



MALTA
INSTITUTE
OF TAXATION

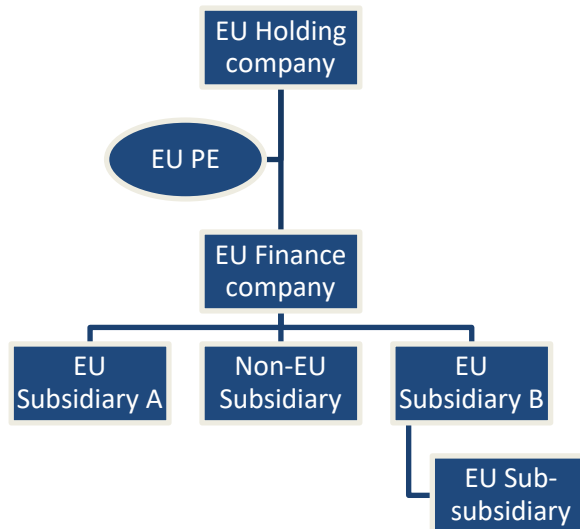
MIT COURSE ON TAXATION
2024-2025 MODULE D ASSIGNMENT PAPER

INSTRUCTIONS:

1. The student is required to submit the answer in one document in PDF format
 2. Please include your **index number** 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, 28th April 2025 by 5PM.**
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Question

The Board of Directors has decided to undertake a re-organisation of the group and have asked you, as in-house tax manager, to determine the direct tax implications of the following transactions and income streams within the group, in terms of harmonised EU direct tax rules. *Please consider that each entity (be it a company or a permanent establishment 'PE') are in separate jurisdictions.*



- EU Holding company will incorporate EU Finance company for the latter to undertake the group treasury and financing function and fund the operations of the other group entities (both PE and subsidiaries), primarily through interest-bearing loans.
- EU Subsidiary B forwards part of the debt financing it receives to EU Sub-subsidiary.
- The Group has yet to ensure that EU Finance company has sufficient capability to control and manage the financing function without the support of EU Holding company. The Group is considering shifting the activities of the PE to EU Finance Company, to consolidate more functions therein.
- Non-EU Subsidiary considers EU Finance company as a transparent entity.
- All group entities, save EU Subsidiary A, were profitable within the year and all expect to distribute dividends.
- The Board has decided to merge EU Subsidiary A, which is loss-making, with EU Subsidiary B.
- Given an increase in the extent of activities of Non-EU Subsidiary, the Group has decided to split its EU and non-EU branches of activities, by retaining the non-EU branch of activities and transferring the EU branch of activities into another EU Subsidiary (hereinafter called, 'EU Subsidiary C')
- The Board would also like insight on the possibility of obtaining a tax ruling from the jurisdiction of EU Finance company as to the return it derives for its financing function within the group.

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 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.
