



MALTA
INSTITUTE
OF TAXATION

MIT COURSE ON TAXATION

2023-2024 MODULE B ASSIGNMENT PAPER

INSTRUCTIONS:

1. The student is required to submit the answer in one document in PDF format
 2. Please include the below index no on the front cover of your document
 3. Word count: **2,000 to 3,000 words**
 4. Referencing for the assignment is **necessary**. Students are to use **APA** style of referencing
 5. Do not **include your name and surname in the PDF document**
 6. The assignment must reach us on educ@maintax.org by not later than **Monday, 22nd April 2024**
-

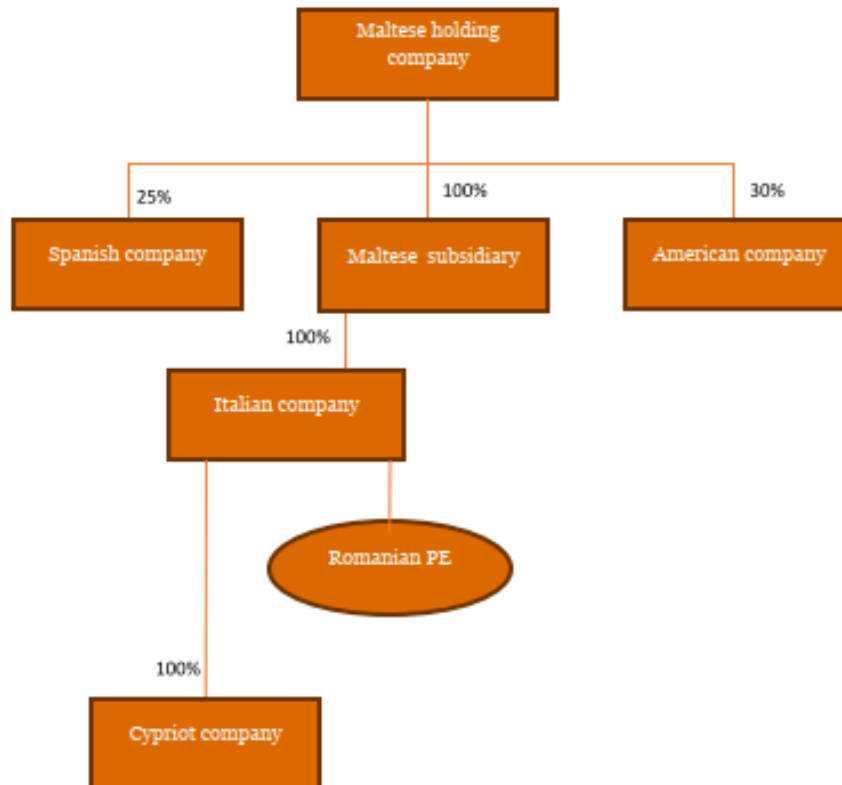
Please include the below the index number ONLY in your front page:

Name & Surname:

Index No:

Question

The new financial controller of the below group of companies seeks advice as to the direct tax implications of the following transactions and income streams within the group, in terms of harmonised EU direct tax rules.



- Maltese holding company procured external financing that it has pushed down to finance the operations of its subsidiaries. Maltese holding company granted interest-bearing loans to Spanish company, Maltese subsidiary and American company. Maltese subsidiary in turn granted interest-bearing loans to Italian company, with which it funded Cypriot company and a loss-making Romanian permanent establishment (PE).
- All group entities were profitable within the year and all expect to distribute dividends.
- The group is considering the following reorganisation exercise:
 - a) Cypriot company does not have any employees on its own payroll and the group is assessing the impact of EU anti-tax abuse rules and the proposed EU UnShell Directive. It is considering merging its assets and liabilities into Italian company.
 - b) Italian company is considering the impact of acquiring the assets and activities of Romanian PE, including seeking comfort from the Romanian and Italian tax authorities, through a written ruling, as to the

consideration payable.

- c) Should Italian company proceed with the merger and the acquisition, it may consider a partial division into a newly-formed EU company held by Maltese holding company.

Additionally, the financial controller seeks advice as to whether the group has tax reporting requirements arising annually or ad hoc as a result of the above plans.

Required:

Kindly assess in 2000 to 3000 words the direct tax implications and reliefs arising under the EU direct tax directives, rules and decisions covered in Module D, ensuring to outline all relevant scoping rules, criteria for application and anti-abuse rules, as relevant. Please assume that all EU Member States have transposed the relevant rules consistently and ignore any domestic transposition of the EU direct tax directives.
