



MALTA  
INSTITUTE  
OF TAXATION

INDIVIDUAL  
TAXATION

© Malta Institute of Taxation 2022

1

## DISCLAIMER

This material is the intellectual property of Malta Institute of Taxation. It is for the sole use of the registered attendee of the MIT Course on Tax Compliance to whom it was made available, exclusively for their educational purposes. The publication, whether in whole or in part, reproduction, distribution and/or editing of the content is prohibited. Likewise, the recording of a lecture in audio or video, including by means of screenshots, is strictly prohibited.

Any views and opinions that may be expressed during the lecture are those of the speaker and may not necessarily reflect or represent the views and opinions of the Malta Institute of Taxation. Any reference to practices, whether past or present, should not be construed as an endorsement thereof.

As this material is intended for educational purposes only, it does not in any way constitute advice and should not be relied upon as such.

The content of this presentation is intended to reflect the Lecturer's understanding of the legislation and/or practices applicable as at the date of first delivery, that is, the date specified below.



MALTA  
INSTITUTE  
OF TAXATION

© Malta Institute of Taxation 2022

2

## AGENDA

- Applicable Tax Rates
- The Concept of Earned and Unearned Income
- Deductions Available to Individual Workers
- Incentives for Women Returning to Work



© Malta Institute of Taxation 2022

3

## APPLICABLE TAX RATES

© Malta Institute of Taxation 2022

4

## DIFFERENT TAX RATES

- Single Tax Rates
- Married Tax Rates
- Parent Tax Rates
- Non-Resident Tax Rates
- Specific Rates of Tax Applicable to Certain Sources of Income



© Malta Institute of Taxation 2022

5

## SINGLE TAX RATES

APPLICABLE TO:

- Single/Separated/Divorced/Widowed Individuals (who are not eligible for married/parent tax rates)
- Married/Civil Union couple opting for separate tax computation or separate return election (who are not eligible for parent tax rates)

### Tax Rates for Basis year 2022

Chargeable Income (€)

From	To	Tax	Deduct
0	9,100	0%	0
9,101	14,500	15%	1,365
14,501	19,500	25%	2,815
19,501	60,000	25%	2,725
60,001	And over	35%	8,725



© Malta Institute of Taxation 2022

6

## MARRIED TAX RATES

APPLICABLE TO:

- Married/Civil Union couple opting for joint computation
- Single parents if certain conditions are satisfied
- EU/EEA individual whose spouse is not in Malta, but 90% of couple's worldwide income is derived from Malta

### Tax Rates for Basis year 2022

Chargeable Income (€)		Tax	Deduct
From	To		
0	12,700	0%	0
12,701	21,200	15%	1,905
21,201	28,700	25%	4,025
28,701	60,000	25%	3,905
60,001	And over	35%	9,905



MALTA  
INSTITUTE  
OF TAXATION

© Malta Institute of Taxation 2022

7

## PARENT TAX RATES

APPLICABLE TO:

- Single/Separated/Divorced/Widowed Individuals if certain conditions are Satisfied
- Married/Civil Union couple opting for separate tax computation, or separate return election, if certain conditions are satisfied

### Tax Rates for Basis year 2022

Chargeable Income (€)		Tax	Deduct
From	To		
0	10,500	0%	0
10,501	15,800	15%	1,575
15,801	21,200	25%	3,155
21,201	60,000	25%	3,050
60,001	And over	35%	9,050



MALTA  
INSTITUTE  
OF TAXATION

© Malta Institute of Taxation 2022

8

## TAX RATES IN THE YEAR OF MARRIAGE/SEPARATION/DIVORCE

- Marriage - Choose responsible spouse
- Tax return of responsible spouse to include income of responsible spouse for the whole year and income of the other spouse from date of marriage till 31 December – taxed as either joint or separate tax computation
- Tax return of other spouse to include income from 1 January till day before marriage – taxed at single rates
- Separation/divorce – both parties to register separately as a taxpayer as from the year of separation/divorce and tax return will cover entire year



© Malta Institute of Taxation 2022

9

## SEPARATE RETURN ELECTION (1)

- Married couple, both spouses living together, any spouse may make election
- In year of election – either both spouses derive income subject to tax – law specifies income – or via public deed property acquired during marriage is governed by the system of separate property, or by the system of community of residue with separate administration in terms of the Civil Code, or in terms of foreign law still applicable to the couple at the time of election
- Election has effect in respect of year of assessment commencing 1 January of the year immediately following that in which the election is made – until revoked – if election submitted before 1 January 2020 shall have effect as from year of assessment 2021



© Malta Institute of Taxation 2022

10

## SEPARATE RETURN ELECTION (2)

- Provisions how to tax income, deductions, unabsorbed tax losses, unabsorbed capital allowances, unabsorbed tax credits, rental income, investment income
- Separate return election may be revoked by a request to the Commissioner for Revenue – has to be signed by both spouses – cease to have effect as from the year of assessment commencing on 1 January of the year immediately following that in which the notice of revocation is submitted – election will not be available again to the spouses for 5 years
- If separate return election is effective, the responsible spouse cannot make an election to compute tax for the spouses separately – that is in one tax return



© Malta Institute of Taxation 2022

11

## NON RESIDENT TAX RATES

APPLICABLE TO:

- To individuals who spend less than 6 months in the year preceding the year of assessment
- MAY NOT BE APPLICABLE TO non-resident EU/EEA individuals whose 90% (or even less) of his worldwide income is derived from Malta

### Tax Rates for Basis year 2022

Chargeable Income (€)		Tax	Deduct
From	To		
0	700	0%	0
701	3,100	20%	140
3,101	7,800	30%	450
7,801	And over	35%	840



© Malta Institute of Taxation 2022

12

## SPECIAL RATES OF TAX APPLICABLE TO CERTAIN SOURCES OF INCOME (SELECTED)

- Interest – 15% withholding tax
- Rental Income – 15%
- Limited amount of Overtime Hours – 15%
- Part-Time Employment/Self Employment – 10%
- Employment carried out mainly outside Malta – 15%
- Registered player or athlete/Licensed coach – 7.5%

**UPDATED**

N.B other categories of income are also subject to special tax rates e.g in terms of the investment income provisions



MALTA  
INSTITUTE  
OF TAXATION

© Malta Institute of Taxation 2022

13

## THE CONCEPT OF EARNED AND UNEARNED INCOME

© Malta Institute of Taxation 2022

14

## EARNED INCOME

- Income derived from productive work or arising by virtue of past employment (including value of any benefit derived therefrom), such as:
  - Wages;
  - Salaries;
  - Net profit from self-employment;
  - Pension; and
  - Fringe Benefits
- Taxed in the name of individual receiving income



© Malta Institute of Taxation 2022

15

## UNEARNED INCOME

- Income derived from non-productive work, such as:
  - Interest;
  - Dividend;
  - Rent;
  - Capital gain; and
  - Royalty
- Individual, generally taxed with earned income (except where taxed at source, such as, interest, rent)
- Married or Civil Union couple, if separate tax computation taxed with earned income of spouse with higher income (except where taxed at source, such as, interest, rent)



© Malta Institute of Taxation 2022

16



## DEDUCTIONS AVAILABLE TO INDIVIDUAL WORKERS

© Malta Institute of Taxation 2022

17

### ALLOWED PERSONAL DEDUCTIONS (1)

- Alimony payments
- Private school fees
- Child care fees
- Sports fees
- Fees for creative or cultural activities



© Malta Institute of Taxation 2022

18

## ALLOWED PERSONAL DEDUCTIONS (2)

- School transport fees
- Tertiary education fees
- Fees in respect of private residence for the elderly and the disabled
- Donation to the University Research, Innovation and Development Trust/Creativity Trust
- Interest payable on loan/s acquired to obtain specific income (not trading)
- Expenses incurred to earn income in terms of employment or office



© Malta Institute of Taxation 2022

19

## ALLOWED GENERAL DEDUCTIONS

- Self-employment – deductions available against trading income
- Rental – deductions available:
  - Interest on loan acquired to be used on such property being rented;
  - Ground rent/rent;
  - Malta Tourism Authority licence fees, if applicable; and
  - Further deduction of 20% of rental income after deducting ground rent/rent and licence fees



© Malta Institute of Taxation 2022

20

## TAX CREDITS (SELECTED)

- Successful completion of course approved by the Ministry responsible for education and employment – tax credit shall be an amount as may be determined by the Ministry and it shall not exceed 70% of the study costs
- Personal Retirement Scheme – lower of 25% of contributions and €500



© Malta Institute of Taxation 2022

21

## DISALLOWED DEDUCTIONS (1)

- Domestic or private expenses other than those expressly mentioned
- Expenses which are not wholly and exclusively incurred in the production of the income or in the performance of the duties as stipulated by employment or office
- Loss/withdrawal of capital, sum employed for capital purposes
- Cost of any improvements to personal assets



© Malta Institute of Taxation 2022

22

## DISALLOWED DEDUCTIONS (2)

- Loss/expense which is recoverable from an insurance company
- Rent of any personal premises
- Payments of a voluntary nature
- Interest paid/payable to a person not resident in Malta where certain conditions are satisfied



© Malta Institute of Taxation 2022

23

## WORKED EXAMPLES

© Malta Institute of Taxation 2022

24

## EXAMPLE 1–INDIVIDUAL

- Individual – salary €20,150 – FSS €2,313 – rent €600/month - €7,200/annum – no interest, no ground rent, no MTA fees – assumption – passive rent
- Tax computation including rent in the tax return
- Tax computation not including rent in the tax return



© Malta Institute of Taxation 2022

25

## EXAMPLE 1–INDIVIDUAL (continued)

Salary	€20,150
Add Rent	€ 7,200
Less 20% deduction	<u>€ 1,440</u>
Total	<u>€25,910</u>

Tax – (€25,910 x 25%) - €2,725 = €3,753

Tax Due – €3,753 - (FSS) €2,313 = €1,440



© Malta Institute of Taxation 2022

26

### EXAMPLE 1 – INDIVIDUAL (continued)

Salary €20,150

Tax –  $(€20,150 \times 25\%) - €2,725 = €2,313$

Tax Due –  $€2,313 - (\text{FSS}) €2,313 = €0$

TA 24 –  $€7,200 \times 15\% = €1,080$

Optimise tax position by not including rent in tax return – tax saving  $€1,440 - €1,080 = €360$



© Malta Institute of Taxation 2022

27

### EXAMPLE 2 – MARRIED/CIVIL UNION COUPLE

- Responsible spouse – salary €23,165 – FSS €2,741
- Other spouse – salary €14,860 – FSS €654
- One child attending a private independent school at primary level – school fees paid €4,500 – transport fees paid €480



© Malta Institute of Taxation 2022

28

## EXAMPLE 2 – MARRIED/CIVIL UNION COUPLE (continued)

Tax computation	Separate	Separate	Joint
Salary/ies	€23,165	€14,860	€38,025
Less deductions (€1,900 + €150)	<u>€ 2,050</u>	<u>          </u>	<u>€ 2,050</u>
Total	<u>€21,115</u>	<u>€14,860</u>	<u>€35,975</u>



© Malta Institute of Taxation 2022

29

## EXAMPLE 2 – MARRIED/CIVIL UNION COUPLE (continued)

Tax computation	Separate	Separate	Joint
Total	<u>€21,115</u>	<u>€14,860</u>	<u>€35,975</u>
Tax		€ 654	
Parent Rates			
(€21,115 x 25%) - €3,155	€ 2,124		
(€14,860 x 15%) - €1,575			
Married Rates			
(€35,975 x 25%) - €3,905			€ 5,089

Tax/Refund due – (€2,124 + €654) €2,778 - FSS (€2,741 + €654) €3,395 = €617 Refund



© Malta Institute of Taxation 2022

30

### EXAMPLE 3 – NON-RESIDENT

- EU resident – Director's fees from Malta €12,000 – FSS €3,360
- Worldwide income – €80,000



© Malta Institute of Taxation 2022

31

### EXAMPLE 3 – NON-RESIDENT (continued)

Tax – Non-Resident rates on income arising in Malta  
 $(€12,000 \times 35\%) - €840 = €3,360$

Tax – Resident rate on worldwide income  
 $(€80,000 \times 35\%) - €8,725 = €19,275$

Proportion of income arising in Malta to worldwide income -  $€12,000/€80,000 = 15\%$

15% of €19,275 = €2,891

Tax/Refund due – €2,891 - FSS €3,360 = €469 Refund



© Malta Institute of Taxation 2022

32



## INCENTIVES FOR PERSONS RETURNING TO WORK

© Malta Institute of Taxation 2022

33

### TWO SITUATIONS HOW A PERSON MAY BENEFIT ON RETURNING TO EMPLOYMENT (1)

- Has child/children under 16 years of age
- Has child/children born on or after 01/01/2007
- Absence from gainful occupation for at least 5 years immediately preceding return to employment
- Continues or returns to employment on or after 01/01/2007
- Form RA7 or RA9



© Malta Institute of Taxation 2022

34

## BENEFIT (1)

- RA 7
- Tax credit of €2,000 each child
- Availed of in consecutive years not exceeding the number of children plus one, cannot exceed €2,000 in any one year
- Separate tax computation, only against person's income arising from such employment, deemed to constitute first part of income
- Joint tax computation, against that part of couple's total income representing her employment income, deemed to constitute last part of the couple's total income



© Malta Institute of Taxation 2022

35

## BENEFIT (2)

- RA 9
- Tax credit of €5,000
- Availed of in the year commencing employment
- Separate tax computation only may be used
- Income deemed to constitute first part of the person's total income



© Malta Institute of Taxation 2022

36

## EXAMPLES

- RA 7 or RA 9
- Spouse – salary €36,365; Other spouse – salary €29,649
- 2 children – 1<sup>st</sup> child – 16/06/2009; 2<sup>nd</sup> child – 31/07/2014
- Returned to employment in 2019
- RA 9 – more advantageous tax credit



© Malta Institute of Taxation 2022

37

## ANOTHER TWO SITUATIONS HOW A PERSON MAY BENEFIT ON RETURNING TO EMPLOYMENT (2)

- Not yet reached statutory retirement age, never received a pension for past employment
- Absence from gainful occupation for at least 5 years immediately preceding return to employment, not on unemployment register
- Previously been in employment for 24 consecutive months as an employee
- Form RA4
- Married person, over 40 years, excludes holding of an office of director
- Absence from gainful occupation for at least 5 years immediately preceding return to employment, not on unemployment register
- Not earning more than amount stipulated in Deduction Rules (Basis year 2018 - €9,700)
- Form RA19



© Malta Institute of Taxation 2022

38

### BENEFIT (3)

- RA 4
- Tax credit of €2,000
- Availed of in two consecutive years
- Separate tax computation, only against person's income arising from such employment, deemed to constitute first part of income
- Joint tax computation, against that part of couple's total income representing her employment income, deemed to constitute last part of the couple's total income



© Malta Institute of Taxation 2022

39

### BENEFIT (4)

- RA 19
- Basis year 2021 amount must not exceed €9,840
- Joint tax computation
- Exempt
- Available for a period of 5 years



© Malta Institute of Taxation 2022

40

## EXAMPLES

- RA 4
- Spouse – salary €20,637; Other spouse – salary €14,200
- 3 children – 1<sup>st</sup> child – 30/09/1997; 2<sup>nd</sup> child – 02/04/1998; 3<sup>rd</sup> child – 16/06/2000
- Returned to employment in 2019



© Malta Institute of Taxation 2022

41

## EXAMPLES (continued)

- RA 19
- Spouse – salary €24,632; Other spouse – salary €9,700
- Returned to employment in 2019



© Malta Institute of Taxation 2022

42

