

Taxation (F6)

Malta (MLA)

June & December 2010

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows where any direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other, such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate and the broad intellectual level at which these may need to be demonstrated (*See intellectual levels below)

Reading lists

ACCA examiners will recommend study texts and text books where these are available, which students may read as part of their preparation for the exam. Relevant articles will also be published in *student accountant*.

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension

Level 2: Application and analysis

Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS

The ACCA qualification does not prescribe or recommend any particular number of learning hours because increasingly study and learning patterns and styles vary greatly between people and organisations and in different personal, professional and educational circumstances.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down in those particular papers.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation **issued** or legislation **passed** on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Please refer to the examinable documents for the paper for further information.

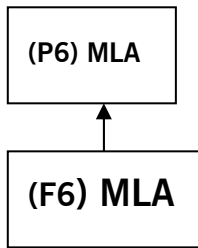
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Syllabus



AIM

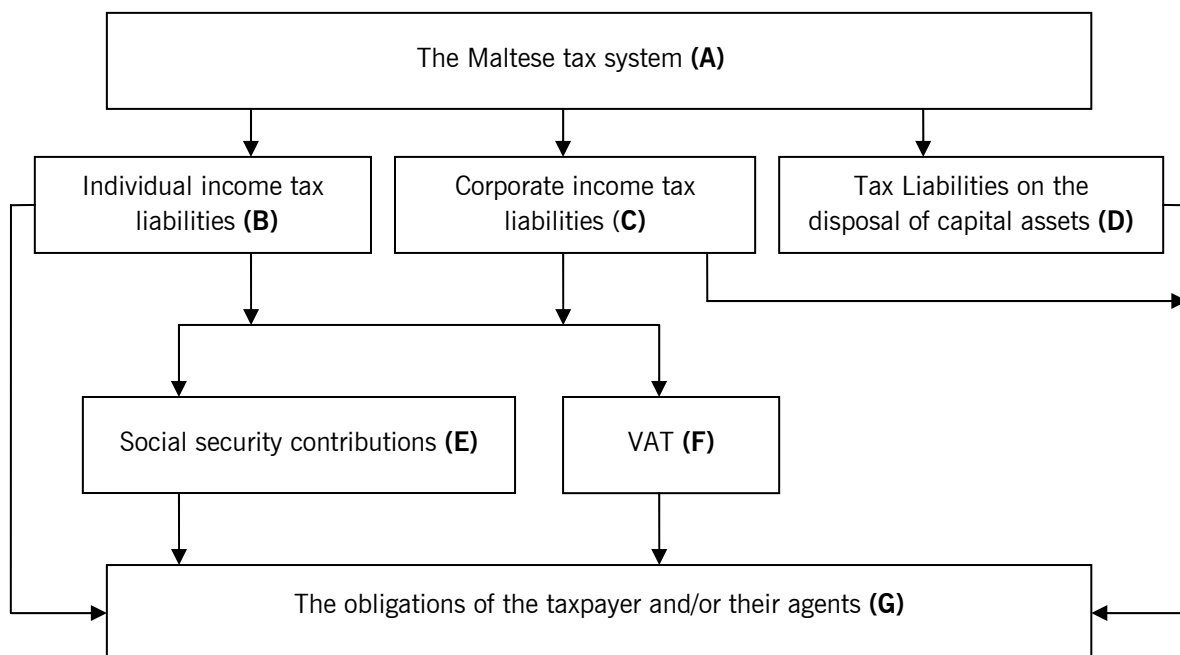
To develop knowledge and skills relating to the Maltese tax system as applicable to individuals, single companies and groups of companies.

MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A** Explain the operation and scope of the Maltese tax system
- B** Explain and compute the income tax liabilities of individuals
- C** Explain and compute the corporate income tax liabilities of individual companies and groups of companies
- D** Explain and compute the tax liabilities arising on the disposal of capital assets by companies and individuals
- E** Explain and compute the effect of social security contributions on employees, employers and the self employed
- F** Explain and compute the effects of value added tax on incorporated and unincorporated businesses
- G** Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance.

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as income tax from self employment, employment and investments; the corporate income tax liability of individual companies and groups of companies; the social security contribution liabilities of both employed and self employed persons; the value added tax liability of businesses; and the tax liabilities arising on the disposal of capital assets by both individuals and companies.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

DETAILED SYLLABUS

A The Maltese tax system

1. The overall function and purpose of taxation in a modern economy
2. Different types of taxes
3. Principal sources of revenue law and practice
4. Tax avoidance and tax evasion

B Income tax liabilities

1. The scope of income tax
2. Income from employment
3. Income from self-employment
4. Property, investment and other income

5. The comprehensive computation of taxable income and income tax liability
6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

C Corporate income tax liabilities

1. The scope of corporate income tax
2. Profits chargeable to corporate income tax
3. The comprehensive computation of corporate income tax liability and tax accounting
4. The effect of a group corporate structure for corporate income tax purposes
5. The use of exemptions and reliefs in deferring and minimising corporate income tax liabilities

D Tax liabilities on the disposal of capital assets by individuals and companies

1. The scope of the taxation of capital asset disposals
2. The basic principles of computing gains and losses
3. Gains and losses on the disposal of movable and immovable property
4. Gains and losses on the disposal of shares and securities
5. The computation of the tax payable by individuals and companies
6. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

E Social security contributions

1. The scope of social security
2. Class 1 contributions for employed persons
3. Class 2 contributions for self-employed persons

F Value added tax

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities
4. The effect of special schemes

G The obligations of tax payers and/or their agents

1. The systems for self-assessment and the making of returns
2. The time limits for the submission of information, claims and payment of tax, including provisional tax payments and advance company income tax.
3. The procedures relating to enquiries, appeals and disputes
4. Penalties for non-compliance

APPROACH TO EXAMINING THE SYLLABUS

The paper will be mainly computational and will have five questions, all of which will be compulsory.

- Questions one will focus on income tax and question two will focus on corporate income tax. The two questions will be for a total of 55 marks, with one of the questions being for 30 marks and the other for 25 marks
- Question three will be for 20 marks, and will focus on the taxation of capital asset disposals, either for an individual or a company.
- Questions four and five will be on any area of the syllabus and will be for 15 marks and 10 marks respectively.

There will always be at a minimum of 10 marks on value added tax on any paper. These marks might be included as part of a question or there might be a separate question on value added tax.

Social security contributions will not be examined as a separate question, but may be examined in any question involving income tax or corporate income tax.

Groups and overseas aspects will only be examined in question two, and will account for no more than one third of the marks available for that question.

The taxation of capital asset disposals may be examined in questions other than question 3, for example as part of a corporate income tax or income tax scenario.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.

Study Guide

A THE MALTESE TAX SYSTEM

1. The overall function and purpose of taxation in a modern economy

- a) Describe the purpose (economic, social etc) of taxation in a modern economy.^[2]

2. Different types of taxes

- a) Identify the different types of capital and revenue tax.^[1]
- b) Explain the difference between direct and indirect taxation.^[2]

3. Principal sources of revenue law and practice

- a) Describe the overall structure of the Maltese tax system.^[1]
- b) State the different sources of revenue law.^[1]
- c) Appreciate the interaction of the Maltese tax system with that of other tax jurisdictions.^[2]

4. Tax avoidance and tax evasion

- a) Explain the difference between tax avoidance and tax evasion.^[1]
- b) Explain the need for an ethical and professional approach.^[2]
- c) Explain the circumstances in which advance revenue rulings would be requested by taxpayers.^[2]

B INCOME TAX LIABILITIES

1. The scope of income tax

- a) Explain how the residence of an individual is determined.^[1]
- b) Distinguish between the tax treatment of a resident individual and a non resident individual.^[1]
- c) Explain the difference between residence and ordinary residence.^[1]

Excluded topics

- *The treatment of a person who comes to Malta to work, permanent residents and returned migrants, investment service expatriates and insurance expatriates*
- *Non-resident entertainers*
- *Income from trusts and settlements*
- *Clubs*
- *Ecclesiastical and allied income*
- *Non-resident ship owners*
- *Non-resident air transport, cable and wireless undertakings*
- *Taxation of petroleum profits.*

2. Income from employment

- a) Recognise the factors that determine whether an engagement is treated as employment or self-employment.^[2]
- b) Recognise the basis of assessment for employment income.^[2]
- c) Compute the income assessable.^[2]
- d) Recognise the allowable deductions against employment income.^[2]
- e) Explain the Final Settlement System (FSS).^[1]
- f) Understand the circumstances in which taxable fringe benefits arise.^[2]
- g) Compute the amount of fringe benefits assessable.^[2]
- h) Understand the part-time rules as applicable to employment income.^[2]
- i) Understand the treatment of the remuneration and benefits received by directors.^[2]
- j) Determine the applicable income tax on overseas employment income and explain the

conditions which must be satisfied to benefit from the flat 15% rate.^[2]

Excluded topics

- *The calculation of the FSS Main Cumulative Method*
- *Share option and share incentive schemes*

3 Income from self-employment

- Recognise the basis of assessment for self-employment income.^[2]
- Describe and apply the badges of trade.^[2]
- Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[2]
- Recognise the relief that can be obtained for pre-trading expenditure.^[2]
- Compute the assessable profits on commencement and on cessation.^[2]
- Capital allowances
 - Define plant and machinery for capital allowances purposes^[1]
 - Compute the initial and wear and tear allowances^[2]
 - Compute capital allowances for commercial and non commercial motor vehicles^[2]
 - Compute balancing allowances and balancing charges^[2]
 - Define an industrial building or structure for capital allowance purposes^[1]
 - Compute the initial and wear and tear allowance for industrial buildings or structures^[2]
 - Compute the balancing adjustment on the disposal of an industrial building or structure^[2]
 - Establish the limitations on the absorption of unutilised capital allowances brought forward^[2]
- Relief for trading losses
 - Understand how trading losses can be carried forward^[2]

- Explain how trading losses can be carried forward following the incorporation of a business^[2]
- Understand how trading losses can be claimed against total income and chargeable gains^[2]
- Recognise the factors that will influence the choice of loss relief claim^[2]

h) Partnerships and limited liability partnerships

- Explain how a partnership is assessed to tax^[2]
- Compute the assessable profits for each partner following a change in the profit sharing ratio^[2]
- Compute the assessable profits for each partner following a change in the membership of the partnership.^[2]

i) Understand the part-time rules as applicable to income from self-employment.^[2]

Excluded topics

- *The deductions for any expenditure on scientific research*
- *The deductions for any expenditure on patent or patent rights*
- *The deductions for any expenditure on market research*
- *The deductions for any expenditure of a capital nature on intellectual property rights*
- *The tax and fiscal incentives under the Business Promotion Act and the Business Promotion Regulations and other incentives provided under concessionary tax regimes in the Income Tax Act*
- *The tax treatment of 'payers' on the sale of agricultural produce as defined in the relevant rules*

4. Property, investment and other income

- Compute the amount assessable when dividends, premiums, interest or discounts are received.^[2]

- b) Compute the amount assessable when rents, royalties, premiums and other income from property are received.^[2]
- c) Compute the maintenance allowance and other deductions (such as ground rents) which may be claimed against rental income.^[2]
- d) Compute the amount assessable when pensions, charges annuities and other annual payments are received.^[2]
- e) Explain the investment income provisions and compute the amount of investment income received.^[2]
- f) Explain the concept of the final withholding tax and the treatment of income which has been subject to the final withholding tax.^[2]
- g) Compute the tax payable on interest, discount or premiums under the investment income provisions.^[2]
- h) Compute the tax payable on dividend income after taking into account the tax at source or double taxation relief.^[2]
- i) Indicate the instances when a shareholder need not declare dividends received from a Malta company and the instances when it is advisable to declare such dividend income.^[2]

5 The comprehensive computation of taxable income and income tax liability

- a) Prepare a basic income tax computation involving different types of income.^[2]
- b) Calculate the amount of chargeable income and the Malta tax thereon.^[2]
- c) Compute the amount of income tax payable after taking into account any tax credits such as tax at source or double taxation relief.^[2]
- d) Explain the treatment of charges on income.^[2]
- e) Distinguish between exemptions and deductions.^[1]
- f) Recognise the personal deductions available against total income for alimony payments, childcare fees, facilitator fees, sports fees, homes for the elderly fees and school fees.^[2]
- g) Explain the treatment of income earned by spouses who opt for a joint tax computation and those who opt for a separate tax computation.^[2]

Excluded Topics

- *The income of minor children*
- *Commonwealth relief for double taxation*

6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

- a) Identify the various exemptions and deductions which may be claimed.^[2]
- b) Distinguish between the positive test for deductions and the negative test for deductions.^[2]
- c) Explain how a married couple can minimise their tax liabilities.^[2]

C CORPORATE INCOME TAX LIABILITIES

1. The scope of corporate income tax

- a) Define basic terms such as 'chargeable income', 'company', 'tax return date', 'tax settlement date', 'total income' and 'year of assessment'.^[1]
- b) Recognise when an accounting period starts and when an accounting period finishes.^[1]
- c) Explain how the residence of a company is determined.^[2]
- d) Distinguish between the tax treatment of a resident company and a non-resident company.^[1]
- e) Describe the operation of the full imputation system of taxation.^[2]

Excluded topics

- *Investment service companies*
- *Insurance companies*

- *Banking groups*
- *Collective investment schemes*
- *Companies in receivership or liquidation*
- *Reorganisations.*

2. Profits chargeable to corporate income tax

- Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[2]
- Explain how relief can be obtained for pre-trading expenditure.^[1]
- Compute capital allowances (as for income tax).^[2]
- Compute property business profits under the Tax on Property Transfer Rules.^[2]
- Explain the treatment of expenses incurred in the production of the income and those expenses which are not incurred in the production of the income.^[2]
- Understand how trading losses can be carried forward.^[2]
- Understand how trading losses can be claimed /absorbed against income of the current accounting period.^[2]
- Recognise the factors that will influence the choice of accounting date and explain the procedure to change the accounting date. ^[1]
- Recognise the factors that will influence the choice of loss relief claim.^[2]
- Compute profits chargeable to corporate income tax distinguishing between the profits which are allocated to the Final Tax Account, the Immovable Property Account, Maltese Taxed Account, the Foreign Income Account and the Untaxed Account.^[2]

Excluded topics

- *The deductions for any expenditure on scientific research*
- *The deductions for any expenditure on patent or patent rights*

- *The deductions for any expenditure on market research*
- *The deductions for any expenditure of a capital nature on intellectual property rights*
- *Relief for amortisation of intangible assets*
- *The tax and fiscal incentives under the Business Promotion Act and the Business Promotion Regulations and other incentives provided under concessionary tax regimes in the Income Tax Act.*

3. The comprehensive computation of corporate income tax liability and tax accounting

- Compute the corporate income tax liability, claiming any tax at source in respect of Maltese source income and the appropriate double taxation relief in respect of foreign source income.^[2]
- Explain the implications of receiving investment income subject to the final withholding tax and the treatment thereof in the preparation of the tax computation.^[2]
- Describe the various forms of double taxation relief to relieve withholding taxes and underlying taxes and the use of the flat rate foreign tax credit to minimise the corporate income tax on foreign source income.^[2]
- Compute the effective tax payable on foreign source income.^[2]
- Allocate the company's profits to the Final Tax Account, the Immovable Property Account, the Maltese Taxed Account, the Foreign Income Account and the Untaxed Account and their sub divisions.^[2]
- Reconcile the retained earnings with the amounts allocated to the various tax accounts and analyse the amounts allocated to the Untaxed Account.^[2]
- Explain the implications arising upon a distribution of profits from the various tax

accounts to resident shareholders and non-resident shareholders.^[2]

- h) Compute the tax credits and tax refunds which may be claimed by a shareholder upon a distribution of profits.^[2]
- i) Analyse the available credits between the Malta tax paid and the relieved tax and compute the overall tax refund.^[2]
- j) Describe the requirements of a dividend certificate.^[2]
- k) Explain how exemptions and reliefs can defer or minimise corporate income tax liabilities.^[2]

Excluded topics

- *Limitation of credit on company tax affected by double taxation relief.*
- *Investment income provisions relating to residents who are registered for tax refunds or who are shareholders in companies registered for tax refunds or shareholders in companies availing themselves of participating holding exemption.*

4. The effect of a group corporate structure for corporate income tax purposes

- a) Define a group for the purposes of the group relief provisions, and recognise the reliefs that are available to members of such a group.^[2]
- b) Define a group for the purposes of capital gains, and recognise the reliefs that are available to members of such a group.^[2]
- c) Define 'surrendering company', 'claimant company' and 'allowable losses' and explain the group relief provisions.^[2]
- d) Explain the treatment of a payment for group relief.^[2]
- e) Identify the limitations in the group relief provisions and the implications arising from the tax accounts.^[2]
- f) Identify the conditions which must be satisfied to claim group relief.^[2]

5. The use of exemptions and reliefs in deferring and minimising corporate income tax liabilities. The use of such exemptions and reliefs is implicit within all of the above sections 1 to 4 of part C of the syllabus, concerning corporate income tax

D TAX LIABILITIES ON CAPITAL ASSET DISPOSALS

1. The scope of the taxation of capital asset disposals

- a) Describe the scope of the capital gains rules.^[2]
- b) Describe the scope of the property transfer rules.^[2]
- c) List those assets which are subject to capital gains and the immovable property which is subject to the property transfers tax.^[2]

2. The basic principles of computing chargeable gains and losses.

- a) Compute capital gains for both individuals and companies.^[2]
- b) Calculate the inflation allowance and maintenance allowance available to transferors in determining the cost of acquisition.^[2]
- c) Compute the amount of allowable expenditure in determining the cost of acquisition.^[2]
- d) Explain the treatment of capital losses for both individuals and companies.^[1]
- e) Explain the treatment of transfers between a husband and wife or between close relatives or between companies within the same group.^[2]
- f) Explain the treatment where an asset is damaged, lost or destroyed, and the implications of receiving insurance proceeds and reinvesting such proceeds.^[2]

Excluded topics

- *Transfers 'causa mortis'*

3. Gains and losses on the disposal of movable and immovable property

- a) Identify the assets which are subject to capital gains and those which are outside the scope of the capital gains provisions.^[2]
- b) Identify the immovable property which is subject to the property transfers tax.^[2]
- c) List the various exemptions available.^[2]
- d) Define own residence for the purposes of the capital gains provisions.^[2]

Excluded topics

- *Transfers of property into and out of trusts, including reversion to settlor.*

4. Gains and losses on the disposal of shares and securities

- a) Distinguish the disposals of shares and securities which are subject to tax as capital gains and those which fall outside the scope of the capital gains tax provisions.^[2]
- b) Determine the value of shares, including shares acquired prior to 1992.^[2]
- c) Define and compute 'goodwill' in arriving at the value of shares.^[2]
- d) Define 'controlling interest' and illustrate how a transfer of a controlling interest impacts on the calculation of the chargeable capital gain.^[2]
- e) Illustrate the adjustment to the cost of acquisition when transferring shares in a company which has immovable property and / or investments in another company.^[2]
- f) Compute the increase for inflation of the value of immovable property held by a company and the limitations which may apply.^[2]

Excluded topics

- *Transfer of shares involving fiduciary relationships*
- *Reductions in share capital*

5. The computation of the tax payable by individuals and companies

- a) Recognise and determine whether the disposal or transfer of a business asset is subject to a balancing statement, capital gains or property transfer tax.^[2]
- b) Compute the amount of capital gains tax or the property transfer tax payable.^[2]
- c) Recognise those capital gains which may be taxed by final withholding and when it may be appropriate to elect to have these taxed in the normal way.^[2]

6. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

- a) Explain and apply rollover relief to business assets as it relates to individuals and companies.^[2]
- b) Explain and apply the exemption that is available upon the transfer of a partnership en nom collectif into a limited liability company.^[2]
- c) Explain and apply the relief available on the reorganisation of a company.^[2]

E SOCIAL SECURITY CONTRIBUTIONS

1. The scope of social security

- a) Describe the scope of social security.^[1]

2. Class 1 contributions for employed persons

- a) Compute Class 1 contributions payable by employers and employees.^[2]

3. Class 2 contributions for self-employed persons

- a) Compute Class 2 contributions.^[2]

F VALUE ADDED TAX

1. The scope of value added tax (VAT)

- a) Describe the scope of VAT.^[2]

- b) List the principal supplies which are exempt with credit, exempt without credit or subject to the reduced rate.^[1]

2. The VAT registration requirements

- a) Recognise the circumstances in which a person must register for VAT under articles 10, 11 or 12 of the VAT Act.^[2]
- b) Explain the advantages of VAT registration for a small undertaking.^[2]
- c) Explain how and when a person can deregister for VAT.^[1]

3. The computation of VAT liabilities

- a) Explain how VAT is accounted for and administered.^[2]
- b) Recognise the tax point when goods or services are supplied.^[2]
- c) List the information that must be given on a VAT invoice.^[1]
- d) Explain and apply the principles regarding the valuation of supplies.^[2]
- e) Recognise the circumstances in which input VAT is non-deductible.^[2]
- f) Compute the relief that is available for bad debts.^[2]
- g) Explain the circumstances and procedure for making adjustments to output tax and input tax and the penalties and interest that will be applied.^[1]

Excluded topics

- *Imports, exports and trading within the European Community*
- *Partial attribution*
- *Detailed knowledge of penalties.*

4. The effect of special schemes

- a) Describe the cash accounting scheme, and recognise when it will be possible and advantageous to use the scheme.^[2]
- b) Describe the accrual accounting scheme, and recognise when it will be advantageous to use the scheme.^[2]
- c) Define a 'small undertaking' and recognise when it will be advantageous to be exempt or opt for the refund scheme.^[2]

Excluded topics

- *The second-hand goods scheme*
- *The capital goods scheme*
- *The special schemes for retailers, civil, mechanical and electrical engineering contractors*
- *The special scheme for travel agents.*

G THE OBLIGATIONS OF TAX PAYERS AND/OR THEIR AGENTS

1. The systems for self-assessment and the making of returns

- a) Explain and apply the features of the self-assessment system as it applies to individuals.^[2]
- b) Explain and apply the features of the self-assessment system as it applies to companies.^[2]

2. The time limits for the submission of information, claims and payment of tax, including provisional tax payments and advance company income tax

- a) Recognise the time limits that apply to the filing of returns, declarations and the making of claims and adjustments.^[2]
- b) Recognise the due dates for the payment of tax under the self-assessment system.^[2]
- c) Compute provisional tax and advance company tax payments.^[2]

- d) Explain when a taxpayer is subject to the Final Settlement System or subject to provisional tax payments and settlement tax.^[2]
- e) Explain the withholding tax obligations and implications arising in connection with payments made to non-residents.^[2]
- f) List the information and records that taxpayers need to retain for tax purposes.^[1]

3. The procedures relating to enquiries, appeals and disputes

- a) Explain the circumstances in which the Commissioner of Inland Revenue can enquire into a self-assessment tax return.^[2]
- b) Explain the procedures for dealing with appeals objections and disputes.^[1]

4. Penalties for non-compliance

- a) Calculate interest on overdue tax.^[2]
- b) State the administrative penalties that can be charged.^[2]

READING LIST

Material and courses for this paper can be obtained from:

BPP Professional Education Malta Limited
Level 1, Tower Business Centre
Tower Street
Swatar BKR3013
Malta

Tel: +356 21 314896

E-mail: infomalta@bpp.com
Website: www.bpp.com

Candidates should also be aware of the primary and secondary legislation, guidelines and updates issued by the Inland Revenue Department and the publication of court cases by the Malta Institute of Taxation, being the main sources of information for this paper.

SUMMARY OF CHANGES TO PREVIOUS STUDY GUIDE

December 2009

Section C3 – new excluded topic added.