

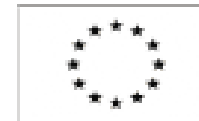
# Value Added Tax

issues concerning

Registration, exemptions, invoicing / receipts



**General Programme Solidarity and Management of Migration Flows**  
European Fund for the Integration of Third Country Nationals (EIF), European Refugee Fund (ERF), European Return Fund (RF), External Borders Fund (EBF)  
Seminar for Beneficiaries financed by the European Union  
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*Sustainable Management of Migration Flows*



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- Definitions
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## ***Definitions***

### **Supplies**

- **Goods** – the transfer of the right to dispose of tangible property as owner
- **Services** – supplies which are not supplies of goods

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## *Definitions*

### **Intra-Community acquisition**

- the acquisition of **goods** which are transported from a Member State to the person acquiring them in another Member State (e.g. Italy to Malta)

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## ***Definitions***

### **Supplies of Goods or Services = Economic activity**

An activity carried on by a person, other than an employee acting as such, consisting of:

- any trade or business
- profession
- personal services
- exploitation of tangible or intangible property
- the provision by an organization of the facilities or advantages available to its members
- the admission to any premises for a consideration

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## ***Definitions***

### **Supplies of Goods or Services = Economic activity (cont.)**

The activities of public authorities which activities are:

- listed in the 1st Schedule to the VAT Act, or
- where such activities would be outside the exercise of the functions assigned to them by law, or
- where the treatment of such public authorities as non-taxable persons would lead to significant distortion in competition

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# *Definitions*

## **Taxable Person**

- Person who carries on an economic activity whatever the purpose or the result of that activity.
- A “person” may include a physical person, a body of persons, a public authority and any entity capable of carrying on an **economic activity**.

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## ***Definitions***

### **Non-taxable legal person**

- a person, other than a physical person, who is not a taxable person, such as a public authority who is not doing an economic activity, any organization which is not a taxable person, etc.



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# *Definitions*

## **Public Authority**

- the Government of Malta
- a department or division of the Government of Malta
- a local council set up in accordance with the Local Councils Act
- an authority vested with distinct personality set up by an Act of Parliament or corporation constituted by an Act of Parliament.

A public authority is often a **non-taxable legal person**. However, sometimes it is a **taxable person** or it can be a mixture of both because it could be fulfilling its role as a non-taxable legal person and also that of a taxable person.

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## ***VAT Rates and Exemptions***

- Standard Rate – 18 %
- Reduced Rate – 7 %
- Reduced Rate – 5 %
- Zero Rate – Exempt **With** Credit – 0 %
  
- Exempt **Without** Credit – No VAT

KIV what is not exempt in terms of 5<sup>th</sup> Schedule or what is not reduced rate as per 8<sup>th</sup> Schedule is taxable at the **Standard Rate (18 %)**

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## ***VAT rates and Exemptions***

Distinction has to be made between:

- Exemptions **with** credit *and*
- Exemptions **without** credit

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## ***VAT rates and Exemptions***

- Exempt with credit supplies:

Supplier does not charge VAT but retains the right to claim the input VAT related to these supplies

- Exempt without credit supplies:

Supplier does not charge VAT but does not have the right to claim the input VAT related to these supplies

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## ***VAT rates and Exemptions***

Some examples of *Exempt **With Credit*** Supplies (Part I, 5<sup>th</sup> Schedule)

- Export of goods
- Intra-Community Supplies
- International transport
- Supplies to sea vessels
- Supplies to aircraft
- Foodstuffs, pharmaceuticals
- Scheduled bus services
- School transport

KIV list is not exhaustive and there are conditions and exceptions

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## ***VAT rates and Exemptions***

Some examples of *Exempt Without Credit* Supplies (Part II, 5<sup>th</sup> Schedule)

- Transfer of immovable property
- Letting of immovable property other than holiday premises and commercial leases
- Insurance services
- Banking and certain financial services
- Certain cultural, religious, sport services
- Health
- Welfare
- Education

KIV list is not exhaustive and there are conditions and exceptions

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## ***Categories for VAT Registration***

- Article 10
- Article 11
- Article 12
- Option not to register

## ***Registration under Article 10***

- taxable person established in Malta doing taxable supplies or exempt with credit supplies in Malta (i.e. **goods** or **services**);
- taxable person established in Malta who supplies **services** within the territory of another Member State for which the tax is payable solely by the recipient;
- taxable person who is **not** established in Malta and who would be liable to pay the tax on a supply made in Malta in terms of article 20.

A person who registers under this article will have a VAT number **with** an “MT” prefix (MT12345678).

These persons are allowed to make Intra-Community Acquisitions without being charged VAT in the member state where supplier is established – will account for VAT by way of the reverse charge mechanism



## ***Registration under Article 11***

**Optional** for Small Undertakings (turnover less than the threshold) known as EXEMPT PERSONS

- Registered person does not charge nor claim VAT on normal supplies
- Applicable for persons established in Malta whose turnover is below the established thresholds for small undertakings (6<sup>th</sup> Schedule)
- Registration Number **without** an MT prefix (1234-5678)
- Are **not allowed** to make Intra-Community Acquisitions of goods without being charged VAT by supplier unless registered under Art. 12
- If they intend to make Intra-Community Acquisitions of goods:
  - they have the option to register under Art 12 – if acquisitions threshold (€10,000) is not exceeded
  - mandatory registration under Art 12 if acquisitions threshold is exceeded

## ***Registration under Article 12***

- Taxable person who is not registered under Article 10, or
- Non-taxable legal person

who intends to make an intra-Community acquisition of goods in Malta and, on account of that acquisition, the value of his intra-Community acquisitions in Malta during that calendar year exceeds the threshold of € 10,000 shall apply to be registered under this article unless he is already so registered. Any such person may apply to be registered under this article at any time unless he is already so registered.

- Taxable person who is not registered under article 10, who receives services for which he is liable to pay the tax pursuant to article 20(2). No threshold applies.

Persons who register under this article would have a VAT number **with** an “MT” prefix (MT12345678).



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## ***Option not to register (LN 524/2010)***

For Taxable persons whose annual turn-over does not exceed € 7,000

- May opt not to register for VAT
- Persons who do not register are not obliged to issue invoices / fiscal receipts under VAT legislation
- They are still subject to monitoring and investigation
- If they opt to register they can only register under article 10

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## ***Tax invoice***

- Every person registered under Article 10 who makes a supply, other than an exempt without credit supply, to another person who identifies himself for the purpose of that supply by means of a VAT number shall provide that person with a tax invoice within **30 days** from the earlier of:
  - (i) the date when the goods are delivered or the services are performed;
  - (ii) the date on which a payment for that supply is received.

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## ***Contents of a tax invoice***

In general, a tax invoice shall contain the following particulars:

- (a) the date of issue
- (b) a sequential number which uniquely identifies the invoice;
- (c) the name, address and VAT number of the supplier;
- (d) the name, address and VAT number of the customer;
- (e) a description sufficient to identify the quantity and nature of the goods or the extent and nature of the services supplied;
- (f) the date on which the supply was made or completed or the date on which a payment on account of the supply was made;
- (g) the taxable value per rate or exemption, the unit price exclusive of tax and any discounts or rebates if they are not included in the unit price;
- (h) the amount of tax chargeable, if any, at each rate so chargeable;
- (i) the total amount of tax chargeable, if any.

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## ***Fiscal receipt***

Every person (Art. 10 or Art. 11) who makes a supply, other than an exempt without credit supply and, except where he is required to issue a tax invoice in respect of that supply, shall

- Issue a fiscal receipt in accordance with the 13th Schedule to the VAT Act **for the consideration paid** to him for that supply and
- Such fiscal receipt shall, unless issued before the payment is made, be issued and delivered to the person who effects the payment or to the person to whom the supply is made **immediately after payment** has been effected, to the extent covered by that payment.

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## ***Types of fiscal receipts***

Basically, there are three different types of fiscal receipts, namely:-

- Those that are issued from a fiscal cash register or a fiscal printer;
- Those that are issued from a computerized system which would be approved by the Commissioner of VAT as compatible with the requirements of the law. Such fiscal receipts would have printed on them the “Exemption Number” (permit number);
- Those that are issued from the official manual fiscal receipt books which are issued to the traders by the VAT Department.

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## ***Invoicing by foreign suppliers***

- A foreign supplier who would register for VAT in Malta would have the normal obligations as a local taxable person
- A foreign supplier who would not be registered in Malta because he is not required to do so, would normally issue an invoice under his foreign VAT number according to the rules of his country.



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Thank you for your attention

Any questions?

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