MALTA
INSTITUTE
OF TAXATION

MIT COURSE ON TAXATION

2023-2024 MODULE E EXAMINATION PAPER

DATE: WEDNESDAY 5TH JUNE 2024

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

PREMISES: ST ALOYSIUS SECONDARY SCHOOL, 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. 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.

6. The replies should reference the relevant provisions of the legislation on which they have been based. Where relevant, the Malta VAT treatment of the transactions should be detailed with reference to the provisions of Maltese VAT legislation. However, references to the provisions of Directive 2006/112/EC will be accepted.

7. Note: In this paper, 'EU MS' means 'EU Member State'.

QUESTION 1

Your client has just incorporated two Malta companies - namely Malta Hotel Holdings Ltd (MHHL) and a subsidiary, Malta Hotel Operations Ltd (MHOL).

MHHL currently only holds shares in MHOL and does not carry on any other activity. MHOL shall be acquiring a building in Valletta which it will refurbish into a boutique hotel, as well as a block of apartments in St. Julian's which it will refurbish for long-term rental of office space (ground floor level apartments), with the remaining apartments being refurbished for short lets to tourists.

MHOL has registered for VAT under article 10 of the VAT Act.

You have been asked to outline the Malta VAT implications of the following:

i. The purchase of the premises by MHOL;
ii. The VAT implications if MHHL were to purchase both premises and lease them to MHOL;
iii. MHOL's entitlement or otherwise to input tax deductions on costs incurred in the refurbishment of both premises;
iv. The Malta VAT treatment of the various supplies made by MHOL to customers once the boutique hotel and the apartment block refurbishment are complete.

[TOTAL: 50 marks]

QUESTION 2

Astro Ltd is a company established in Malta for VAT purposes which operates an online bookstore. Astro is registered under article 10 of the VAT Act. It has been selling books (physical books) to local customers for five years and has recently started promoting its online store to customers in EU MS1 and EU MS2. Astro has made arrangements with a courier company established in EU MS1 for the delivery of the goods ordered by customers in EU MS1 and EU MS2. Astro has, this calendar year, made limited sales to customers in EU MS1 and EU MS 2 (approximately eur2,500 in total) and expects, during the next calendar year, to generate sales of eur4,000 from EU MS1 and eur3,500 from EU MS2.

You have been asked to outline the VAT implications of the following:

i. The sale of books by Astro via its online bookstore, and any option available to Astro;
ii. The courier services supplied to Astro;
iii. The VAT issues that Astro should consider if it starts supplying e-books on its online store.

[TOTAL: 50 marks]

QUESTION 3

Write short notes on the following:

i. VAT registration under article 10 of the VAT Act, highlighting the criteria for mandatory and voluntary registration, with examples;
ii. The notion of 'Fixed Establishment' for VAT purposes and its relevance;
iii. The scope of the exemption for certain supplies concerning sea vessels;
iv. The deduction of input tax by a person engaged exclusively in supplying services consisting of transactions concerning payments and transfers.

[TOTAL: 50 marks]

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