



MALTA
INSTITUTE
OF TAXATION

MIT COURSE ON TAXATION

2025-2026 MODULE B EXAMINATION PAPER

DATE: TUESDAY 6TH JANUARY 2026

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 three parts, and you are required to answer all of the questions included in each of the three parts.

FamilyCo limited ('FCo') is a Malta registered company owned by three siblings, Francesco, Matthew and Michaela. They acquired the shares by way of donation from their parents in 2023 as further detailed below. The assets of FCo mainly consist of

- (i) shares held in a fully owned Malta subsidiary, TransportCo Limited ('TransportCo'), which provides transportation services; and
- (ii) a warehouse (the 'Property') which is rented to TransportCo.

The ordinary shares in FCo, originally allotted for a cash injection of €100,000, had a value declared by the siblings upon the donation, for the purposes of the Duty on Documents and Transfers Act ('DDTA')¹ of €1,800,000 (which was also equivalent to the fair market value at the time). The shares were donated to (and are still held) as follows:

Shareholder	Number of Shares	Voting rights
Francesco	60,000	20,000
Matthew	20,000	20,000
Michaela	20,000	20,000

Other than the voting rights aspect, all shares rank equally in all other aspects.

Matthew and his sister Michaela are considering several alternatives to divest of their respective 20,000 ordinary shares each in FCo and have approached their brother Francesco to discuss the below detailed alternatives.

The parties have engaged a third-party valuation expert who has established a commercial fair market value of FCo at circa €2,100,000 (€800,000 being the fair market value of the Property and the remaining €1,300,000 attributable to the investment in TransportCo).

FCo Limited

Statement of financial position as at 31st December 2025

Assets	€
Property (overstated revaluation in 2023)	850,000
100% shareholding in TransportCo	250,000
 Current assets	 150,000
 Liabilities	
Current liabilities	150,000
 Net Asset Value	 1,100,000
 Equity	
Issued Ordinary Share Capital (€1 per share)	100,000
Preference Shares (Cash Injection)	500,000
Retained Earnings	500,000
Total Equity	1,100,000

¹ Chapter 364 of the laws of Malta

Additional notes:

1. The Property was acquired from a third party for €450,000 in 2015.
2. Current assets of FCo comprise bank balances and short-term receivables from TransportCo. Current liabilities consist of short-term shareholder loans.
3. The average annual profit before tax of FCo for the financial periods ending 2021 – 2025 amounts to €100,000. This amount includes an annual gross dividend of €150,000 received from TransportCo out of the latter's respective current year profits.
4. The net asset value of TransportCo on the basis of its Statement of Financial Position as at 31 December 2025 was €1,000,000; and the average annual profit before tax for the financial years 2021 – 2025 amounts to €250,000. TransportCo does not own any immovable property or any shareholding in any other company.

The alternatives being considered are the following:

Alternative 1

Matthew and Michaela would each transfer their respective 20,000 shares in FCo to Francesco for a total consideration of €900,000 (€450,000 each).

Alternative 2

FCo would transfer its assets as follows: (i) the Property to Newco 1 (a company that will be incorporated by Matthew and Michaela on a 50%-50% shareholding basis) for a consideration of €800,000; and (ii) its shares in TransportCo to Newco 2 (a company that will be incorporated by the other three siblings on a 33.33% - 33.33% - 33.33% shareholding basis and pro rata in all respects) for a consideration of €1,300,000.

Alternative 3

The ordinary shares held by Matthew and Michaela will be converted into 5% cumulative non-voting preference shares, entail that subsequent to the share capital restructuring, Matthew and Michaela will only hold preference shares in FCo, with the ordinary shares being held solely by Francesco. Francesco also retains the right to acquire the preference shares held by Matthew and Michaela for €1,000,000.

Assume that the transaction will be effected in January 2026.

Required:

You have been approached to provide an outline of the applicable considerations in terms of the Income Tax Act ('ITA')² on the three alternatives, specifically to:

Alternative 1

- i. Indicate whether the share transfers by Matthew and Michaela in FCo would, for the purposes of the Capital Gains Rules ('CGR')³, constitute a transfer of a controlling interest or not, stating the reasons why.
(3 marks)
- ii. Establish the deemed selling price on the basis of the methodology prescribed by the CGR.

² Chapter 123 of the laws of Malta

³ Subsidiary Legislation 123.27 of the laws of Malta

- (18 marks)
- iii. Compute the chargeable capital gain for both Matthew and Michaela. Any deduction of inflation allowance should be ignored.

(5 marks)

Alternative 2

- iv. Briefly comment on the Malta income tax treatment, and establish the tax liability (if any), in terms of Article 5A of the ITA, at the level of FCo on the transfer of the Property to Newco 1.

(7 marks)

- v. Briefly comment on the Malta income tax treatment, and establish the tax liability (if any), in terms of Article 5 of the ITA, at the level of FCo on the transfer of the shares in TransportCo to Newco2.

(7 marks)

Alternative 3

- vi. Briefly comment on the Malta income tax treatment, in terms of Article 5 of the ITA, on the share capital conversion (to preference shares) in FCo as well as the potential subsequent acquisition of the preference shares by Francesco. No computations are required.

(10 marks)

[TOTAL: 50 marks]

QUESTION 2

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

A. EURO SICAV plc ('SICAV') is a Collective Investment Scheme licensed under the Investment Services Act.

The assets of SICAV comprise the following:

- (i) Immovable property situated in Malta held for rental purposes, which property was disposed of in June 2025 (assume property was acquired in 2022 and has been merely used for rental income in the meantime);
- (ii) Portfolio of shares in a non-Malta registered companies, which entities do not hold any assets in, or carry on any activities in Malta ('ForeignCos'). The value of this portfolio is consistently in excess of 95% of the value of SICAV's assets.
- (iii) A bank account held with a Malta licensed bank, used for working capital purposes, and a small portfolio of Malta listed bonds ('Bonds').

During 2025 SICAV generated the following income / gains:

- A. Rental income from a third-party rental of the immovable property, and thereafter proceeds from the sale of the immovable property
- B. Gain on the sale of ForeignCos portfolio to a third-party investor
- C. Interest and Gains from the Bonds
- D. Bank interest

Required:

You are requested to provide brief comments on the Malta income tax considerations in relation to the following:

- i. The classification of SICAV (prescribed vs non-prescribed), stating the reasons why.
- ii. The income / gains derived by SICAV in financial year 2025. You are required to indicate the rate of tax applicable to the respective income stream.
- iii. Any capital gain that may be derived by (i) non-Malta tax resident and (ii) Malta tax resident shareholders of SICAV upon the redemption of their units in the SICAV. Assume that the redemption is undertaken on 31st December 2025.

(18 marks)

B. The ITA, through Article 5(9), Article 5(14) and Article 5(15), provides a number of exclusions/exemptions from tax. The three articles, distinctly, regulates the tax treatment of

- (i) Transfers of capital assets between two qualifying group companies.
- (ii) Qualifying reorganisations.
- (iii) Transfers of a going concern.

Required:

You are required to provide an overview of these three articles making reference to the required criteria and instances in which these provisions would apply, and potential limitations thereof.

(16 marks)

C. Rentify Limited ('Rentify') is Malta registered company that owns a number of properties (situated in Malta) for rental purposes. Over the past few years, the Rentify has also expanded its operations through:

- Leasing of properties from third parties with the intention of onward leasing to other third parties.
- External financing obtained to finance the acquisition of additional properties.

In 2025 Rentify derived the following rental income from third parties:

- Office premises collectively rented for €800,000 per annum to a third-party property management company. Rentify financed the acquisition of the office by a bank loan on which it incurred €350,000 interest in 2025, and an additional €20,000 in general overheads.
- A large warehouse rented to a third-party operator for €450,000 per annum. The warehouse is owned by third parties and Rentify has negotiated a 10-year lease agreement with the owner at a rental cost of €200,000 per annum. Rentify does not incur any additional ongoing costs in connection with this property.
- A fully owned unencumbered apartment block leased for residential purposes to a number of lessees, in all instances in terms of 1-year rental contract. The aggregate rental income amounts to €380,000 per annum with an annual maintenance cost of €20,000.

Required:

- i. You are requested to compute the tax liability for Rentify for year of assessment 2026 on the presumption that Rentify considers all income to be of a 'passive' nature, outlining the available options and highlight the most favourable Malta income tax outcome.
- ii. Alternatively, in order to reduce potential commercial risks, Rentify is considering setting up a fully owned property management / leasing company (LeaseCo), which would rent the warehouse from Rentify for €300,000 per annum, and take over the third-party rental contract (i.e. €380,000 per annum). Assuming all other income and expenses remain the same, compute the aggregate tax liability for both Rentify and the LeaseCo.

(16 marks)

[TOTAL: 50 marks]

QUESTION 3

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

A. Karen, a 49-year-old Malta resident individual, is the sole shareholder of Kar Limited ('KL'), a company incorporated under the laws of Malta in 2005. KL owns immovable property situated in Malta held for rental income and capital accretion.

On 15th December 2025, Karen, has completed the process of donating the bare ownership of her ordinary shares in KL to her children (descendants in the direct line), whilst retaining the usufruct on such ordinary shares. The donation of shares was effected by public deed.

KL did not acquire and/or dispose of any immovable property in Malta or real rights thereon, or shares in other companies during 2025. In July 2024 KL had acquired immovable property situated in Malta from a related company ('L Limited') – a company also fully owned by Karen - for €225,000, being its fair market value throughout 2024 and 2025. L Limited had acquired the said property in 2003.

Required:

Karen approached you to briefly comment on the salient Malta income tax and duty considerations relevant to the donation of bare ownership of the ordinary shares and compute the tax and real value applicable to the share donation in terms of the ITA and DDTA.

(18 marks)

Refer to the Annex for the relevant usufruct rates.

Kar Limited

Statement of financial position as at 31st December 2024

Assets	€
Investment property	800,000
Other assets	100,000
Liabilities	
Bank Loan	75,000
Other liabilities (amount due to L Limited for the property acquisition)	225,000
Net Asset Value	600,000
Equity	
Issued Share Capital – Ordinary Shares	100,000
Issued Share Capital – Preference Shares	150,000
Retained Earnings	350,000
Total Equity	600,000

Additional notes:

1. The properties owned by the company have been recently revalued by an architect and have been revalued at €1,000,000.
2. KL has a 31st December financial year-end.

3. The bank loan of €75,000 did not finance the acquisition of any immovable property.
4. The Preference Shares have been allotted through the capitalization of the Revaluation Reserve, which reserve had resulted from the revaluation of the Investment Property held.
5. ML's profit before tax figures are as follows:
 - FY20 (€50,000) [loss]
 - FY21 €55,000
 - FY22 €60,000
 - FY23 €60,000
 - FY24 €65,000

B. In 2022 Emma settled 100% shareholding in a Malta Property Holding Limited ('MPH') on trust for the sole and exclusive benefit of her only son, Kyle. The trust deed specifically provided that Kyle (as the sole beneficiary) has an irrevocable vested right thereon. MPH was previously acquired by Emma from a third party in 2015 for a consideration of €400,000.

The real value of MPH at the time of the settlement was €1,000,000.

In 2025 the Trustee:

- Transferred 50% shareholding in MPH to a third party for a consideration of €750,000, being equal to the real and tax market value at the time.
- Distributed the funds received, net of tax, and the other 50% shareholding in MPH, to Kyle.

Required:

In this regard, you are required to comment on the Malta income tax and duty implications, including computations where relevant, of the following events:

- i. The settlement on trust by Emma.
 - ii. The transfer of 50% shareholding in MPH by the Trustee.
 - iii. The distribution of funds and of the other 50% shareholding in MPH to Kyle.
- (12 marks)

Any deduction of inflation allowance should be ignored.

C. PropertyCo Limited ('PropertyCo') is a company currently owned by two shareholders, RemainCo and ExitCo, with each shareholder owning 50% each in PropertyCo, arising from an initial cash investment of €500,000 each.

PropertyCo is a capital asset holding company, and currently holds:

- (i) Immovable property valued at €1,000,000 (acquired through an exempt intra-group property transfer in 2022 from a company that is owned by RemainCo and ExitCo in a 60%:40% shareholding ratio).
- (ii) Bonds listed on the Malta Stock Exchange, also valued at €1,000,000.

RemainCo and ExitCo agreed to undertake a share and asset reorganization, wherein ExitCo shall divest of its shareholding in PropertyCo's through the share capital reduction of its shares, for a value of €1,000,000 which will be immediately settled through the transfer of the listed bonds to ExitCo.

PropertyCo Statement of financial position as at relevant dates

	Pre-Transaction	Post Reduction
Non-Current Assets	€	€
Property (at Fair Market Value)	1,000,000	1,000,000
Investments (at Fair Market Value)	1,000,000	0
Net Asset Value	2,000,000	1,000,000
Equity		
Issued Share Capital – RealtyCo	500,000	500,000
Issued Share Capital – InvestmentCo	500,000	0
Other Equity	1,000,000	500,000
Total Equity	2,000,000	1,000,000

Assume that the entity's goodwill element for tax purposes is NIL.

Required:

Alternative 1

You have been requested to briefly comment on the Malta income tax and duty considerations in terms of the ITA and DDTA (with computations where applicable) relevant to PropertyCo, RemainCo and ExitCo, with regards to:

- The reduction of the shares held by ExitCo.
- The transfer of the bonds.

Alternative 2

As an alternative, RemainCo and ExitCo may reorganize their affairs through a partial dilution of ExitCo's shareholding consequent to an allotment of an additional 15% shareholding (i.e. achieving a 65%:35% shareholding ratio in PropertyCo in RemainCo's favour. The allotment would be financed by a cash injection of €750,000 by RemainCo. The bonds would remain in PropertyCo under this alternative.

You have been requested to briefly comment on the Malta income tax and duty considerations in terms of the ITA and DDTA (with computations where applicable) relevant to PropertyCo, RemainCo and ExitCo.

(20 marks)

Any deduction of inflation allowance should be ignored.

[TOTAL: 50 marks]

-----END OF PAPER-----

Annex

Age of the usufructuary	Percentage of the value of full ownership
where the usufructuary has not completed twenty years of age:	seventy per cent
where the usufructuary has completed twenty years of age but not thirty years:	sixty per cent
where the usufructuary has completed thirty years of age but not forty years:	fifty per cent
where the usufructuary has completed forty years of age but not fifty years:	forty per cent
where the usufructuary has completed fifty years of age but not sixty years:	thirty per cent
where the usufructuary has completed sixty years of age but not seventy years:	twenty per cent
where the usufructuary has completed seventy years of age:	ten per cent.