

## Guidelines on the application of the 12% VAT rate on the supply of management of credit and credit guarantees

Date: 8<sup>th</sup> February 2024

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### **Purpose and Background**

Pursuant to the adoption of the VAT Rates Directive (Council Directive (EU) 2022/542 of 5 April 2022), Malta adopted Legal Notice 231 of 2023 which amends the Eighth Schedule to the VAT Act (Chapter 406, Laws of Malta) resulting, with effect from 1<sup>st</sup> January 2024, in the application of a 12% VAT rate on several services, including the supply of management of credit and credit guarantees by a person or body other than those who granted the credit.

The purpose of this document is for the Commissioner for Tax and Customs ('CfTC') to provide guidance, in conformity with article 75(2) of the VAT Act, on the application of the 12% reduced VAT rate on such supplies.

These guidelines shall apply only in respect of assessing the VAT treatment of such supplies from a Maltese VAT perspective.

### **Interpretation**

In terms of item 13 of the Eighth Schedule to the VAT Act, a reduced VAT rate of 12% shall apply to services consisting of the management of credit and credit guarantees by a person or body other than those who granted the credit where the date the tax on such services becomes chargeable in terms of the Fourth Schedule to the VAT Act falls on or after 1<sup>st</sup> January 2024. It is pertinent to note that the introduction of this reduced rate shall not affect in any way the application of any of the exemptions contained under item 3 of Part Two of the Fifth Schedule to the VAT Act.

Accordingly, the management of credit and credit guarantees by the person granting the credit is exempt without credit in terms of item 3 of part Two of the Fifth Schedule to the VAT Act while the management of the same credit and credit guarantees by a taxable person other than the person granting the credit is taxable at a reduced rate of VAT of 12%.

For the purpose of the application of this reduced rate, "credit and credit guarantees" shall mean any credit and credit guarantees the supply of which would be exempt in terms of item 3 of Part Two of the Fifth Schedule to the VAT Act.

### **Disclaimer**

These guidelines shall not prejudice in any way any of the powers of the CfTC in terms of the VAT Act.

These guidelines shall replace and supersede any previously applicable guidelines on the same matter.

The CfTC reserves the right to substitute, alter or withdraw these guidelines as necessary at any time.