Malta Institute of Taxation

Annual Report

and Financial Statements

For the year ended 31 December 2022

Malta Institute of Taxation

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For the year ended 31 December 2022

Contents

Malta Institute of Taxation

General information

Registration

Malta Institute of Taxation is registered in Malta as a Legal Person under the Second Schedule of the Civil Code, Chapter 16 of the Laws of Malta. The Institute's registration number is LPA-66.

Malta Institute of Taxation is also registered as a voluntary organization under Chapter 492, Voluntary Organisations Act. The registration number is VO/2143.

Council Members

The Council members since the beginning of the year up to the date to this report were:

President	Dr. Conrad Cassar Torregiani
Vice-President	Ms. Geraldine Schembri
Treasurer	Mr. Christian Vella
Secretary	Dr. Rachel Zarb Cousin
Vice-Secretary	Dr. Robert Taylor East
Council Member	Dr. Sarah Casolani
Council Member	Dr. John Ellul Sullivan
Council Member	Dr. Edward Attard
Council Member	Dr. Ramona Azzopardi
Council Member	Dr. Trudy Muscat

Registered Office

Level 2, Quantum House
75, Abate Rigord House Street
Ta' Xbiex
Malta

Auditor

Christienne Spiteri, F.I.A., C.P.A.
Hard Rocks Business Park
The Fort, Level 2
Burmarrad Road
Naxxar
Malta.

Malta Institute of Taxation

Council's report

The Council is hereby presenting its annual report together with the audited financial statements of the Institute for the year ended 31 December 2022.

Principal Activity

The principal activity of the Institute is to promote public education and the study of the principles, administration and practice of taxation by organising courses, seminars, conferences and workshops.

Performance Review

During the year ended 31 December 2022, the Institute incurred a deficit after tax amounting to *Eur3,384* compared to a surplus of *Eur19,248* in the prior year. The deficit in the year ended 31 December 2022 is significantly arising from the fair value movement of *Eur24,095*.

Future Developments

The Council expects to improve the Institute's present level of revenue and continue to register positive results in the future years.

Auditor

A resolution to re-appoint Christienne Spiteri, F.I.A., C.P.A. as auditor of the Institute will be proposed at the forthcoming annual general meeting. Christienne Spiteri, F.I.A., C.P.A. has expressed her willingness to continue in office.

Approved by and signed on behalf of the Institute on 30 May 2023.

Dr Conrad Cassar Torregiani
President

Mr Christian Vella
Treasurer

Statement of Management Council's responsibilities
For the year ended 31 December 2022

The Management Council is required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Institute and of the income and expenditure of the Institute for that period. In preparing these financial statements, the Management Council should:

- adopt the going concern basis unless it is inappropriate to presume that the Institute will continue in its operations;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of preceding accounting period.

The Management Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute. This responsibility includes designing, implementing and maintaining such internal control as the Management Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Management Council is also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Malta Institute of Taxation

Statement of Income and Expenditure
For the year ended 31 December 2022

	Note	2022 Eur	2021 Eur
Revenue		**201,022**	180,641
Administrative expenses		**(193,320)**	(168,841)
Other operating income		**10,864**	13,727
Investment income		**3,175**	3,176
Operating surplus		**21,741**	28,703
Unrealised loss on investment		**(24,095)**	(9,455)
(Deficit) / surplus for the year before tax	*3*	**(2,354)**	19,248
Income tax expense	*4*	**(1,030)**	-
(Deficit) / surplus for the year after tax		**(3,384)**	19,248

Malta Institute of Taxation

Statement of affairs
As at 31 December 2022

	Note	2022 Eur	2021 Eur
ASSETS			
Non-current assets			
Intangible assets	*5*	**31,500**	-
Property, plant and equipment	*6*	**1,660**	1,421
Available-for-sale financial assets	*7*	**116,700**	140,795
		149,860	142,216
Current assets			
Trade and other receivables	*8*	**26,258**	14,260
Cash and bank balances		**296,710**	335,818
		322,968	350,078
Total assets		**472,828**	492,294
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		**322,663**	326,047
Liabilities			
Current liabilities			
Trade and other payables	*9*	**149,650**	166,247
Taxation		**515**	-
		150,165	166,247
Total funds and liabilities		**472,828**	492,294

The financial statements set out on pages 4 to 13 were approved and authorised for issue by the Management Council on 30 May 2023 and signed by:

Dr Conrad Cassar Torregiani
President

Mr Christian Vella
Treasurer

1. Basis of preparation

1.1 Basis of measurement and statement of compliance

The financial statements of Malta Institute of Taxation ("the Institute") have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"). The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, which are stated at their fair value, as disclosed in the accounting policies below.

The significant accounting policies adopted are set out below.

1.2 Functional and presentation currency

The financial statements are presented in Euro (Eur), which is the Institute's functional currency.

2. Significant accounting policies

2.1 Intangible assets

Development costs

Development costs on an individual project are recognised as an intangible asset when the Institute can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sale the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

2. Significant accounting policies (continued)

2.2 Property, plant and equipment

Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits that are associated with the asset will flow to the entity and the cost can be measured reliably. Property, plant and equipment are initially measured at cost comprising the purchase price, any costs directly attributable to bringing the assets to a working condition for their intended use, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure is capitalised as part of the cost of property, plant and equipment only if it enhances the economic benefits of an asset in excess of the previously assessed standard of performance, or it replaces or restores a component that has been separately depreciated over its useful life.

After initial recognition, property, plant and equipment may be carried under the cost model, that is at cost less any accumulated depreciation and any accumulated impairment losses, or under the revaluation model, that is at their fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated to write down the carrying amount of the asset on a systematic basis over its expected useful life. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. The depreciation charge for each period is recognised in profit or loss.

The rate of depreciation used for items of property, plant and equipment is the following:

- Office equipment - 33% per annum straight line

Depreciation method, useful life and residual value

The depreciation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

Derecognition of property, plant and equipment

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in profit or loss in the period of derecognition.

2. Significant accounting policies (continued)

2.3 Financial assets, financial liabilities and equity

A financial asset or a financial liability is recognised on the Institute's balance sheet when the Institute becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the entity.

An equity instrument is any contract that evidences a residual interest in the assets of the Institute after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

(i) Trade and other receivables

Trade and other receivables are stated at their nominal value unless the effect of discounting is material in which case trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence of impairment.

(ii) Investments

Available-for-sale (the 'AFSs') financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to maturity or held for trading investments. After initial recognition, the Institute carries its AFS investments under the fair value model, which is the market price as quoted on the Malta Stock Exchange. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the Statement of Income and Expenditure in the period in which they arise and included within the line item "Unrealised loss on investments".

(iii) Trade and other payables

Trade and other payables are stated at their nominal value unless the effect of discounting is material, in which trade and other payables are measured at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

2.4 Impairment

The Institute's property, plant and equipment, intangible assets and financial assets are tested for impairment.

(i) Property, plant and equipment and intangible assets

The carrying amounts of the Institute's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

The carrying amounts of Institute's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase unless an impairment loss on the same asset was previously recognised in profit or loss.

(ii) Financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Significant accounting policies (continued)

2.4 Impairment (continued)

(ii) Financial assets (continued)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost or cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost/cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.5 Cash and cash equivalents

Cash comprise cash in hand and demand deposits.

2.6 Income

Membership fees

Income from membership fees is recognised when the outcome of the transaction can be estimated reliably.

Rendering of services

Income from the rendering of seminars and tax law courses is recognised when the services are rendered.

2.7 Employee benefits

The Institute contributes towards the state pension in accordance with local legislation. The only obligation of the Institute is to make the required contributions. Costs are expensed in the period in which they are incurred.

3. (Deficit) / surplus for the year

3.1 Total remuneration paid to the Institute's auditor during the year amounts to:

	2022 Eur	2021 Eur
Audit fee	**1,100**	1,000

3.2 The average number of persons employed by the Institute during the year was 6 (2021: 5).

4. Income tax expense

Malta Institute of Taxation is exempt from tax on its principal income by virtue of an exemption in accordance with Section 4(4) of the Income Tax Act, Cap 123. The Malta Institute of Taxation is subject to tax on passive income.

5. Intangible assets

	Developments Eur
Cost	
At 01.01.2022	-
Additions	31,500
At 31.12.2022	31,500
Accumulated amortisation	
At 01.01.2022 / 31.12.2022	-
Net book value	
At 31.12.2021	-
At 31.12.2022	**31,500**

6. Property, plant and equipment

	Office equipment Eur
Cost	
At 01.01.2022	16,192
Additions	1,700
At 31.12.2022	17,892
Accumulated depreciation	
At 01.01.2022	14,771
Provision for the year	1,461
At 31.12.2022	16,232
Net book value	
At 31.12.2021	1,421
At 31.12.2022	**1,660**

7. Available-for-sale financial assets

	2022 Eur	2021 Eur
Cost		
At the beginning of the year	**127,500**	127,500
Additions	**-**	-
At the end of the year	**127,500**	127,500
Unrealised movement on market value		
At the beginning of the year	**13,295**	22,750
Movement for the year	**(24,095)**	(9,455)
At the end of the year	**(10,800)**	13,295
Carrying amount at year end	**116,700**	140,795

8. Trade and other receivables

	2022 **Eur**	2021 Eur
Trade receivables	**22,713**	4,662
Other receivables	**-**	4,000
Prepayments	**3,545**	5,598
	26,258	14,260

9. Trade and other payables

	2022 **Eur**	2021 Eur
Trade payables	**34,140**	14,916
Other payables	**5,572**	3,619
Accrued expenses	**2,360**	11,735
Deferred income	**106,005**	133,952
Indirect taxes	**1,573**	2,025
	149,650	166,247

Christienne Spiteri, F.I.A., C.P.A.
Hard Rocks Business Park, The Fort, Level 2, Office 4, Burmarrad Road, Naxxar, Malta.

INDEPENDENT AUDITOR'S REPORT

To the Members of Malta Institute of Taxation

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Malta Institute of Taxation (the Institute), set out on pages 4 to 13, which comprise the statement of affairs as at 31 December 2022, the statement of income and expenditure, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view the statement of affairs of the Institute as at 31 December 2022, and of its financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME").

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibility under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Institute in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to my audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281)* in Malta, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Management Council is responsible for the other information. The other information comprises the information included in the general information on page 1, the Council's report on page 2 and Management Council's responsibilities on page 3, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Management Council

The Management Council is responsible for the preparation of the financial statements that give a true and fair view in accordance with GAPSME, and for such internal control as the Management Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Council is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Council intends to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Council.

- Conclude on the appropriateness of the Management Council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Management Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

I also have the responsibilities to report to you if, in my opinion:

- The information given is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches not visited by me.
- The financial statements are not in agreement with the accounting records and returns.
- I have not received all the information and explanations I require for my audit.

I have nothing to report to you in respect of these responsibilities.

Christienne Spiteri

Christienne Spiteri
Registered Auditor

Hard Rocks Business Park
The Fort, Level 2, Office 4
Burmarrad Road
Naxxar, Malta.

Date: 30 May 2023

The Schedule on the page that follows does not form part of the financial statements

Malta Institute of Taxation

Schedule – Administrative expenses
For the year ended 31 December 2022

	2022	2021
	Eur	Eur
Accountancy fees	**6,300**	7,930
Advertising costs	**4,289**	8,736
Amortisation	**-**	6,353
Audit fee	**1,100**	1,000
Attendance at CFE conferences	**2,562**	-
Bank charges	**2,671**	2,724
Computer expenses	**5,348**	3,103
(Decrease) / increase in provision for bad debts	**(12,705)**	5,555
Depreciation	**1,461**	1,170
General expenses	**14,226**	8,129
Insurance costs	**805**	336
Local meeting expenses	**2,092**	1,004
Printing and stationery	**1,470**	1,220
Professional fees	**1,310**	978
Recruitment costs	**1,170**	10,500
Rental expense	**12,848**	10,957
Repairs and maintenance	**-**	295
Subscription fees	**2,374**	3,333
Telecommunication expenses	**1,019**	493
Wages and salaries	**144,661**	95,125
Water and electricity	**319**	(100)
	193,320	168,841