



MALTA
INSTITUTE
OF TAXATION

MIT COURSE ON TAXATION

2025-2026 MODULE A EXAMINATION PAPER

DATE: MONDAY 17TH NOVEMBER 2025

TIME: 17:00 - 19:15HRS (including 15 minutes reading time)

PREMISES: ST ALOYSIUS SIXTH FORM, B'KARA

INSTRUCTIONS:

1. The examination is held in accordance with the Course Regulation. No materials or reference books are to be brought into the examination hall save as allowed by the Regulations.
 2. Dark blue or black ball-point pens should be used.
 3. Use only one side of the writing paper provided. Insert your Index number, the Question number and the Page number on each page. Jottings and drafts are to be clearly cancelled. Please do not write underneath the last line on the writing paper.
 4. Candidates are to answer ANY TWO QUESTIONS.
 5. Each question carries 50 marks.
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QUESTION 1

Kindly note that this Question consists of two parts, and you are required to answer all of the questions included in each of the two parts.

Mr Spent, an individual who is not resident and not domiciled in Malta owns Food Factory Limited ('FF') which was incorporated in Malta during the calendar year 2021. FF is in the food production business. However, it has ceased business operations during the year 2024. FF has always registered tax losses and the unabsorbed tax losses balance as at the end of the year 2024 amounts to €17,000. FF purchased catering equipment at the start of the operations costing €50,000 and was not used following business closure.

Required:

- i. Explain:
 - a. The Maltese basis of taxation for FF and Mr Spent. (5 marks)
 - b. How tax losses can be utilised. (5 marks)
- ii. Calculate any capital allowances carried forward for the year 2024. (5 marks)
- iii. Is a balancing statement required to be prepared for the year 2024? Provide reasons for your answer. (5 marks)

FF is contemplating resuming operations using the catering equipment in a potential restaurant operation it is considering purchasing. FF shall purchase a business consisting of catering equipment valued at €150,000. The purchase as a going concern shall amount to €300,000 inclusive of the aforementioned catering equipment. The company shall finance the acquisition via a shareholder's loan with an interest charge of 8% per annum.

Required:

- iv. Explain the deduction outlined in Article 14(1)(ma) concerning the deduction entitlement in cases of acquisition of a business permit, concession or commercial lease. Provide insights on whether the said deduction can be useful to FF or otherwise. Substantiate your answer clearly. (10 marks)
- v. Calculate the chargeable income of FF for the next 3 years i.e fiscal years 2025, 2026 and 2027 if the chargeable income before wear and tear allowances amounts to €80,000 per annum. Show clearly detailed calculation of capital allowances and balances brought forward and carried forward from year to year. Assume that the difference between the consideration for the business transfer amounting to €300,000 and the value of the catering equipment acquired amounting to €150,000 represents goodwill. (10 marks)
- vi. If the difference between the consideration for the business transfer amounting to €300,000 and the value of the catering equipment acquired amounting to €150,000 represent the cost of the acquisition of the restaurant in Malta being immovable property situated in Malta. Explain how your calculations in (v) would be impacted? (5 marks)

- vii. In which tax account shall the profit after tax (if any) be allocated. Will Mr Spent be entitled to claim a tax refund upon taxed profits being distributed? What will be the procedure to claim such refund and the amount estimated?
(5 marks)

[TOTAL: 50 marks]

N.B - Capital Allowances rates
Catering equipment – Minimum 6 years

QUESTION 2

Nafer Limited is a company incorporated in Malta whose objects are to hold a range of investments. The company is owned by 5 individual shareholders who are neither resident nor domiciled in Malta.

The following are the income streams of the company for the year ending 31 December 2024 which were all received in its bank account.

- A. A dividend of €25,000 from Malta Limited a company registered in Malta where its income is derived from interest from passive investments in Malta Government Bonds were the directors of Malta Limited opted for the 15% final withholding tax in terms of the investment income provisions.
- B. A dividend of €50,000 paid from the untaxed account of Gozo Limited, a company registered in Malta.
- C. A gross dividend of €32,000 from the foreign income account of Kemmuna Limited a company registered in Malta.
- D. A gross dividend of €12,000 paid by a Maltese bank – Banco Maltese listed on the Maltese stock exchange whose business is solely the granting of loans in relation to the acquisition of immovable property in Malta.
- E. A dividend of €65,000 (net of tax at 15%) distributed by Sweed AB, a partnership registered in Sweeden. The share capital of Sweed AB is divided into shares, and Nafer's holding entitle it to vote and profit distribution but not entitled to winding up rights. The total nominal value of the investment in Sweed AB is €800,000 representing 6.2% of the share capital of Swedish AB.
- F. A dividend of €310,000 distributed by Estonia Ltd a limited liability company registered in Estonia. Nafer holds 90% of the voting rights and profit participating rights. The Estonian company derives consistent passive interest and royalties as its income.
- G. A dividend of €3,000 distributed by LAL Inc a limited liability company registered in the Gurnsey. Nafer is the sole shareholder. The profits of LAL Inc consist of passive royalties. The dividend distributed by LAL Inc are not subject to withholding tax in Gurnsey. In terms of the laws of Gurnsey no tax is paid at the level of LAL Inc.
- H. Nafer received interest income on loans advanced to shareholders amounting to €6,500 and from a savings account with a Maltese bank gross of tax amounting to €250.
- I. Nafer also financed the operations of LAL Inc. via a shareholder's loan on which interest accrued amounted to €120,000.
- J. During the course of the year Nafer had the following expenses:
 - a. Rent payable in respect to its registered office €1,200
 - b. Legal fees in relation to the acquisition of Sweed AB – €3,500
 - c. Feasibility study fees relating to the acquisition of new shares – €2,000
 - d. Interest paid on money borrowed to acquire shares in Banco Maltese – €1,000

The company's Memorandum enable it to make use of the flat rate foreign tax credit (FRFTC).

Required:

- i. Allocate Nafer's profit chargeable to tax to the relevant tax accounts including the untaxed account and calculate the tax payable for the year 31st December 2024. Show the amount to be allocated to each tax account.

Provide an explanation for each allocation and tax treatment adopted.

(35 marks)

- ii. Calculate the total tax refund available to its shareholders if Nafer distributed all of its available profits.

(5 marks)

- iii. Provide insights on whether a Fiscal Group can be constituted and which are the conditions to be satisfied. Discuss the advantages and disadvantages of such an option.

(10 marks)

[TOTAL: 50 marks]

QUESTION 3

Kindly note that this Question consists of two parts, and you are required to answer all of the questions included in each of the two parts.

A. Ninu and Guza a young married couple born and raised in Germany moved to Malta to take up residence in Malta. They came to Malta on 1st January 2025 with the intention of residing in Malta for at least six years as they would wish to return to Frankfurt.

In Germany Guza worked as a media consultant on a self-employment basis. Since most of her work was performed online she intends to continue these services in Malta and is estimating to earn €60,000 per annum. Upon arrival she spotted an opportunity to purchase one billboard at a cheap price. A gain of €6,000 is probable to be made on the first year. She shall work from a small office in Valletta which she will rent at €6,000 per annum. Some of the office space (circa 40% of the floor area) will not be utilised and therefore she intends to rent it out to third parties at €4,000 per annum. No other expenses shall be incurred. She also earns interest on German bonds and receives dividends from German media house companies listed on the Frankfurt stock exchange amounting to €6,000 per annum. The interest and dividends are deposited in a German bank and shall be utilised during the year to pay for the rent of the Valletta office.

Ninu is a marketing specialist and owns a holding company in Cayman which has a number of investments. The Cayman company shall set up a Maltese marketing company Advent Co. It is planned that the Maltese company shall be disposed by the Cayman entity at a significant capital gain. The disposal may occur while Ninu is residing in Malta or after his relocation back in Frankfurt.

In addition to the above the couple shall receive the following during their stay in Malta:

- A. Interest of €600 per annum on a joint savings account with a Dutch bank. The interest shall be left to accumulate on the same account and will not be remitted to Malta.
- B. A cash donation from Guza's mother on their anniversary amounting to €1,300.
- C. Upon their arrival in Malta on the 5th of February 2025, they brought to Malta cash amounting to €5,000 being the last payment earned from Guza's client in Germany prior to their relocation.

Required:

- i. State, giving appropriate explanations whether Ninu and Guza are to be considered ordinary resident and/ or domiciled in Malta for tax purposes and indicate the basis of taxation which will apply.
(5 marks)
- ii. How would the gain derived from the disposal of the billboard be treated for income tax purposes. Provide appropriate reasoning.
(5 marks)
- iii. Calculate the tax exposure on the rental income earned. Provide alternative methods of calculating such tax exposure. Highlight the most efficient method and substantiate your answer.
(5 marks)

- iv. Are the interest and dividends received by Guza taxable in Malta and why?
(5 marks)
- v. Provide insights into the taxability or otherwise of the capital gain derived by Ninu from the disposal of shares in Advent Co. Your answer should include reference to the concept of residence, domicile and the scope of taxation. Advice Ninu on any exemption (if any) that may be applicable and what are the conditions to be satisfied (if any).
(10 marks)
- vi. Explain the tax treatment of (A) the interest earned from the Dutch bank, (B) Cash donation, (C) Cash relocation.
(6 marks)

B. Romzus Limited is a company registered, managed and controlled in Malta which is engaged in the trading of roman vests. Romzus is not a property company and does not hold any investments.

All the issued share capital is owned by Cesaru an Italian national born and living in Rome. Romzus is registered for tax refund purposes with the Commissioner for Revenue.

Romzus tax computation includes a notional interest deduction for the year 2024.

Required:

- i. Is the notional interest income corresponding to the notional interest deduction claimed by Romzus taxable in Malta. Provide reason for your answer.
(7 marks)

A statement of financial position as at 31st December 2024 is provided as follows:

	€	€
Assets		800,000
Equity		
Ordinary share capital	400,000	
Retained earnings	100,000	
Liabilities		
Bank Loan at 5% interest	150,000	
Loan from shareholder interest free	150,000	
Equity and Liabilities		800,000

The total chargeable income before notional interest deduction is €50,000 for the year 31st December 2024.

Required:

- ii. Calculate the total qualifying risk capital of Romzus Limited as at 31st December 2024 and the maximum available notional interest deduction for the year of assessment 2025.
(3 marks)
- iii. Provided that Romzus opt to claim the maximum NID deduction, calculate the chargeable income and the income tax charge and show the amount to be allocated to the Final Tax Account and Maltese Tax Account.
(4 marks)

N.B. The risk free rate is 3.70 i.e. the yield to maturity on Malta Government Stocks with a remaining term of 20 years.

[TOTAL: 50 marks]

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