

## Malta VAT Amnesty Remission of Interest & Administrative Penalties



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### Temporary VAT amnesty launched in Malta allowing taxpayers to clear up their arrears

Malta's 2012 Budget, recently announced by the Minister of Finance, launched a temporary VAT amnesty providing for a remission of interest and administrative penalties for registered persons who have an outstanding balance under the 1994 VAT Act, Customs and Excise Tax Act or the 1998 VAT Act.

The arrangement is open to Malta VAT registered persons who have failed to submit the necessary VAT returns (or VAT declarations) falling due up to the 15 October 2011 and/or have balances due to the VAT Department under any of the abovementioned Acts as at 15 October 2011.

#### Requirements for Eligibility

A person registered under [article 10](#) of the VAT Act would be eligible for the scheme where he:

1. Has arrears due on returns for periods whose returns were due on or prior to 15 October 2011;
2. Has submitted all VAT returns which were due on or prior to 15 October 2011 by not later than 15 January 2012;
3. Submits on time and with full payment (if any) all VAT returns falling due on and after 15 November 2011 (an unofficial extension of one month has been granted with respect to VAT returns that were due to be filed by the 15 November 2011);
4. Withdraws all appeals lodged before the VAT Appeals Board, the Administrative Law Tribunal or the Court of Appeal by 15 January 2012;
5. Submits payments by the dates indicated in the amnesty agreement (refer to Table 1):

The percentage by which the interest and administrative penalties will be decreased is determined by the option taken by the VAT registered person either to pay all the VAT and reduced interest and penalties by 15 March 2012 or pay the amounts due over a period of time between March 2012 and February 2013 as per Table 1 below.

**Table 1**

Registered person's option	Down-payment	Full payment made by	Remission of interest & penalties
A	N/A	15 March 2012	80%
B	30% by 15 March 2012	15 May 2012 in equal monthly instalments	70%
C	30% by 15 March 2012	15 August 2012 in equal monthly instalments	60%
D	30% by 15 March 2012	15 February 2013 in equal monthly instalments	50%

Where the balance due to the VAT Department is equal to or greater than the total interest and administrative penalties due, the percentage reduction is calculated on the interest and administrative penalties only. However, where the balance due is less than the total interest and administrative penalties due, the percentage reduction is calculated on the balance due.

Numerical Example 1

- Total outstanding balance due is €15,000
- Total interest and administrative penalties accrued is €10,000

In this case the total outstanding balance is more than the total interest and administrative penalties accrued and the remission will affect the €10,000 interest and administrative penalties as follows:

**Table 2**

Registered person's option	Remission	Payment amounts and due dates
A	€8,000	<ul style="list-style-type: none"> <li>• A payment of €7,000 is made by not later than 15 March 2012 (i.e. the €5,000 tax and 20% of the €10,000 interest and penalties).</li> </ul>
B	€7,000	<ul style="list-style-type: none"> <li>• A payment of €2,400 is made by not later than 15 March 2012 (i.e. 30% of (€5,000 tax + 30% of €10,000 interest and penalties)).</li> <li>• Two equal instalments of €2,800 each to be paid by not later than the 15 April 2012 and 15 May 2012.</li> </ul>
C	€6,000	<ul style="list-style-type: none"> <li>• A payment of €2,700 is made by not later than 15 March 2012 (i.e. 30% of (€5,000 tax + 40% of €10,000 interest and penalties)).</li> <li>• Five equal instalments of €1,260 each to be paid by not later than the 15<sup>th</sup> day of each month between April 2012 and August 2012.</li> </ul>
D	€5,000	<ul style="list-style-type: none"> <li>• A payment of €3,000 is made by not later than 15 March 2012 (i.e. 30% of (€5,000 tax + 50% of €10,000 interest and penalties)).</li> <li>• Eleven equal instalments of €336.36 each to be paid by not later than the 15<sup>th</sup> day of each month between April 2012 and February 2013.</li> </ul>

### Numerical Example 2

- Total outstanding balance due is €5,000
- Total interest and administrative penalties accrued is €10,000

In this case the total outstanding balance is less than the total interest and administrative penalties accrued and the remission will affect the €5,000 balance due as follows:

**Table 3**

Registered person's option	Remission	Payment amounts and due dates
A	€4,000	<ul style="list-style-type: none"><li>• A payment of €1,000 is made by not later than 15 March 2012 (i.e. 20% of the €5,000 balance).</li></ul>
B	€3,500	<ul style="list-style-type: none"><li>• A payment of €450 is made by not later than 15 March 2012 (i.e. 30% of (€5,000 - €3,500)).</li><li>• Two equal instalments of €525 each to be paid by not later than 15 April 2012 and 15 May 2012.</li></ul>
C	€3,000	<ul style="list-style-type: none"><li>• A payment of €600 is made by not later than 15 March 2012 (i.e. 30% of (€5,000 - €3,000)).</li><li>• Five equal instalments of €280 each to be paid by not later than the 15<sup>th</sup> day of each month between April 2012 and August 2012.</li></ul>
D	€2,500	<ul style="list-style-type: none"><li>• A payment of €750 is made by not later than 15 March 2012 (i.e. 30% of (€5,000 - €2,500)).</li><li>• Eleven equal instalments of €159.09 each to be paid by not later than the 15<sup>th</sup> day of each month between April 2012 and February 2013.</li></ul>

A person registered under article 11 or 12 of the VAT Act would be eligible for the scheme where he:

1. Submits all pending declarations/notices by 15 January 2012;
2. Pays €10 in respect of each default by 15 January 2012

Importantly, in all the above cases:

- The remission shall only have effect in the account of the registered person once final payment in accordance with the amnesty agreement is effected to the satisfaction of the VAT Department;
- Where the registered person complies with the relevant conditions of the amnesty all interest that may accrue during the repayment period will be remitted;
- The amnesty does not entitle a registered person to make a claim for a refund in respect of interest and penalties already paid;
- If interest is remitted under the scheme, the VAT Department reserves the right to deduct the interest so remitted from any interest payable to that person on VAT refunds due to him in the next six years that are not paid by the due date.

Should you require any assistance, please do not hesitate to [contact us](#) or your usual Deloitte Malta contact.

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