	TRA 18			
Dividend Income allocated to the Untaxed Account					0 TRA18

ALL DIVIDENDS RECEIVED EITHER FROM THE FINAL TAX ACCOUNT OF ANOTHER COMPANY OR FROM A PROPERTY TRANSFER RESERVE ARE TO BE ALLOCATED TO THE FINAL TAX ACCOUNT. Dividends from the FTA of another company have to be reported net of tax.

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THE FOREIGN INCOME ACCOUNT ('FIA')
EXAMPLE 1 – TRA 63_1

Allocation to the Foreign Income Account and the Maltese Taxed Account

FOREIGN INCOME ACCOUNT	BROUGHT FORWARD	CURRENT YEAR		CARRIED FORWARD
		Allocated	Dividends Paid	
Income from Participating Holdings **NOT** subject to relief of Double Taxation				0
Income from Participating Holdings subject to relief of Double Taxation				0
Other types of foreign income not subject to relief of Double Taxation	0	32,500	0	32,500
Other types of foreign income subject to Treaty/Unilateral Relief				0
Other types of foreign income subject to FRFTC				0
Income from overseas permanent establishment **not** subject to relief of double taxation				0
Income from overseas permanent establishment subject to relief of double taxation				0
Dividends from local sources received out of foreign income accounts **NOT** subject to relief of Double Taxation				0
Dividends from local sources received out of foreign income accounts subject to relief of Double Taxation				0
Passive interest or royalties **not** subject to relief of Double Taxation				0
Passive Interest or royalties subject to Treaty/Unilateral Relief				0
Passive interest or royalties subject to FRFTC				0
Totals [to page 6 of the tax return]	0	32,500	0	32,500

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THE FOREIGN INCOME ACCOUNT ('FIA')
EXAMPLE 2

- ABC Limited is a Malta registered company. During the financial year ended 31 December 2022, ABC Limited derived passive interest income from a loan granted to a foreign third party, amounting to €100,000.
- No foreign tax was incurred in relation to such passive interest income and ABC Limited is specifically empowered, in terms of its Memorandum and Articles of Association, to receive such foreign income.

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THE FOREIGN INCOME ACCOUNT ('FIA')
EXAMPLE 2 – TRA 09

Interests [Article 4 (1)(c) ITA]	Allocated			
	Final Tax Account	Immovable Property Account	Maltese Taxed Account	Foreign Income Account
Gross Interest NOT subject to 15% Final Withholding tax				100,000
Deemed Interest Income as per NID Rules				
Grossed up element for Flat rate foreign tax credit				25,000
Gross Interest Received	0	0	0	125,000
Less direct expenses [Details required]				
Interest expense	0	0	0	0
Interest income after deducting direct expenses				125,000
	0	0	0	125,000
Net non-distributed income in terms of Regulation 7(2) of SL123.187		0	0	0
Total interest income	0	0	0	125,000
Final Withholding Tax on Investment Income				
Transfer to the Final Tax Account				
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THE FOREIGN INCOME ACCOUNT ('FIA')
EXAMPLE 2 – TRA 30

Relief of double taxation

Source of Income	Attachment / Return reference	Double Taxation Relief	Taxed A/c	C'wealth Relief	Taxed A/c	Unilateral Relief	Taxed A/c	Flat-Rate Foreign Tax Credit	Taxed A/c
ITA - Income from trade, business...	Ret. pg. 3							0	FIA
ITA - Dividend(s)	TRA 08							0	FIA
ITA - Interest(s)	TRA 09							25,000	FIA
ITA - Discounts or premiums	TRA 10							0	FIA
ITA - Income from Rent(s)	TRA 11							0	FIA
ITA - Income from Ground Rent(s)	TRA 12							0	FIA
ITA - Income from Royalties, etc.	TRA 13							0	FIA
ITA - Other income	TRA 14							0	FIA
ITA - Capital Gains	TRA 15							0	FIA
Totals		0		0		0		25,000	

RELIEF	ALLOCATED			Totals
	IPA	MTA	FIA	
Double Taxation Relief	0	0	0	0
Commonwealth Relief	0	0	0	0
Unilateral Relief	0	0	0	0
Flat-Rate Foreign Tax Credit			25,000	25,000
TOTALS	0	0	25,000	25,000

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THE FOREIGN INCOME ACCOUNT ('FIA')

EXAMPLE 2 – TRA 63_1

Allocation to the Foreign Income Account and the Maltese Taxed Account

FOREIGN INCOME ACCOUNT	BROUGHT FORWARD	CURRENT YEAR		CARRIED FORWARD
		Allocated	Dividends Paid	
Income from Participating Holdings **NOT** subject to relief of Double Taxation				0
Income from Participating Holdings subject to relief of Double Taxation				0
Other types of foreign income not subject to relief of Double Taxation				0
Other types of foreign income subject to Treaty/Unilateral Relief				0
Other types of foreign income subject to FRFTC				0
Income from overseas permanent establishment **not** subject to relief of double taxation				0
Income from overseas permanent establishment subject to relief of double taxation				0
Dividends from local sources received out of foreign income accounts **NOT** subject to relief of Double Taxation				0
Dividends from local sources received out of foreign income accounts subject to relief of Double Taxation				0
Passive interest or royalties **not** subject to relief of Double Taxation				0
Passive Interest or royalties subject to Treaty/Unilateral Relief				0
Passive interest or royalties subject to FRFTC	0	106,250	0	106,250
Totals [to page 6 of the tax return]	0	106,250	0	106,250

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THE MALTA TAX ACCOUNTING SYSTEM

THE MALTESE TAXED ACCOUNT

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THE MALTESE TAXED ACCOUNT ('MTA')
DEFINITION

- The MTA is defined in article 2 of the ITA as follows:

> ***"Maltese taxed account"*** *means any of those profits of a company that are not included in the foreign income account and:*
> *(a) which have suffered tax; or*
> *(b) which have been exempt from tax under the provisions of any Maltese law and where the distribution of such profits by the company is also exempt from tax in the hands of the shareholders* [provided that this paragraph shall cease to apply with effect from year of assessment 2008]

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THE MALTESE TAXED ACCOUNT ('MTA')
ALLOCATIONS

- With effect from YA 2015, the following profits shall also fall to be allocated to the MTA (instead of the FTA):
  - The amount of chargeable income the tax chargeable on which has been **relieved from payments by any tax credits** where the distribution of such profits is exempt from tax in the hands of the shareholders; and
  - The **amount of the chargeable income the tax chargeable on which has been relieved from payment by any tax credits under certain rules / regulations**.

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THE MALTESE TAXED ACCOUNT ('MTA')
EXAMPLE 1

- Malta Manufacturing Limited is a company registered in Malta, engaged in the manufacture of children's toys. As at 31 December 2022, the company had unabsorbed tax credits amounting to €250,000, which credits had previously been granted in terms of the Investment Aid Regulations. The company's chargeable income for that year amounted to €700,000.

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THE MALTESE TAXED ACCOUNT ('MTA')
EXAMPLE 1 – TRA 54

Malta Enterprise Act
LN 68 of 2008 - Investment Aid Regulations

1 Investment Aid

	IT reference (in case of fiscal unit)		
	Investment Entitlement Certificate Ref [Company determination]	XXXXX	
	Company description for the purposes of Regulation 2	Small undertaking	
	Amount of qualifying expenditure [Regulation 4 (1) (a)]	0	Percentage as per Reg. 4(1)
	Maximum Tax Credit for the year	0	
	Maximum Tax Credit Restricted [2nd Proviso to Reg 4(1)]	0	
	Maximum tax Credit that may be claimed	0	
	Tax credit converted to other form of assistance under these Regulations	0	
	Tax credit for the year	0	
Less	Aid Intensity claimed under other incentives	0	
	Incentive for the year	0	
Add	Unutilised Tax Credit brought forward	250,000	
Add	Project based tax credits approved for the year	0	IEC - Project Reference
	Total tax credit available for the year	250,000	
	Tax Credit utilised during the current year of assessment	245,000	
	Unutilised Tax Credit	5,000	
	Unutilised Tax Credit inflated or deflated by the Reference Rate c/fwd	5,000	
	Income the tax on which is deemed relieved by the tax credit [Current] YIA 2022	700,000	
	Have all the conditions, set out in the Regulations been satisfied?	Yes	

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THE MALTESE TAXED ACCOUNT ('MTA')

EXAMPLE 1 – TRA 35

TAX CREDITS UTILISED DURING THE YEAR - Summary Statement		Tax credit	Taxed Income Relieved	Taxed Account
BPA - Regulation 5 - [Investment Tax Credit]	TRA 29	0	0	Maltese Taxed Account
BPA - Regulation 14 - [Training Tax Credit]	TRA 34	0	0	Maltese Taxed Account
BPA - Regulations 31 to 37 [Conversion Scheme - Large Companies]	TRA 36	0	0	Maltese Taxed Account
ITA - Dividends the tax on which is relieved by Tax Credits (**ONLY** from the **IPA** of another company)	TRA 08	0	0	Immovable Property Account
ITA - Dividends the tax on which is relieved by Tax Credits (**ONLY** from the **MTA** of another company)	TRA 08	0	0	Maltese Taxed Account
ME Act - LN 38 of 2015 - Assistance for Research and Development and Innovation (Amendment) Regulations, 2015	TRA 91	0	0	Maltese Taxed Account
ME Act - LN 118 of 2015 (Rule 17) - Tax Credit for Qualifying Certifications	TRA 90	0	0	Maltese Taxed Account
ME Act - Investment Aid Regulations 2014 - 2020	TRA 86	0	0	Maltese Taxed Account
ME Act - SL463.09 - Micro Invest 2014	TRA 88	0	0	Maltese Taxed Account
ME Act - LN 68 of 2008 - Investment Aid Regulations	TRA 54	245,000	700,000	Maltese Taxed Account
ME Act - LN 168 of 2009 - Assistance for R&D and Innovation Regulations, 2009	TRA 65	0	0	Maltese Taxed Account
ME Act - LN178 of 2016 - Assistance for Knowledge Transfer Regulations, 2016	TRA 92	0	0	Maltese Taxed Account
ME Act - LN179 of 2016 - Investment Aid for High Efficiency Cogeneration Regulations, 2016	TRA 93	0	0	Maltese Taxed Account
ME Act - LN 194 of 2016 - Enterprise Support Incentives (Amendment) (No.2) Regulations, 2016 - Rule 20	TRA 94	0	0	Maltese Taxed Account
ITA - LN 228 of 2017 - Voluntary Occupational Pension Scheme Rules, 2017	TRA 96	0	0	Maltese Taxed Account
ME Act - LN 153 of 2017 - Tax Credit for Research and Development and Innovation Regulations, 2017	TRA 101	0	0	Maltese Taxed Account
ME Act - LN 166 of 2017 - Research and Development Activities Regulations, 2017 - Rule 4	TRA 102	0	0	Maltese Taxed Account
ME Act - LN 166 of 2017 - Research and Development Activities Regulations, 2017 - Rule 6	TRA 103	0	0	Maltese Taxed Account
ME Act - LN 166 of 2017 - Research and Development Activities Regulations, 2017 - R&D 2014 - 2020	TRA 104	0	0	Maltese Taxed Account
ME Act - LN 167 of 2017 - Catering Capacity Building Regulations, 2017	TRA 105	0	0	Maltese Taxed Account
ME Act - LN 120 of 2018 - Tax Credits Supporting the Refurbishment of Hotels and Restaurants	TRA 108	0	0	Maltese Taxed Account
ME Act - LN 122 of 2018 - Investment Aid for Energy Efficiency Regulations, 2018	TRA 109	0	0	Maltese Taxed Account
ME Act - LN 69 of 2019 - Tax Credits Supporting the Development of Video Games with a Cultural Dimension	TRA 114	0	0	Maltese Taxed Account
ME Act - LN 15 of 2019 - Skills Development Regulations	TRA 115	0	0	Maltese Taxed Account
ME Act - SL 463.25 - Business Advisory Services Regulations	TRA 121	0	0	Maltese Taxed Account
ME Act - SL 463.38 - Business Development 2021	TRA 122	0	0	Maltese Taxed Account
ME Act - SL 463.40 - Investment Aid Regulations 2021	TRA 123	0	0	Maltese Taxed Account
Totals - Allocation to the Immovable Property Account (for tax computation and calculation purposes only)	Page 5	0	0	
Totals - Allocation to the Maltese Tax Account (for tax computation and calculation purposes only)	Page 5	245,000	700,000	
Total tax credits and taxed income relieved		245,000	700,000	

ALLOCATION TO THE TAXED ACCOUNTS			
Taxed Income relieved by tax credits that stands to be allocated to the Final Tax Account	TRA 61		0
Taxed Income relieved by tax credits that stands to be allocated to the Immovable Property Account	TRA 62		0
Taxed Income relieved by tax credits that stands to be allocated to the Maltese Tax Account	TRA 63		700,000

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THE MALTESE TAXED ACCOUNT ('MTA')

EXAMPLE 1 – TRA 63_2

MALTESE TAXED ACCOUNT				BROUGHT FORWARD	CURRENT YEAR Allocated	CURRENT YEAR Dividends Paid	CARRIED FORWARD
Income from participating holdings							0
Income having suffered tax @	5.00	%					0
Income having suffered tax @	10.00	%					0
Income having suffered tax @	15.00	%					0
Income having suffered tax @	25.00	%					0
Income having suffered tax @	32.50	%					0
Income having suffered tax @	35.00	%		0	0	0	0
Income having suffered tax @	37.50	%					0
Taxed Income relieved by Tax Credits	0	%	TRA 35	0	700,000	0	700,000
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Passive Interest or royalties @		%					0
Passive Interest or royalties @		%					0
Passive Interest or royalties @		%					0
Taxed Income relieved by Tax Credits relocated to the IPA							
Totals [to page 6 of the tax return]				0	700,000	0	700,000

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THE MALTESE TAXED ACCOUNT ('MTA')

EXAMPLE 2 *(Continuation of FTA Example 3)*

- Sunshine Limited is a Malta registered company. For the financial year ended 31 December 2022, Sunshine Limited derived chargeable income (pre-NID) amounting to €5,000,000.
- The company was eligible to claim NID amounting to €1,000,000 for the year.
- As a result, the company's chargeable income was reduced to €4,000,000 (tax at 35% thereon is €1,400,000).

Tax Account Allocations	Direct Allocation	Indirect Allocation	Closing Balance
FTA	€1,000,000	€100,000	€1,100,000
MTA	€2,600,000	(€100,000)	€2,500,000
Total	**€3,600,000**	-	**€3,600,000**

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THE MALTESE TAXED ACCOUNT ('MTA')

EXAMPLE 2 *(Continuation of FTA Example 3)* – PAGE 4

PART 3 - SELF ASSESSMENT — TA2_e-CO_2022_Ver 1.5

Section 1 - COMPUTATION OF CHARGEABLE INCOME — **Electronic filing is mandatory!!**

ITA Article	Description [Allocation to Tax Accounts for tax computation purposes ONLY]	Attach.	Immovable Property Account [Total]		Maltese Taxed Account [total]		Foreign Income Account [total]	
4(1)(a)	Income/(loss) from trade, business, etc. after tax adjustments	Page 3	40a	0	40b	5,000,000	40c	0
	but before capital allowances		40d	0	40e	0	40f	0
	Balancing charge	TRA04	41a	0	41b	0	41c	0
	Capital Allowances							
	Brought forward		42a		42b		42c	
	Income Tax Act - Wear & Tear	TRA 05	43a	0	43b	0	43c	0
	BPA [Article 7] - Investment Allowance	TRA 06	44a	0	44b	0	44c	0
	BPA [Article 8] - Accelerated Depreciation	TRA 07	45a	0	45b	0	45c	0
	Balancing allowance(s)	TRA04	46a	0	46b	0	46c	0
	Capital allowances absorbed		47a		47b		47c	
	Allowable deductions surrendered to group companies	TRA 125	47d	0	47e	0	47f	0
	Unabsorbed capital allowances c/f		48a	0	48b	0	48c	0
Income from trade, business, etc. net of capital allowances / (Loss)			49a	0	49b	5,000,000	49c	0
	Loss transferred between Tax Accounts		49d		49e		49f	
4(1)(c)	Dividend(s)	TRA 08	50a	0	50b	0	50c	0
	Interest(s) - Including Deemed Notional Interest Received	TRA 09	51a	0	51b	0	51c	0
	Discounts or premiums	TRA 10	52a	0	52b	0	52c	0
4(1)(e)	Net Income from Rent(s)	TRA 11	53a	0			53b	0
	Net Income from Ground Rent(s)	TRA 12	54a	0			54b	0
	Net income from Royalties, etc.	TRA 13	55a	0	55b	0	55c	0
4(1)(g)	Other income	TRA 14	56a	0	56b	0	56c	0
Net income/(loss)			57a	0	57b	5,000,000	57c	0
5	Capital gains charged for the year	TRA 15	58a	0	58b	0	58c	0
Net income/(Loss) after Capital Gains			59a	0	59b	5,000,000	59c	0

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THE MALTESE TAXED ACCOUNT ('MTA')

EXAMPLE 2 *(Continuation of FTA Example 3)* – PAGE 4

	Loss transferred between Tax Accounts		60a	0	60b	0	60c	0
Net Income / (Loss) after loss transfer between tax accounts			61a	0	61b	5,000,000	61c	0
16 to 22	GROUP LOSS RELIEF							
	Loss SURRENDERED to group company/companies	TRA 19	62a	0	62b	0	62c	0
Net Income/(Loss) after loss surrender to group companies			63a	0	63b	5,000,000	63c	0
16 to 22	Group Loss CLAIMED							
	Group Loss Absorbed this year	TRA 20	64a	0	64b	0	64c	0
Net Income /(Loss) after Group Relief			65a	0	65b	5,000,000	65c	0
	Unabsorbed Trading Losses b/fwd from previous year		66a		66b		66c	0
Total Income /(Loss)			67a	0	67b	5,000,000	67c	0
	Loss transferred between Tax Accounts		68a	0	68b	0	68c	0
27G	**Chargeable Income for the year from Projects**	TRA 89	68d	0				
14(1)(jo)	**Notional Interest Deduction**	TRA 100			68e	(1,000,000)	68f	0
Net Income /(Loss) after Notional Interest Deduction					68g	4,000,000	68h	0
	Allowable deductions claimed from group companies	TRA 125	68i	0	68j	0	68k	0
Chargeable income for the year			69a	0	69b	4,000,000	69c	0
14(1)(g)	Unabsorbed Trading Losses c/fwd		70a	0	70b	0	70c	0
				0		4,000,000		0

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THE MALTESE TAXED ACCOUNT ('MTA')

EXAMPLE 2 *(Continuation of FTA Example 3)* – PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS — TA2_e-CO_2022_Ver 1.5

Allocation of Income to the Taxed Accounts after the tax computation and calculation

Allocation and adjustments		Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account	
Income allocated to the Final Tax Account	TRA 61	91a	1,000,000						
Chargeable Income for the year per tax computation	Page 5			92a	0	92b	4,000,000	92c	0
Deduct									
Tax thereon (net of tax credits)				93a	0	93b	1,400,000	93c	0
Sub-total				94a	0	94b	2,600,000	94c	0
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	0	97b	2,600,000	97c	0
Relocation from the FTA - CIS & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	0	99b	2,600,000	99c	0
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	0				
Transfers from MTA and / or FIA to the IPA				101a	0	101b	0	101c	0
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (IND Rules)	TRA 100	101f	100,000			101g	(100,000)	101h	0
Income for the year allocated to the different tax accounts		102a	1,100,000	102b	0	102c	2,500,000	102d	0

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THE MALTESE TAXED ACCOUNT ('MTA')

EXAMPLE 2 *(Continuation of FTA Example 3)* – TRA 63_2

MALTESE TAXED ACCOUNT				BROUGHT FORWARD	CURRENT YEAR Allocated	CURRENT YEAR Dividends Paid	CARRIED FORWARD
Income from participating holdings							0
Income having suffered tax @	5.00	%					0
Income having suffered tax @	10.00	%					0
Income having suffered tax @	15.00	%					0
Income having suffered tax @	25.00	%					0
Income having suffered tax @	32.50	%					0
Income having suffered tax @	35.00	%		0	2,500,000	0	2,500,000
Income having suffered tax @	37.50	%					0
Taxed Income relieved by Tax Credits	0	%	TRA 32		0		0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Passive Interest or royalties @		%					0
Passive Interest or royalties @		%					0
Passive Interest or royalties @		%					0
Taxed Income relieved by Tax Credits relocated to the IPA							
Totals [to page 6 of the tax return]				0	2,500,000	0	2,500,000

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THE MALTA TAX ACCOUNTING SYSTEM

THE UNTAXED ACCOUNT

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THE UNTAXED ACCOUNT ('UTA')
DEFINITION

- The UTA is defined in article 2 of the ITA as follows:

> ***"untaxed account"*** *shall consist of those profits (or losses as the case may be), which represent the total distributable profits (a positive amount) or the total accumulated losses (a negative amount) as the case may be, and deducting therefrom the total sum of the amounts allocated to other taxed accounts*

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THE UNTAXED ACCOUNT ('UTA')
ALLOCATIONS

- The UTA is the only tax account which can be either positive or negative.
- The UTA typically consists of expenditure which is disallowed for tax purposes and items of income which are outside the scope of tax.

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THE UNTAXED ACCOUNT ('UTA')
EXAMPLE 1

- Malta HoldCo is a Malta registered company with a fully-owned subsidiary in Germany, Trading Company GmbH. During the financial year ended 31 December 2022, Trading Company GmbH distributed gross dividend income amounting to €250,000 to Malta HoldCo. All relevant conditions for the application of the participation exemption have been met.
- Malta HoldCo did not derive any other sources of income during the year.

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THE UNTAXED ACCOUNT ('UTA')
EXAMPLE 1 – TRA 08

ITA - DIVIDENDS

Details of Dividends received

IT No. / R.O.C. No.	Paying Company	Gross Dividend					Tax Deducted				Net Dividend
		Final Tax Account	Immovable Property Account	Maltese Taxed A/c	Foreign Income A/c	Untaxed A/c	Malta tax paid	DTR	FRFTC	W'hlding tax	
	Trading Company GmbH					250,000					250,000
											0
											0
											0
											0
											0
											0
											0
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Totals >		0	0	0	0	250,000	0	0	0	0	250,000

Dividends the tax on which is relieved by Tax Credits		IPA	MTA		Tax credit
Totals >	TRA 35	0	0	TRA 35	0

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THE UNTAXED ACCOUNT ('UTA')

EXAMPLE 1 – TRA 08

ITA - Dividends	Allocated					
	Dividends from FTA [TRA 18]	Tax computation [page 4 of tax return]			Exempt Dividends of Dividends from Untaxed A/c [page 3 of the tax return]	ALL DIVIDENDS RECEIVED EITHER FROM THE FINAL TAX ACCOUNT OF ANOTHER COMPANY OR FROM A PROPERTY TRANSFER RESERVE ARE TO BE ALLOCATED TO THE FINAL TAX ACCOUNT. Dividends from the FTA of another company have to be reported net of tax.
		Immovable Property Account	Maltese Taxed Account	Foreign Income A/c		
Gross Dividends Received	0	0	0	0	250,000	
Grossed up element for Flat rate foreign tax credit						
Gross Dividends Received	0	0	0	0	250,000	
Less direct expenses [Details required]						
Interest expense	0	0	0	0	0	
Dividend income after deducting direct expenses					250,000	
	0	0	0	0	250,000	
Net non-distributed income in terms of Regulation 7(2) of SL123.187		0	0	0	TRA 112	
Total dividends		0	0	0		
Foreign tax paid where Article 12(1)(u) applies						
Dividend Income allocated to the Final Tax Account	0	TRA 18				
Dividend Income allocated to the Untaxed Account					250,000	TRA18
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THE UNTAXED ACCOUNT ('UTA')

EXAMPLE 1 – TRA 18

Exempt Income (and other income not subject to tax)			
Legislation	Income	Attachment	Taxed A/c or Non-Distributable Reserve
Exempt incentives, benefits and grants			
ERDF Grants			
Other exempt grants			
Business Promotion Act			
BPA - Article 19 (Training Grant)			
BPA - Article 20 (Management Services Grant)			
BPA - Article 23 (3) and (4) (Accom. & Training grants to industry in Gozo)			
BPA Regulations - Benefits and Grants			
Regulation 9 - (Loan Interest Subsidy)			
Regulation 11 - (Grants for experts)			
Regulation 13 (9) - (Grant(s) in lieu of deductions for job creation)	0	TRA 02	
Regulation 14 - (Training Grant)			
Regulation 22 - General exemption of grants			
Other exempt income and income not subject to tax [1]			
Dividends from the FTA of another company	0	TRA 08	Final Tax Account
Capital Gains on disposal of a participating holding	0	TRA 15	Untaxed Account
Income of a Co-operative society [Income Tax Act Article 12 (1) (c)] [1]			
Income from shipping activities of a licensed shipping organisation [SL 234.43]			Final Tax Account
Royalties, advances and similar income derived from patents [ITA Article 12(1)(v) and LN 429 of 2010]	0	TRA 67	
Gains arising on the transfer of securities exempt from tax in terms of article 5(6) of ITA			
Transfer of shares that have been admitted for trading on an alternative trading platform (Rule 4A of the CG Rules)	0	TRA 17	
Exempt income of a retirement fund or scheme [ITA 12(1)(d)]			
Agricultural subsidies [ITA 12(1)(r) and LN 52 of 2006]			
Exempt income of a collective investment scheme [ITA 12(1)(s)]			
Profits from a partnership or EEIG (not being a property partnership and not electing to be treated as a company in terms of Article 27(6) of the ITMA) where Article 12(1)(u)(1) applies			Untaxed Account
Income or gains from a permanent establishment situated outside Malta [ITA 12(1)(u)(2)]			Untaxed Account
Gains arising on the transfer of assets qualifying for rollover relief under Article 5(8) of the ITA			
Gains arising on an intra-group transfer of assets qualifying for tax relief under Article 5(9) of the ITA			
Gains from a proportionate reduction in shareholding not subject to tax in terms of the proviso to Article 5(13)(b)(i) of the ITA			
Gains arising on transfers involving the exchange of shares on restructuring of holdings qualifying for tax relief under Article 5(14) of the ITA			
Gains arising on transfers of assets upon the incorporation of a business or a partnership en nom collectif as a going concern into a limited liability company and satisfying the conditions of Article 5(15) of the ITA			
Gains on intra-group transfers of property exempt from tax under Article 5A(4)(f)			
Gains from the transfer of property by a company to its individual shareholder (or related individual) exempt from tax under Article 5A(4)(j)			
Gains on the settlement of property on trust, distribution or reversion of property settled on trust or the transfer of property of a trust involving only a change in trustee not subject to tax in terms of the provisions of Articles 5(18) to (25) of the ITA			
Tax refunds claimed under Articles 48(4) and 48(4A) of the ITMA			
Exempt dividends or dividends from the UTA of another company	250,000	TRA 08	Untaxed Account

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THE UNTAXED ACCOUNT ('UTA')
EXAMPLE 1 – TRA 18

Note 1 - Where the exemption does not extend to the ultimate beneficiaries, income stands to be allocated to the untaxed account.

Total Exempt Income (for tax computation purposes)	250,000	Page 3 return
Allocation to the taxed accounts and other non-distributable reserves		
Final Tax Account	0	
Untaxed Account	250,000	
Incentives and Benefits Reserve	0	
Total amounts allocated	250,000	

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THE UNTAXED ACCOUNT ('UTA')
EXAMPLE 1 – PAGE 6 (EXTRACT)

MOVEMENT OF RESERVES [Reconciliation with Financial Statements - Total Reserves must reconcile with TIFD code 3950 in Balance Sheet]		BROUGHT FORWARD		CURRENT YEAR Allocated		CURRENT YEAR Dividends Paid		CARRIED FORWARD	
Distributable profits [before PROPOSED DIVIDENDS]	B' Sheet	103a	0	103b	250,000	103c	0	103d	250,000
Final Tax Account	TRA 61	104a	0	104b	0	104c	0	104d	0
Immovable Property Account	TRA 62	105a	0	105b	0	105c	0	105d	0
Maltese Taxed Account	TRA 63	106a	0	106b	0	106c	0	106d	0
Foreign Income Account	TRA 63	107a	0	107b	0	107c	0	107d	0
Untaxed Account		108a	0	108b	250,000	108c	0	108d	250,000
Other Non Distributable profits and Reserves									
Incentives & Benefits Reserve [TIFD code 3904]		109a		109b		109c		109d	0
Other non distributable reserves		110a		110b		110c		110d	0
Less proposed dividends as per balance sheet								111a	
TOTAL RESERVES								112a	250,000

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THE MALTA TAX ACCOUNTING SYSTEM
SUMMARY

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SUMMARY
THE MALTA INCOME TAX ACCOUNTS

- Profits are allocated to five different tax accounts, including the following:
  - FTA – typically includes exempt income and income which was subject to a final tax;
  - IPA – typically includes income derived, directly or indirectly, from immovable property situated in Malta;
  - FIA – typically includes foreign source income of a passive nature;
  - MTA – typically includes trading income; and
  - UTA – a reconciliation between the distributable profits / losses in the financial statements and the sum of the FTA, IPA, FIA and MTA.

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SUMMARY
THE MALTA INCOME TAX ACCOUNTS

- Profits which stand to be allocated to the IPA are classified into two categories – primary allocations and secondary / notional allocations.
- Primary allocations to the IPA include profits which are derived from immovable property situated in Malta and are directly allocated to the IPA.
- Secondary / notional allocations to the IPA include:
  - Gross amount of interest, fees or any other consideration derived, directly or indirectly, from the granting of loans or from any form of credit to finance immovable property situated in Malta as well as insurance premiums related to the insurance of such property; and
  - The amount of Annual Market Rent.

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SUMMARY
THE MALTA INCOME TAX ACCOUNTS

- Such re-allocations are first required to be made out of the MTA before being made out of the FIA.
- When the notional allocations cannot be made by a particular company for a particular year of assessment because there are no or insufficient taxable reserves allocated to the company's MTA and / or FIA, the amount of secondary / notional allocations that cannot be made by that same company must be taken over by a related company.

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SUMMARY
CASE STUDY

- ABC Limited is a company incorporated in Malta. During the financial year ended 31 December 2022, the company derived a profit before tax of €500,000, consisting of the following sources of income:
  - Bank interest (gross of tax) amounting to €50,000, which bank interest was subject to a 15% final withholding tax;
  - Rental income received from a related party derived from immovable property situated in Malta amounting to €100,000;
  - Dividend income from a minority shareholding (less than 5%) in a company situated in Country X, amounting to €75,000 (gross). Withholding tax amounting to €11,250 was incurred in relation to such dividend income, in accordance with the treaty between Malta and Country X;
  - Trading income amounting to €200,000; and
  - A gain of €75,000 arising upon the disposal of a fully-owned subsidiary incorporated in Spain to a related party (100% common ownership).

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SUMMARY
CASE STUDY – TRA 08

ITA - DIVIDENDS

Details of Dividends received

IT No. / R.O.C. No.	Paying Company	Gross Dividend					Tax Deducted				Net Dividend
		Final Tax Account	Immovable Property Account	Maltese Taxed A/c	Foreign Income A/c	Untaxed A/c	Malta tax paid	DTR	FRFTC	W'hlding tax	
	CountryX subsidiary				75,000					11,250	63,750
											0
											0
											0
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Totals >		0	0	0	75,000	0	0	0	0	11,250	63,750
Dividends the tax on which is relieved by Tax Credits			IPA	MTA			Tax credit				
Totals >		TRA 35	0	0		TRA 35	0				

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SUMMARY
CASE STUDY – TRA 08

ITA - Dividends	Allocated				
	Dividends from FTA [TRA 18]	Tax computation [page 4 of tax return]			Dividends or Dividends from Untaxed A/c [page 3 of the tax return]
		Immovable Property Account	Maltese Taxed Account	Foreign Income A/c	
Gross Dividends Received	0	0	0	75,000	0
Grossed up element for Flat rate foreign tax credit					
Gross Dividends Received	0	0	0	75,000	0
Less direct expenses [Details required]					
Interest expense	0	0	0	0	0
Dividend income after deducting direct expenses				75,000	
	0	0	0	75,000	0
Net non-distributed income in terms of Regulation 7(2) of SL123.187		0	0	0	TRA 112
Total dividends		0	0	75,000	
Foreign tax paid where Article 12(1)(u) applies					
Dividend Income allocated to the Final Tax Account	0	TRA 18			
Dividend Income allocated to the Untaxed Account					0 TRA18
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ALL DIVIDENDS RECEIVED EITHER FROM THE FINAL TAX ACCOUNT OF ANOTHER COMPANY OR FROM A PROPERTY TRANSFER RESERVE ARE TO BE ALLOCATED TO THE FINAL TAX ACCOUNT. Dividends from the FTA of another company have to be reported net of tax.

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SUMMARY
CASE STUDY – TRA 09

Interests [Article 4 (1)(c) ITA]	Allocated			
	Final Tax Account	Immovable Property Account	Maltese Taxed Account	Foreign Income Account
Gross Interest subject to 15% Final Withholding tax	50,000			
Gross Interest NOT subject to 15% Final Withholding tax				
Deemed Interest Income as per NID Rules				
Grossed up element for Flat rate foreign tax credit				
Gross Interest Received	50,000	0	0	0
Less direct expenses [Details required]				
Interest expense	0	0	0	0
Interest income after deducting direct expenses	50,000			
	50,000	0	0	0
Net non-distributed income in terms of Regulation 7(2) of SL123.187		0	0	0
Total interest income	50,000	0	0	0
Final Withholding Tax on Investment Income	7,500			
Transfer to the Final Tax Account	42,500			
CfR - Malta				TRA 09

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SUMMARY
CASE STUDY – TRA 11

Rents [Article 4(1)(e) ITA]	Allocated			
	Final Tax Account	Immovable Property Account	Maltese Taxed Account	Foreign Income Account
Gross Rents received / receivable		100,000		
Grossed up element for Flat rate foreign tax credit				
Gross Rents		100,000		0
Less direct expenses [Details required]				
NTOM licence		0		
Interest expense		0		0
Rent, ground rent or similar burden		0		
20% further deduction		20,000		
Net Income from Rents after deducting direct expenses		80,000		0
		80,000		0
Net non-distributed income in terms of Regulation 7(2) of SL123.187		0		0
Total rents		80,000		0

C/R - Malta TRA 11

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SUMMARY
CASE STUDY – TRA 18

Exempt Income (and other income not subject to tax)			
Legislation	Income	Attachment	Taxed A/c or Non-Distributable Reserve
Exempt incentives, benefits and grants			
ERDF Grants			
Other exempt grants			
Business Promotion Act			
BPA - Article 19 (Training Grant)			
BPA - Article 20 (Management Services Grant)			
BPA - Article 23 (3) and (4) (Accom. & Training grants to industry in Gozo)			
BPA Regulations - Benefits and Grants			
Regulation 9 - (Loan Interest Subsidy)			
Regulation 11 - (Grants for experts)			
Regulation 13 (9) - (Grant(s) in lieu of deductions for job creation)	0	TRA 02	
Regulation 14 - (Training Grant)			
Regulation 22 - General exemption of grants			
Other exempt income and income not subject to tax [1]			
Dividends from the FTA of another company	0	TRA 08	Final Tax Account
Capital Gains on disposal of a participating holding	0	TRA 15	Untaxed Account
Income of a Co-operative society [Income Tax Act Article 12 (1) (c)] [1]			
Income from shipping activities of a licensed shipping organisation [SL 234.43]			Final Tax Account
Royalties, advances and similar income derived from patents [ITA Article 12(1)(v) and LN 429 of 2010]	0	TRA 67	
Gains arising on the transfer of securities exempt from tax in terms of article 5(6) of ITA			
Transfer of shares that have been admitted for trading on an alternative trading platform (Rule 4A of the CG Rules)	0	TRA 17	
Exempt income of a retirement fund or scheme [ITA 12(1)(d)]			
Agricultural subsidies [ITA 12(1)(r) and LN 52 of 2006]			
Exempt income of a collective investment scheme [ITA 12(1)(s)]			
Profits from a partnership or EEIG (not being a property partnership and not electing to be treated as a company in terms of Article 27(6) of the ITMA) where Article 12(1)(u)(1) applies			Untaxed Account
Income or gains from a permanent establishment situated outside Malta [ITA 12(1)(u)(2)]			Untaxed Account
Gains arising on the transfer of assets qualifying for rollover relief under Article 5(8) of the ITA			
Gains arising on an intra-group transfer of assets qualifying for tax relief under Article 5(9) of the ITA	75,000		Untaxed Account
Gains from a proportionate reduction in shareholding not subject to tax in terms of the proviso to Article 5(13)(b)(i) of the ITA			
Gains arising on transfers involving the exchange of shares on restructuring of holdings qualifying for tax relief under Article 5(14) of the ITA			
Gains arising on transfers of assets upon the incorporation of a business or a partnership en nom collectif as a going concern into a limited liability company and satisfying the conditions of Article 5(15) of the ITA			
Gains on intra-group transfers of property exempt from tax under Article 5A(4)(f)			
Gains from the transfer of property by a company to its individual shareholder (or related individual) exempt from tax under Article 5A(4)(j)			
Gains on the settlement of property on trust, distribution or reversion of property settled on trust or the transfer of property of a trust involving only a change in trustee not subject to tax in terms of the provisions of Articles 5(16) to (25) of the ITA			
Tax refunds claimed under Articles 48(4) and 48(4A) of the ITMA			
Exempt dividends or dividends from the UTA of another company	0	TRA 08	Untaxed Account

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SUMMARY
CASE STUDY – TRA 18

Note 1 - Where the exemption does not extend to the ultimate beneficiaries, income stands to be allocated to the untaxed account.

Total Exempt Income (for tax computation purposes)	75,000	Page 3 return
Allocation to the taxed accounts and other non-distributable reserves		
Final Tax Account	0	
Untaxed Account	75,000	
Incentives and Benefits Reserve	0	
Total amounts allocated	75,000	

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SUMMARY
CASE STUDY – TRA 30

Relief of double taxation

Source of Income	Attachment / Return reference	Double Taxation Relief	Taxed A/c	C'wealth Relief	Taxed A/c	Unilateral Relief	Taxed A/c	Flat-Rate Foreign Tax Credit	Taxed A/c
ITA - Income from trade, business...	Ret. pg. 3							0	FIA
ITA - Dividend(s)	TRA 08	11,250	FIA					0	FIA
ITA - Interest(s)	TRA 09							0	FIA
ITA - Discounts or premiums	TRA 10							0	FIA
ITA - Income from Rent(s)	TRA 11							0	FIA
ITA - Income from Ground Rent(s)	TRA 12							0	FIA
ITA - Income from Royalties, etc.	TRA 13							0	FIA
ITA - Other income	TRA 14							0	FIA
ITA - Capital Gains	TRA 15							0	FIA
Totals		11,250		0		0		0	

RELIEF	ALLOCATED			Totals
	IPA	MTA	FIA	
Double Taxation Relief	0	0	11,250	11,250
Commonwealth Relief	0	0	0	0
Unilateral Relief	0	0	0	0
Flat-Rate Foreign Tax Credit			0	0
TOTALS	0	0	11,250	11,250

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SUMMARY
CASE STUDY – TRA 60

Adjustment of Profit/(Loss) per Financial Statements Income subject to a Final Withholding Tax, Statutory deductions and corresponding add backs [where applicable] [Amounts derived in this attachment are reflected on Page 3 of the tax return]	Deduct Profits subject to a FWT and / or statutory deductions Attach.	Amount		Other Add Backs Amounts reported in the Income Statement [TIFD] TIFD Code	Amount
Income/Transfers subject to F.W.T.					
Investment Income Provisions [Income subject to 15% F.W.T]	TRA 09	50,000			
Sale of Agricultural Produce Rules [Income subject to F.W.T]	TRA 41	0			
Profit on transfer of Immovable Property subject to a Final Withholding Tax	TRA 53	0			
ITA - Art 31A - Housing Authority [Rental Income subject to 5% FWT]	TRA 75	0			
ITA - Art 31B - Housing Authority [FWT 0f 10% deducted from subsidy]	TRA 76	0			
ITA - Art 31C - Rental income from restored property [rental income subject to FWT]	TRA 77	0			
ITA - Art 31D - Rental income from letting of tenements [rental income subject to FWT]	TRA 83	0			
ITA - Art 27G - Transfers of property by a listed company issuing debt securities to the public	TRA 89	0			
ITA - Art 5A - Assignments of rights acquired under a Promis of Sale Agreement Rules, 2020	TRA 119	0			
ITA - Article 14(1)(h) - Scientific Research	TRA 01	0			
BPA - Regulation 13 - Incentive for job creation	TRA 02	0			
Other statutory inflation of expenditure Act >	TRA 03	0			
Allowable deductions					
ITA - LN 266 of 2006 - Donations and Restoration [National Heritage]	TRA 52	0			
ITA - LN 179 of 2014 - Deduction (Apprentices and Work Placements) Rules, 2014	TRA 84	0			
ITA - LN 180 of 2014 - Deduction (Mature Workers) Rules, 2014	TRA 85	0			
ITA - LN 412 of 2014 - Donations (Community Chest Fund) Rules 2014	TRA 87	0			
ITA - LN 139 of 2008 Donations (Sports and Culture) Rules, 2008 [Sports]	TRA 56	0			
ITA - LN 139 of 2008 Donations (Sports and Culture) Rules, 2008 [Arts Fund]	TRA 57	0			
ITA - LN 139 of 2008 Donations (Sports and Culture) Rules, 2008 [Sports]	TRA 58	0			
ITA - LN 171 of 2010 - Deduction (Pharmacy of your choice) Rules, 2010 [POYC]	TRA 66	0			
ITA - LN 187 of 2010 - Donations (University research, Innovation & Development) Rules, 2010	TRA 68	0			
ITA - LN 430 of 2010 - Deduction (Childcare Facilities at the Workplace) Rules, 2010	TRA 69	0			
ITA - LN 428 of 2010 - Deduction (Workplace Accessibity) Rules, 2010	TRA 70	0			
ITA - LN 13 of 2011 - Deductions (Electric Vehicles) Rules 2011	TRA 73	0			
ITA - LN 324 of 2011 - Securitisation Transactions (Deductions) Rules, 2011 [Rule 4(1)]	TRA 74	0			0
ITA - LN 324 of 2011 - Securitisation Transactions (Deductions) Rules, 2011 [Rule 4(2)]	TRA 74	0			
ITA - LN 23 of 2012 - Donations (Creativity Trust) Rules, 2013	TRA 79	0			0
ITA - LN 67 of 2018 - Deduction for Transportation Cost of Employees Rules, 2018	TRA 95	0			0
ITA - LN 228 of 2017 - Voluntary Occupational Pension Scheme Rules, 2017	TRA 96	0			0
ITA - Article 31E- Rental of property to another person for at least seven years (Housing Authority Scheme)	TRA 97	0			
ITA - LN 274 of 2017 - Deduction (Embellishment project) Rules	TRA 98	0			0
ITMA - Article 19(4)(a) and LN 306 of 2017 - Audit report waiver and Deduction Rules	TRA 99	0			
ITA - Article 14(1)(p) and LN 208 of 2019 - Patent Box Regime (Deduction) Rules, 2019	TRA 113	0			
Totals to Page 3 of the tax return	Page 3	50,000	Page 3 (field 29a)		0
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PART 2 - ADJUSTMENT OF PROFIT PER FINANCIAL STATEMENTS FOR TAX PURPOSES			TA2_e-CO_2022_Ver 1.5
Item Description	Attach.		Electronic filing is mandatory!!
Net Profit / (Loss) before tax as per financial statements	Inc. Stat	1a	500,000
Add back			500,000
Depreciation charge for the year		2a	
Amortisation of intangible assets		3a	
Realised losses on disposal of fixed assets [Please specify below]			
		4a	
		5a	
		6a	
Unrealised losses [Please specify below]			
		7a	
		8a	
		9a	
		10a	
Expenditure disallowed for tax purposes [Please specify below]			
ITA - Article 14(1)(p) and LN 208 of 2019 - Patent Box Regime (Deduction) Rules, 2019	TRA 113	11a	0
		12a	
		13a	
		14a	
Provisions, Impairment differences and Other add-backs [Please specify below]			
Net non-distributed income in terms of Regulation 7(2) of SL123.187	TRA 112	15a	0
		16a	
		17a	
Specific add-backs			
Accounting expenditure added back to be replaced by statutory expenditure	TRA 60	18a	0
Deemed Income of relevant Originator or Assignor [LN324 of 2011 - Rule 6]		19a	
Gains or Profits to Non-Qualifying Shareholder/s (Fourth proviso to article 12(1)(u)(1))		20a	
hybrid mismatches[sl123.187 - regualtion 9]	TRA 117	20b	0
Sub-total > add up values reported under fields 2a to 20b		21a	0
Sub-total > add up values in fields 1a and 21a		22a	500,000

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Deduct			
Realised profits on disposal of fixed assets [Please specify below]			
		23a	
		24a	
		25a	
Part of profit chargeable under other articles of the Income Tax Act			
Article 4(1)(c) - Dividends, Interests, Discounts or Premiums		26a	75,000
Article 4(1)(e) - Rents, Royalties and Premiums etc.		27a	100,000
Article 4(1)(g) - Other Income		28a	
Other deductions including unrealised gains [Please specify below]			
Profits subject to a FWT and other Statutory deductions	TRA 60	29a	50,000
Total Exempt Income	TRA 18	30a	75,000
Exempt dividends or Dividends from the Untaxed account of another company	TRA 08	31a	0
Amortisation of Intellectual Property (Art 14(1)(m) of the ITA)	TRA 107	32a	0
		33a	
		34a	
Sub-total > add up values reported in fields 23a to 34a		35a	300,000
Sub-total > deduct result in field 35a from the result in field 22a		36a	200,000

Allocated to Taxed Account		Immovable Prop. A/c		Maltese Taxed A/c		Foreign Income A/c
Income / (loss) before capital allowances	37a	0	37b	200,000	37c	0
Grossed up amount for flat rate foreign tax credit					38a	
Net Income / (loss) before capital allowances [Article 4(1) (a) of the ITA]	39a	0	39b	200,000	39c	0

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SUMMARY
CASE STUDY – PAGE 4

PART 3 - SELF ASSESSMENT — TA2_e-CO_2022_Ver 1.5

Section 1 - COMPUTATION OF CHARGEABLE INCOME — Electronic filing is mandatory!!

ITA Article	Description [Allocation to Tax Accounts for tax computation purposes ONLY]	Attach.	Immovable Property Account [Total]		Maltese Taxed Account [total]		Foreign Income Account [total]	
4(1)(a)	Income/(loss) from trade, business, etc. after tax adjustments but before capital allowances	Page 3	40a	0	40b	200,000	40c	0
			40d		40e		40f	
	Balancing charge	TRA04	41a	0	41b	0	41c	0
	Capital Allowances							
	Brought forward		42a		42b		42c	
	Income Tax Act - Wear & Tear	TRA 05	43a	0	43b	0	43c	0
	BPA [Article 7] - Investment Allowance	TRA 06	44a	0	44b	0	44c	0
	BPA [Article 8] - Accelerated Depreciation	TRA 07	45a	0	45b	0	45c	0
	Balancing allowance(s)	TRA04	46a	0	46b	0	46c	0
	Capital allowances absorbed		47a		47b		47c	
	Allowable deductions surrendered to group companies	TRA 125	47d	0	47e	0	47f	0
	Unabsorbed capital allowances c/f		48a	0	48b	0	48c	0
Income from trade, business, etc. net of capital allowances / (Loss)			49a	0	49b	200,000	49c	0
	Loss transferred between Tax Accounts		49d		49e		49f	
4(1)(c)	Dividend(s)	TRA 08	50a	0	50b	0	50c	75,000
	Interest(s) - Including Deemed Notional Interest Received	TRA 09	51a	0	51b	0	51c	0
	Discounts or premiums	TRA 10	52a	0	52b	0	52c	0
4(1)(e)	Net Income from Rent(s)	TRA 11	53a	80,000			53b	0
	Net Income from Ground Rent(s)	TRA 12	54a	0			54b	0
	Net income from Royalties, etc.	TRA 13	55a	0	55b	0	55c	0
4(1)(g)	Other income	TRA 14	56a	0	56b	0	56c	0
Net income/(loss)			57a	80,000	57b	200,000	57c	75,000
5	Capital gains charged for the year	TRA 15	58a	0	58b	0	58c	0
Net income/(Loss) after Capital Gains			59a	80,000	59b	200,000	59c	75,000

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	Loss transferred between Tax Accounts		60a	0	60b	0	60c	0
Net Income / (Loss) after loss transfer between tax accounts			61a	80,000	61b	200,000	61c	75,000
16 to 22	GROUP LOSS RELIEF Loss SURRENDERED to group company/companies	TRA 19	62a	0	62b	0	62c	0
Net Income/(Loss) after loss surrender to group companies			63a	80,000	63b	200,000	63c	75,000
16 to 22	Group Loss CLAIMED Group Loss Absorbed this year	TRA 20	64a	0	64b	0	64c	0
Net Income /(Loss) after Group Relief			65a	80,000	65b	200,000	65c	75,000
	Unabsorbed Trading Losses b/fwd from previous year		66a		66b		66c	
Total Income /(Loss)			67a	80,000	67b	200,000	67c	75,000
	Loss transferred between Tax Accounts		68a	0	68b	0	68c	0
27G	**Chargeable income for the year from Projects**	TRA 89	68d	0				
14(1)(o)	**Notional Interest Deduction**	TRA 100			68e	0	68f	0
Net Income /(Loss) after Notional Interest Deduction					68g	200,000	68h	75,000
	Allowable deductions claimed from group companies	TRA 125	68i	0	68j	0	68k	0
Chargeable income for the year			69a	80,000	69b	200,000	69c	75,000
14(1)(g)	Unabsorbed Trading Losses c/fwd		70a	0	70b	0	70c	0
				80,000		200,000		75,000

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SUMMARY
CASE STUDY – PAGE 5

SECTION 2 - SELF ASSESSMENT COMPUTATION — TA2_e-CO_2022_Ver 1.5

TAXED ACCOUNTS (Allocation to Accounts for tax computation purposes only)		Immov. Property A/c		Maltese Taxed A/c		Foreign Income A/c
Chargeable Income for the year [from page 4]		71a 80,000	71b	200,000	71c	75,000
Chargeable Income subject to other rates of tax	TRA 33	72a 0	72b	0	72c	0
Chargeable Income subject to normal rate of tax [@ 35c]		73a 80,000	73b	200,000	73c	75,000
Totals		74a 80,000	74b	200,000	74c	75,000
		80,000		200,000		75,000
Tax Liability for the year						
Tax on Income taxed at other rates	TRA 33	75a 0	75b	0	75c	0
Tax on Income taxed at normal rates		76a 28,000	76b	70,000	76c	26,250
Total Tax Liability on chargeable income for the year		77a 28,000	77b	70,000	77c	26,250
Deduct Tax Credits	TRA 35	78a 0	78b	0		
Tax due after deducting tax credits		79a 28,000	79b	70,000	79c	26,250
		28,000		70,000		26,250
Relief of double taxation Double Taxation Relief	TRA 30	80a 0	80b	0	80c	11,250
Commonwealth Relief		81a 0	81b	0	81c	0
Unilateral Relief		82a 0	82b	0	82c	0
Flat-Rate Foreign Tax Credit					83a	0
Tax due after relief of double taxation		84a 28,000	84b	70,000	84c	15,000
		28,000		70,000		15,000
Tax set off Tax at source on dividends	TRA 08	85a 0	85b	0	85c	0
Tax due after tax at source on dividends		86a 28,000	86b	70,000	86c	15,000
Tax Payments	TRA 31	87a 0	87b	0	87c	0
TAX DUE ON DIFFERENT ACCOUNTS AFTER TAX PAYMENTS		88a 28,000	88b	70,000	88c	15,000
TAX BALANCE DUE IN TERMS OF SECTION 42 OF THE ITMA				113,000	89a	113,000
TAX REFUNDABLE IN TERMS OF SECTION 48 OF THE ITMA					90a	0

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SUMMARY
CASE STUDY – PAGE 6 (EXTRACT)

PART 4 - RECORD OF RESERVES AND DISTRIBUTIONS — TA2_e-CO_2022_Ver 1.5

Allocation of Income to the Taxed Accounts after the tax computation and calculation

Allocation and adjustments			Final tax Account		Immovable property Account		Maltese Taxed account		Foreign Income Account
Income allocated to the Final Tax Account	TRA 61	91a	42,500						
Chargeable Income for the year per tax computation	Page 5			92a	80,000	92b	200,000	92c	75,000
Deduct									
Tax thereon (net of tax credits)				93a	28,000	93b	70,000	93c	26,250
Sub-total				94a	52,000	94b	130,000	94c	48,750
Deduct									
Income taxed under Article 27G of the ITA (to FTA)	TRA 89			95a	0				
Taxed Income relieved by tax credits (allocated to FTA)	TRA 35			96a	0	96b	0		
Chargeable Income after tax				97a	52,000	97b	130,000	97c	48,750
Relocation from the FTA - CIS & other	TRA 61	97d	0	97e		97f			
Further adjustment to relocate amounts to the IPA (First allocation - TRA62)				98a		98b		98c	
Chargeable Income after tax for the year allocated				99a	52,000	99b	130,000	99c	48,750
Amount that stands to be allocated to IPA (Second Allocation -TRA 62A)				100a	0				
Transfers from MTA and / or FIA to the IPA				101a	0	101b	0	101c	0
Transfer to the Incentives & Benefits Reserve	TRA 23			101d	0	101e	0		
Additional Reallocation to the FTA (IND Rules)	TRA 100	101f	0			101g	0	101h	0
Income for the year allocated to the different tax accounts		102a	42,500	102b	52,000	102c	130,000	102d	48,750

MOVEMENT OF RESERVES [Reconciliation with Financial Statements - Total Reserves must reconcile with TIFD code 3950 in Balance Sheet]		BROUGHT FORWARD		CURRENT YEAR Allocated		CURRENT YEAR Dividends Paid		CARRIED FORWARD	
Distributable profits [before PROPOSED DIVIDENDS]	B' Sheet	103a	0	103b	379,500	103c	0	103d	379,500
Final Tax Account	TRA 61	104a	0	104b	42,500	104c	0	104d	42,500
Immovable Property Account	TRA 62	105a	0	105b	52,000	105c	0	105d	52,000
Maltese Taxed Account	TRA 63	106a	0	106b	130,000	106c	0	106d	130,000
Foreign Income Account	TRA 63	107a	0	107b	48,750	107c	0	107d	48,750
Untaxed Account		108a	0	108b	106,250	108c	0	108d	106,250
Other Non Distributable profits and Reserves									
Incentives & Benefits Reserve [TIFD code 3904]		109a		109b		109c		109d	0
Other non distributable reserves		110a		110b	0	110c		110d	0
Less proposed dividends as per balance sheet								111a	
TOTAL RESERVES								112a	379,500

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SUMMARY
CASE STUDY – TRA 61

Final Tax Account

Profits allocated to the Final Tax Account		TRA	Movement in reserves - FINAL TAX ACCOUNT (to page 6 of the tax return) Brought Forward	Current Year Net Income after Tax (To Page 6 Return)	Current Year Dividends Paid	Carried Forward
Interests subject to 15% FWT		TRA 09	0	42,500	0	42,500
Rents subject to 5% FWT (Housing Authority)		TRA 11		0		0
ITA / ITMA LN 49 of 2005 - Sale of Agricultural Produce Rules, 2005		TRA 41		0		0
ITA - Article 5A - Profits on transfer of Immovable Property subject to Final Withholding Tax		TRA 53		0		0
Investment Allowance		TRA 06		0		0
Total Exempt Income (less transfers to other taxed accounts or Reserve - 75000)		TRA 18		0		0
Income the tax on which was relieved by tax credits (up to Y/A 2014)						0
ITA - Art 31A - Housing Authority [Rental Income subject to 5% FWT]		TRA 75		0		0
ITA - Art 31B - Housing Authority [FWT 0f 10% deducted from subsidy]		TRA 76		0		0
ITA - Art 31C - Rental income from restored property [rental income subject to FWT]		TRA 77		0		0
ITA - Art 31D - Rental income from letting of residential / commercial tenements subject to FWT		TRA 83		0		0
ITA - Art 27G - Transfers of property by a company that has issued debt securities to the public		TRA 89		0		0
ITA - LN 228 of 2017 - Voluntary Occupational Pension Scheme Rules, 2017		TRA 96		0		0
ITA - Article 31E- Rental of property to another person for at least seven years (Housing Authority Scheme)		TRA 97		0		0
ITA - LN 37 of 2018 - Notional Interest Deduction Rules, 2018		TRA 100		0		0
ITA - Article 5A - Assignment of Rights acquired under a Promise of Sale Agreement Rules, 2020		TRA 119		0		0
ITMA - Option exercised under Article 48(4A)(b)(i)(1) - Taxable profits after tax						0
Other Profits that stand to be allocated to the Final Tax Account (Please specify Legislation)						
Legislation	LN 324 of 2011 - Securitisation vehicle - Rule 7(2)	TRA 74		0		0
Legislation						0
Legislation						0
Adjustments to relocate current year profits						
Legislation	*ITA - Collective Investment Scheme - Relocation*					0
Legislation						0
Totals [to page 6 of the return]		Page 6	0	42,500	0	42,500

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SUMMARY
CASE STUDY – TRA 62 (EXTRACT)

Immovable Property Account [LN 79 of 2008 as amended by LN 247 of 2011]

Has there been an apportionment of income from the provision of accomodation or management services related thereto? No

Election in terms of Rule 9 not to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account
[An election in terms of rule 9 is only made once. It may not be renounced unless, upon being requested, the Commissioner gives his written permission.]

Is the Company electing NOT to allocate distributable profits to the Maltese Taxed Account and Foreign Income Account? No
Has the election been approved by the board of directors? Date of election
Effective date of election

Movement in Reserves (to page 6)

Part 1 - Profits allocated to the Immovable Property Account
[First allocation of Chargeable Income AFTER TAX in terms of Rule 5]

	Tax Rate %	Brought Forward	Allocated Current year	Dividends Paid	Carried Forward
Income the tax on which is relieved by tax credits (TRA 35)	0.00%	0	0	0	0
Income suffering tax at	35.00%	0	52,000	0	52,000
Income suffering tax at					0
Income suffering tax at					0
Sub Totals		0	52,000	0	52,000

Part 2 - Profits allocated to the Immovable Property Account TRA 62A
[Second allocation in terms of Rule 5]

	Tax Rate %	Brought Forward	Allocated Current year	Dividends Paid	Carried Forward
Income the tax on which is relieved by tax credits (relocation from TRA 63)	0.00%		0		0
Income suffering tax at					0
Income suffering tax at					0
Income suffering tax at					0
Sub Totals		0	0	0	0

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SUMMARY
CASE STUDY – TRA 63_1

Allocation to the Foreign Income Account and the Maltese Taxed Account

FOREIGN INCOME ACCOUNT	BROUGHT FORWARD	CURRENT YEAR		CARRIED FORWARD
		Allocated	Dividends Paid	
Income from Participating Holdings **NOT** subject to relief of Double Taxation				0
Income from Participating Holdings subject to relief of Double Taxation				0
Other types of foreign income not subject to relief of Double Taxation				0
Other types of foreign income subject to Treaty/Unilateral Relief	0	48,750	0	48,750
Other types of foreign income subject to FRFTC				0
Income from overseas permanent establishment **not** subject to relief of double taxation				0
Income from overseas permanent establishment subject to relief of double taxation				0
Dividends from local sources received out of foreign income accounts **NOT** subject to relief of Double Taxation				0
Dividends from local sources received out of foreign income accounts subject to relief of Double Taxation				0
Passive interest or royalties **not** subject to relief of Double Taxation				0
Passive Interest or royalties subject to Treaty/Unilateral Relief				0
Passive interest or royalties subject to FRFTC				0
Totals [to page 6 of the tax return]	0	48,750	0	48,750

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SUMMARY
CASE STUDY – TRA 63_2

MALTESE TAXED ACCOUNT				BROUGHT FORWARD	CURRENT YEAR Allocated	CURRENT YEAR Dividends Paid	CARRIED FORWARD
Income from participating holdings							0
Income having suffered tax @	5.00	%					0
Income having suffered tax @	10.00	%					0
Income having suffered tax @	15.00	%					0
Income having suffered tax @	25.00	%					0
Income having suffered tax @	32.50	%					0
Income having suffered tax @	35.00	%		0	130,000	0	130,000
Income having suffered tax @	37.50	%					0
Taxed Income relieved by Tax Credits	0	%	TRA 39		0		0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Income having suffered tax @		%					0
Passive Interest or royalties @		%					0
Passive Interest or royalties @		%					0
Taxed Income relieved by Tax Credits relocated to the IPA							
Totals [to page 6 of the tax return]				0	130,000	0	130,000

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