



MALTA
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CERTIFICATE IN TAX
COMPLIANCE 2022-
2023

Part C – Value Added
Tax

Lecture 4 – Output
VAT

Samantha Agius

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Date: 11 May 2023



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AGENDA

- Taxable amount
- Tax point
- Tax rates
- Exemptions
- Reverse-charge mechanism



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TAXABLE AMOUNT

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PLACE OF SUPPLY TAXABLE AMOUNT

- **Seventh Schedule** to the VAT Act

The taxable value of a supply shall be the total value of the consideration paid or payable to the supplier by the purchaser, the customer or any other person for the supply, including any subsidy directly linked to the provision of that supply, but excluding the VAT chargeable on that supply

The taxable value of a supply shall **include**:

- (a) taxes, duties, levies, fees and other charges (excluding VAT) payable by reason of the supply
- (b) incidental expenses, such as commissions, packing, transport and insurance costs charged by the supplier to the purchaser or customer



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PLACE OF SUPPLY TAXABLE AMOUNT

The taxable value of a supply shall **not include**:

- (a) price reductions by way of discounts for early payment
- (b) rebates & price reductions allowed by the supplier to the customer and accounted for at the time of the supply
- (c) penalties and interests charged for late payment after the time of the supply
- (d) disbursements paid in the name & for the account of the person to whom the supply is made resulting from documents held by the supplier to have been so paid and entered in a suspense account
- (e) any amount charged to the customer by way of a deposit on returnable packing of goods where the deposit is lower than the cost of the packing



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PLACE OF SUPPLY

REDUCTION IN TAXABLE AMOUNT

When after a supply takes place:

- The consideration is reduced by way of discount or rebate allowed for bona fide commercial reasons; or
- The consideration is not payable or is repayable to the customer on account of the revocation of the contract; or
- The amount due becomes a bad debt

the taxable value of that supply shall be reduced accordingly



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PLACE OF SUPPLY

TAXABLE AMOUNT

Where the consideration is paid or payable wholly or partly in kind or where the value of the consideration for a supply cannot be easily determined, the taxable value of that supply shall be its open market value

The open market value of goods or services means the price which they would fetch if sold or provided in the open market on the date and in the state they were in when the said goods are delivered or the said services are performed



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TAX POINT

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PLACE OF SUPPLY TAX POINT

- **Fourth Schedule** to the VAT Act
- The point in time when VAT is chargeable on a supply
- The VAT on a supply made in Malta (other than exempt ICS) is chargeable on the earlier of:
 - The date when the chargeable event takes place
 - The date when a payment is made for the supply to the extent covered by payments
- Provided that where a tax invoice is issued by the fifteenth day of the month following the date determined under the foregoing provisions of this subsection the tax becomes chargeable on the date of the invoice

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PLACE OF SUPPLY TAX POINT

Supplies of Goods

- Chargeable event takes place on the date when the goods are **delivered**

Supplies of Services

- Chargeable event takes place on the date when the services are **performed**

In the case of the supply of goods or services which gives rise to successive statements of account or successive payments, the goods or services shall be deemed to be delivered up to the value covered by the statement on the last day of the period to which such statement of account / payment refers

But, when a continuous supply of goods or services does not give rise to statements of account or payments during a year, it shall be regarded as being delivered at least at intervals of one year



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PLACE OF SUPPLY TAX POINT

Intra-community acquisition

- Chargeable event takes place on the date which would be the date of chargeable event had those goods been supplied in the MS when the acquisition is made
- The tax on an intra-community acquisition becomes chargeable on the earlier of the following two dates:
 - the fifteenth day of the month following the date of acquisition
 - the date on which a tax invoice is issued to the person making the acquisition for the supply of goods in question



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PLACE OF SUPPLY

TAX POINT

Importation

- When goods are, on importation placed under a customs duty suspension regime the chargeable event takes place and the tax becomes chargeable on the date when they cease to remain subject to that regime



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TAX RATES

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PLACE OF SUPPLY

RATE OF TAX

- The tax chargeable on every taxable supply, (other than supplies qualifying for a reduced VAT rate) shall be at the rate of 18% of the taxable value of the supply
- **Eighth Schedule** to the VAT Act provides for supplies which qualify for the reduced VAT rate of 5% or 7%
- **Fifth Schedule** to the VAT Act provides for supplies of goods and services which are exempt with credit (zero rated) and exempt without credit



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PLACE OF SUPPLY

SUPPLIES WHICH QUALIFY FOR THE REDUCED VAT RATE

- The letting of or the provision of accommodation in any premises which for the purpose of the provision of such accommodation is required to be licensed in virtue of the Malta Travel and Tourism Services Act
 - Accommodation, when provided on a bed and breakfast, half board or full board basis, also includes the provision of such services when included in the price thereof;
 - Reduced rate applies only in cases where the provision of the said accommodation requires it to be licensed by virtue of the MTTS Act;
 - If letting does not necessitate a license, the supply would be classified as exempt without credit;
 - In case the price charged for accommodation includes supplies of goods and services not falling within the definition of accommodation it shall be deemed that 80% of the said price to be accommodation and 20% to be other goods or services
- Use of sporting facilities



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PLACE OF SUPPLY

SUPPLIES WHICH QUALIFY FOR THE REDUCED VAT RATE

- The supply of electricity
- Confectionery and similar items
- Medical accessories and services closely linked to COVID
- Printed matter including audio books, books and similar printed matter, supplied on CD, DVD, SDcard and USB
- Items for the exclusive use of the disabled
- Works of art, collector's items and antiques
- Minor repairing of bicycles, shoes and leather goods, clothing and household linen
- Domestic care services such as home help and care of the young, elderly, sick or disabled
- Admission to museums, art exhibitions, concerts and theatres



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PLACE OF SUPPLY

EXEMPTIONS

There are 2 types of exempt supplies:

Exempt with credit supplies

- The supplier of the goods or services does not charge VAT on his supplies but he is still entitled to claim a credit for any input VAT suffered (zero rated supplies)

Exempt without credit supplies

- The supplier of the goods or services does not charge VAT on his supplies and is NOT entitled to claim a credit for any input VAT suffered



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Exports and like transactions

The supply of goods dispatched or transported to a destination outside the Community by or on behalf of the seller

Intra-community supplies

The ICS of goods to a person who is identified on the relative invoice as a person identified for VAT purposes by a valid and active value added tax identification number in a MS other than Malta



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

International goods traffic

1. The supply of goods intended to be placed or while they are placed under a customs duty suspension regime
2. The supply of services consisting in work on movable goods that are intended to be placed or while they are place under a customs duty suspension regime



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

International transport and ancillary services

1. The international transport of persons; the transport of luggage and motor vehicles accompanying passengers and the supply of services related to the international transport of passengers
2. The transport of goods from a third territory and the supply of services ancillary thereto; where the value of these transport and ancillary services are included in the taxable value of the importation of those goods
3. The transport of goods which is directly connected with the export of those goods outside the Community
4. The transport of goods that are subject to a customs duty suspension regime



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

International transport and ancillary services (cont.)

5. The supply of services used for the purpose of transport referred to in 3 and 4 above and relating to the loading, unloading, transshipment, handling, stowage, weighing, measuring, control, valuation, storage, supervision or delivery
6. The supply of services relating to customs formalities on importation into or exportation outside the Community or on transit
7. The intra-community transport of goods effected to or from the islands composing the autonomous regions of Azores or Madera as well as ancillary services thereto



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Broker or other intermediaries

The supply of services of brokers and other intermediaries who act in the name and for the account of another person when these persons take part in exempted operations



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Sea Vessels

1. The supply of vessels:
 - used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or fishing activities;
 - used for rescue or assistance at sea or for coastal fishing;
 - of war
2. The supply to constructors, owners or operators of the vessels referred to above of equipment incorporated or used therein
3. The supply of services consisting of the modification, maintenance, chartering and hiring of the vessels referred to in 1 or equipment referred to in 2



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Sea Vessels (cont.)

4. The supply to the owners or to the operators of vessels referred to in 1 of goods for the fuelling or provisioning thereof
5. The supply of services other than those referred to in 3, carried out for the direct needs of the vessels referred to in 1 with the exception of war vessels, and for the direct needs of their cargo such as towage, pilotage, mooring, rescue services, valuation, use of ports, services provided to the ship-owners by the maritime agents acting as such, services necessary for the entrance, departure or stay of the vessel in ports, and assistance provided to the passengers or the crew for the account of the ship owner



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Aircraft

1. The supply of aircraft destined to be used by airline operators for reward chiefly for international transport of passengers and/or goods
2. The supply to constructors, owners or operators of aircraft referred to in 1 of equipment incorporated or used therein
3. The supply of services consisting of the modification, maintenance, chartering and hiring of aircraft referred to in 1 or equipment referred to in 2
4. The supply to the owners or to the operators of aircraft referred to in 1 of goods for the fuelling or provisioning thereof



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Aircraft (cont.)

5. The supply of services other than those referred to in 3, carried out for the direct needs of aircraft referred to in 1 and for the direct needs of their cargo such as towage, pilotage, rescue services, valuation, use of airports, services provided to aircraft operators by their agents acting as such, services necessary for the landing, take off or stay in airports, and assistance provided to the passengers or the crew for the account of the airline operators



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Gold

1. The supply of gold to the Central Bank of Malta
2. The supply of investment gold as defined in the Fourteenth Schedule
3. The supply of services of agents who intervene in the supply of gold on behalf of their principal
4. Exemptions in 2 and 3 apply unless Option to Tax



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Food

The supply of food for human consumption, excluding food supplied in the course of catering

Food is defined in Item 1 of Part 5 of Schedule 5 according to the Customs Tariff

Food supplied in the course of catering is defined in item 1 of Part 5 of Schedule 5 as follows: food which is suitable for immediate consumption, whether such food is consumed in the place where it is supplied or not and consisting of-

- a. meals or snacks;
- b. milkshake, tea, coffee and chocolate supplied in liquid form;
- c. ice cream or products containing ice cream except in family pack;
- d. yogurt or similar products



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Pharmaceutical goods

The supply of pharmaceutical goods. These are defined in item 3 of Part 5 of Schedule 5 according to the Customs Tariff.

Supplies of goods on board cruise liners

The supply of goods for consumption on board cruise liners where the place of supply is Malta



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PLACE OF SUPPLY

EXEMPT **WITH** CREDIT

Transport

The supply of -

1. transport by the scheduled bus service consisting of trips on scheduled routes;
2. scheduled inter-island sea transport of passengers by authorised carriers and other scheduled sea transport of passengers recognised as such by the Commissioner;
3. special regular services consisting in the carriage of school pupils and students to and from an educational establishment recognised as such by the Commissioner;
4. special regular services consisting in the carriage of workers to and from their place of work



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Immovable property

1. The transfer of immovable property
2. The letting of immovable property excluding –
 - a. the letting of or the provision of accommodation in any premises which for the purpose of the said letting or accommodation is required to be licensed in virtue of the Malta Travel and Tourism Services Act, or in a holiday camp or camping site;
 - b. the letting of premises and sites for parking vehicles where such premises or sites have been designated by the Commissioner as such;
 - c. the letting of permanently installed equipment and machinery and the hire of safes;



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Immovable property (cont.)

- d. the letting of property by a limited liability company to a person registered under Article 10 for the purpose of the economic activity of that other person
- e. the letting of immovable property for not more than 30 days by a taxable person in the course of an economic activity, except for:
 - i. The letting referred to in sub-paragraphs (a), (b), (c) and (d)
 - ii. The letting of space for artistic and cultural activities
 - iii. The letting for the purpose of habitation of any premises which for the purpose of the said letting, those premises are not required to be licensed in virtue of the MTTA Act, or any other Act
 - iv. The letting of premises used or intended to be used as garages or similar uses
 - v. The letting to players of rooms or other spaces lawfully designated for the playing of poker



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Immovable property (cont.)

Tourist means any person who is travelling to and staying in places outside his usual environment for not more than one consecutive year for leisure, business and other personal purpose other than by taking up employment or to establish a business in the place visited



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Insurance services

1. The supply by persons licensed under the Insurance Business Act or the Insurance Distribution Act, of insurance and reinsurance transactions, including related services, in respect of which they are so licensed, where those services are specific to and essential for the provision of insurance or reinsurance transactions
2. Extended to road assistance services provided for a fixed subscription, by a taxable person who undertakes to provide such assistance should the risk of breakdown or accident covered by that person materialises



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Credit, banking and other services

1. The granting and the negotiation of credit and the management of credit by the person granting it
 - Credit transactions (such as loans, overdrafts and similar instruments)
 - Negotiation of such credit transactions
 - Services of management of credit by the person granting the credit

"...must...viewed broadly, form a distinct whole, fulfilling the specific, essential functions of a service described in that provision"

"..it is not negotiation where one of the parties entrusts to a sub-contractor some of the clerical formalities relating to a contract"



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Credit, banking and other services

Such exemption does not extend to services related to:

- Credit checking
- Valuation of assets such as property, land, vehicles
- Authorisation/due diligence services
- Taking decisions on credit application on behalf of the credit provider
- Creating and maintaining records on behalf of the credit provider
- Monitoring a creditor's payment record or dealing with overdue payments



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Credit, banking and other services

2. The negotiation of or any dealings in credit guarantees or any other security for money and the management of credit guarantees by the person who is granting the credit
3. Transactions, including negotiation, concerning deposit and current accounts, payments, transfers, debts, cheques and other negotiable instruments, **but excluding debt collection and factoring**
4. Transactions, including negotiation, concerning currency, bank notes and coins used as legal tender



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Credit, banking and other services (cont.)

5. Transactions, including negotiation, **excluding management and safekeeping**, in shares, interest in companies or associations, debentures and other securities, excluding:
 - o documents establishing title to goods;
 - o certain interest in immovable property;
 - o rights in rem giving the holder thereof a right of user over immovable property;
 - o shares or interests equivalent to shares giving the holder thereof de jure or de facto rights of ownership or possession over immovable property or part thereof



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Credit, banking and other services (cont.)

6. The supply of services consisting of the management of any investment scheme provided that these services are limited to those activities that are specific and essential for the core activity of the scheme

Provided further that investment schemes shall refer to:

"collective investment scheme" as defined under the Investment Services Act; "retirement scheme" as defined under the Retirement Pensions Act; "securitisation vehicle" as defined under the Securitisation Act; and "authorised reinsurance special purpose vehicle" as defined in the Re-Insurance Special Purpose Vehicle Regulations



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Cultural and religious services

Religious services and cultural services linked thereto as may be approved by the Minister

Sports

The supply by non-profit making organisations of such services related to sport or physical recreation and provided to persons taking part in sport or educational education as may be approved by the Minister

Water

The supply of water services by a public authority



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Services supplied by independent groups

Services supplied by independent groups of persons whose activities are exempt from or not subject to VAT, for the purpose of rendering to their members the services directly necessary for the exercise of their activity, where these groups merely claim from their members exact reimbursements of their share of the joint expenses, provided that such exemption is not likely to produce distortion of competition

Services by non-profit making organisations to their members

The supply of services for the benefit of their members in return for a subscription fixed in accordance with their rules by non-profit making organisations with aims of a political, trade union, religious, patriotic, philosophical, philanthropic or civic nature or whose main purpose is to represent and promote the common business or professional interests of their members



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Health and Welfare

1. The supply of services by a person in the exercise of any profession regulated by the Health Care Professions Act or the Psychology Profession Act, or any Act which may be substituted therefor
2. The provision of care or medical or surgical treatment in any government hospital or institution or in any other hospital or institution approved by the Minister
3. The supply of human organs, blood and milk
4. The supply of welfare services, including services supplied by homes for the elderly, and services for the protection and care of children and young people, supplied by any government institution or by any institution or organization recognised by the Commissioner as a non-profit making institution or approved by the Minister as any institution whose activities fall within the social and welfare policy of the government



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Health and Welfare (cont.)

5. The supply of transport services for sick, injured or disabled persons in vehicles specially designed for that purpose
6. The supply of goods where the said supply is connected with and essential for the supply of services referred to in paragraphs 2 and 4 above by the hospital, institution or home, as the case may be, supplying the said services



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Education

1. The provision of education or educational research, including distance learning, by a government school or institution, by the University of Malta, by a school or institution registered under the Education Act or by an educational establishment recognized as such by the Commissioner
2. The provision of education or educational research, including distance learning, of a kind provided by a school or university, or of religious instruction, by a non-profit making institution recognized as such by the Commissioner
3. Tuition given privately by teachers acting in an independent capacity in subjects which are normally taught in the course of education provided by a school or university but excluding tuition in recreational, physical or sporting activities or disciplines



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Education (cont.)

4. Any training in the arts which is provided by an organisation accredited by the Register for the Accreditation in the Training of the Arts
5. The supply of goods and services where the said supply is connected with and essential for the supply of services referred to in paragraph (1), (2), (3) and (4) by the school, institution, university, teacher or organization. The term "connected with and essential for" does not refer to the following:
 - o The provision of accommodation
 - o Catering services
 - o The letting of any movable or immovable tangible property
 - o Parking facilities
 - o Social activities and entertainment

The supply of an excursion shall only be considered as connected with and essential for when this would form part of a study visit in the course of the provision of education in school curriculum subjects



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Supplies of goods in respect of which the supplier had not qualified for input tax credits

Supplies of goods in respect of which the supplier had not qualified for input tax credits

Broadcasting

The activities of public radio and television bodies other than those of a commercial nature

Postal Services

The supply of public postal services, including postage stamps, incidental thereto



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Lotteries

Government lotto and lotteries, the supply of agency services, related thereto, and such other supplies related to gambling as may be approved by the Minister

Up to 31 December 2017

Services supplied by companies licensed by the Malta Gaming Authority (MGA) where such services were carried out pursuant to the said licence or by persons exempt from the requirement to procure a license on the basis of the recognition rules contained in the relevant local legislation were classified as exempt (without credit) supplies related to gambling



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Lotteries

As from 1 January 2018

- i. The provision of any facilities for the placing of bets and wagers, including the services of bookmakers, betting exchanges and any equivalent facility
 - The 'placing of bets and wagers' refers to gambling on the outcome of an event, which outcome is unknown at the time of the placing of the bet or wager
 - The term 'event' includes, but is not limited to: a sporting event, both real life or virtual; a competition; a lottery; the performance of an index; and a natural phenomenon
 - 'Placing of bets and wagers' shall exclude: (a) gambling on the outcome of casino-type table games such as blackjack, poker and roulette, and (b) any games of chance, the outcome of which is determined by a random generator



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Lotteries (cont.)

As from 1 January 2018

- ii. The granting of the right to participate in a lotto or lottery, including Grand Lottery, Super 5, scratch cards, keno and any other lottery-type games
- iii. The granting of the right to participate in a bingo game
- iv. The provision to players of devices or equipment for the playing of casino-type games of chance, the outcome of which is determined by a random generator, including tables for the playing of roulette, blackjack, baccarat, poker when played against the house, and slot machines
 - The terms "devices or equipment" refers to game tables, machines and other similar objects which are physically located in such premises or location, including a studio, which is licensed, or otherwise recognised, by the Malta Gaming Authority, whether accessed by the player physically or remotely



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Lotteries

As from 1 January 2018

- v. Supplies which are strictly required, related and essential to, and which form part of, an underlying gambling or betting transaction falling within paragraphs i. – iv. above, as shall be determined by the MGA



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PLACE OF SUPPLY

EXEMPT **WITHOUT** CREDIT

Services related to certain exempt services

1. The supply of staff by religious and philosophical institutions recognised as such by the Commissioner for the purpose of providing services with a view to spiritual welfare
2. The supply of goods and services by a non-profit making organisation in the course of an activity designed to raise funds to be used for the provision of goods and services which are exempt



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PLACE OF SUPPLY REVERSE CHARGE MECHANISM

- Refers to a person who is obliged to account for VAT on a supply
- Obligation to account for VAT on a supply normally falls on the supplier
- Results in cumbersome VAT obligations particularly in the context of B2B place of supply of cross border services
- The obligation to account for the VAT on a cross border supply is shifted from the supplier to the customer who accounts for such VAT under the reverse charge mechanism
- Aims to avoid a taxable person having to satisfy VAT compliance obligations in more than one country



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