

Guidelines on Transitory Measures for Input and Output VAT Pursuant to a Change in the VAT Act in the VAT Treatment of a Supply

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Purpose and Background

Taxable persons registered under article 10 of the VAT Act (Chapter 406, Laws of Malta) may encounter situations where the Malta VAT treatment of a particular supply shifts from VAT exempt (without credit) to taxable. Such a change may give rise to VAT implications both in respect of the supplies made by the taxable person and in respect of the goods and services procured by the taxable person for the purpose of making those supplies.

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 appropriate application of the relevant Malta VAT rules where the Malta VAT treatment of a supply changes from VAT exempt (without credit) to taxable.

These guidelines outline the transitory measures which should be applied in determining the VAT treatment of supplies made during the period of transition whilst also highlighting the appropriate method of input VAT recovery to be adopted in circumstances where acquired services relate partly to a point in time during which the underlying supplies were VAT exempt (without credit) and which become taxable at another point in time.

Definitions

For the purpose of these guidelines, the following definitions shall apply:

"Transition" means a change in the VAT treatment of supplies by virtue of a change in the provisions of the VAT Act which alters the status of relevant supplies from VAT exempt (without credit) to taxable.

"Transition date" means the effective date as of which the VAT treatment applicable to the relevant supplies changes from VAT exempt (without credit) to taxable.

"Period of transition" means the period during which supplies, or the use of goods or services giving rise to input tax, relate partly to the period preceding the transition date and partly to the period commencing on the transition date, and which is subject to the transitional measures set out in these guidelines.

For the avoidance of doubt, in these guidelines all words and phrases shall have the meaning as prescribed in the VAT Act.

Supplies during the period of transition

The VAT rate applicable to supplies subject to a transition in VAT treatment is, during the period of transition, to be determined in accordance with the transitional measures adopted pursuant to Article 95 of the EU VAT Directive¹. The rules governing the chargeable event and the time when VAT becomes chargeable, as set out in the Fourth Schedule to the VAT Act, continue to apply for the purpose of determining the period in which VAT is to be accounted for. However, the application of those rules does not preclude the transitional measures from determining the VAT treatment applicable to supplies, or parts of supplies, falling within the period of transition.

Where an invoice is raised for the supply of services performed prior to the transition date; however, the tax on the supplies in question becomes chargeable, in accordance with the Fourth Schedule to the VAT Act, on or after the transition date, the VAT rate applicable on the date when the services were performed shall apply. Similarly, the VAT rate applicable on the date when the services were performed shall equally apply where an invoice is raised for the supply of services performed after the transition date; with the tax on the supplies in question becoming chargeable before the transition date.

Input VAT recovery during the period of transition

In order to become eligible for an input tax credit, the input tax of a taxable person registered under article 10 which becomes chargeable² during a given period must be attributable to supplies made (or intended to be made) which are set out in sub-article 22(4) of the VAT Act. The supplies listed in that sub-article include taxable supplies, whether taking place in Malta for VAT purposes, or otherwise.

Therefore, certain supplies carried out by taxable persons which were classified as VAT exempt (without credit) supplies at a given point in time may start to confer input VAT recovery rights if those supplies subsequently become taxable in nature.

As a result, taxable persons must determine the extent to which input VAT incurred on the procurement of goods/services during the period of transition is eligible for an input tax credit.

The input tax credit for a tax period is typically calculated by taking into consideration the input tax that becomes chargeable during that period which is attributable to supplies conferring

¹ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax

² In order to determine the date when tax becomes chargeable, reference must be made to the rules outlined in the Fourth Schedule to the VAT Act.

input VAT recovery rights. More specifically, in accordance with item 5 of the Tenth Schedule to the VAT Act:

- a) any input tax incurred which is exclusively attributable to supplies to which article 22(4) applies shall be recoverable;
- b) any input tax incurred which is **not** exclusively attributable to supplies to which article 22(4) applies shall **not** be recoverable; and
- c) any input tax which is attributable to supplies outlined in both point (a) and point (b) above shall be partially recoverable, in accordance with the provisions of item 6 or item 8 of the same Schedule.

In order to determine the input tax credit for a period in relation to which any input tax incurred is attributable both to supplies which are exempt (without credit) and which would have become taxable after a particular date, reference should be made to the partial attribution methodology outlined in item 6 of the Tenth Schedule to the VAT Act.

In addition to the foregoing, in accordance with article 173(2)(c) of the VAT Directive, for the purpose of determining the input tax credit of a taxable person during the period of transition, regard shall also be had to the use made of the relevant input supplies (goods and/or services). For the avoidance of doubt, for the purpose of determining the input tax credit of a taxable person during the period of transition, any input VAT incurred in relation to goods and/or services wholly used in the carrying out of supplies which did **not** entitle input VAT recovery rights shall **not** be considered to be attributable to supplies to which article 22(4) of the VAT Act applies and therefore shall not be deductible.

Continuous supplies

With particular reference to continuous supplies, the Fourth Schedule to the VAT Act contains specific rules deeming continuous supplies to be performed or completed at particular points in time. During the period of transition, those rules shall continue to apply for the purpose of determining the date when tax on supplies becomes chargeable and, consequently, the VAT period in which any VAT due thereon is to be accounted for.

Notwithstanding the above, where an invoice is raised for continuous supplies subject to a change in VAT treatment, for the purpose of determining the applicable VAT treatment during the period of transition, the supplies are to be broken down into supplies carried out before the transition date and supplies carried out on or after the said date. Unless otherwise specified in terms of the agreement entered into between the parties for the supply in question and provided that this reasonably reflects the economic reality of the supply being carried out, one may assume that the supply is to be / has been equally delivered across the period to which the invoice refers - see example 1(a) below for practical guidance in this respect.

Similarly, when a taxable person has incurred/self-charged VAT on the procurement of continuous supplies subject to a change in VAT treatment during the period of transition and a particular invoice relates to both supplies carried out before and after the transition date, the methodology outlined in item 5 and, where applicable, item 6 of the Tenth Schedule to the VAT Act would apply in determining the extent of input VAT recovery on such costs.

With specific reference to continuous supplies subject to a change in VAT treatment which are received over a period which covers different calendar years and where the input VAT thereon is attributable both to supplies to which article 22(4) of the VAT Act applies and also to other supplies, that input tax shall first be apportioned on a pro-rata basis between the calendar years to which it relates. Unless otherwise specified in terms of the agreement entered into between the parties for the supply in question and provided that this reasonably reflects the economic reality of the supply being carried out, one may assume that the supply is to be / has been equally delivered across the period to which the invoice refers - see example 2(b) below for practical guidance in this respect.

To better understand the practical implications of the foregoing, consider the following examples:

Example 1(a)

Company XYZ, a taxable person established in Malta and registered under article 10 of the VAT Act, is engaged in the provision of services which, until 30 September 2026, were classified as exempt (without credit) supplies for VAT purposes but which would start to attract Malta VAT as from 1 October 2026.

On 1 May 2026, Company XYZ was engaged by Company ABC, a taxable person also established in Malta and registered under article 10 of the VAT Act, to provide its services for a contract period covering 1 May 2026 to 31 December 2026. An invoice covering the consideration due for the remainder of 2026 (i.e. €100,000, excluding VAT, if any) was to be raised and settled during the same month.

In the present case, the consideration relates to services which are to be performed continuously over the period May to December 2026. Accordingly, the consideration should be apportioned between the services performed before 1 October 2026 and those performed on or after that date.

Assuming that the service is equally delivered across the eight months over which the services are to be performed, the monthly consideration is €12,500, calculated as follows:

- Fee attributable to each month: $€100,000 / 8 \text{ months} = €12,500$.

The portion attributable to the services performed from May to September 2026, being five months, amounts to €62,500. This portion remains subject to the VAT treatment applicable

before 1 October 2026 and, being exempt (without credit), should be declared by Company XYZ in Box 21 of the VAT return covering the period April to June 2026.

The portion attributable to the services performed from October to December 2026, being three months, amounts to €37,500. This portion is subject to Malta VAT at 18%, resulting in VAT of €6,750. Accordingly, €37,500 should be declared by Company XYZ in Box 18 and the corresponding VAT of €6,750 in Box 23 of the same VAT return.

The fact that any tax due on the full consideration of €100,000 became chargeable for VAT purposes in May 2026 does not alter the above allocation. During the period of transition, the date of chargeability determines the period in which the VAT is to be accounted for, whereas the period during which the underlying services are performed is relevant in determining the VAT treatment applicable to those services during the period of transition.

Where an invoice would have already been issued in May 2026 featuring an exempt VAT treatment, a corrective invoice³ is required to be issued to reflect the correct VAT treatment and, specifically in the circumstances outlined in this example resulting from a transition in VAT treatment in terms of a change in law, would be acceptable to the Commissioner to be reflected in a current VAT return.

Example 1(b)

Company XYZ has sub-contracted part of a service which it will be carrying out. The sub-contractor, UK Co, is a company not established and not registered in Malta for VAT purposes. The services received from UK Co would, until 30 September 2026, fall to be classified as VAT exempt (without credit) supplies when taking place in Malta but which shall become VAT-taxable in Malta as from 1 October 2026, being the transition date.

An invoice covering the continuous supply of its services over the period June to December 2026 will be raised by UK Co on 1 January 2027, amounting to a fixed fee of €50,000 plus a percentage of the underlying sales. For the purpose of this example, it is assumed that the total fee payable for this period is €70,000.

In determining the appropriate VAT treatment of the above supply, reference is made to:

- article 20(2)(b) of the VAT Act, in terms of which the liability for the payment of any tax due in Malta on the supplies rendered by UK Co would fall on Company XYZ (reverse-charge mechanism); and
- item 3 of the Fourth Schedule, in terms of which any tax on the supply in question becomes chargeable on 1 January 2027 and therefore should be declared in the VAT return of Company XYZ covering the period January to March 2027.

³ This may take the form of a new invoice which cancels the invoice already issued, or part thereof which is no longer correct, and includes the corrected information.

Assuming that the services shall be delivered equally across the seven months over which the said services are to be performed, the value of consideration to be allocated for each month would be €10,000, calculated as follows:

- $€70,000 / 7 \text{ months} = €10,000$.

The portion of this cost deemed to be used and thus attributable to the services performed between June and September 2026, being four months, amounts to €40,000. This portion remains subject to the VAT treatment applicable before the transition date (1 October 2026) and, being VAT exempt (without credit), should be declared by Company XYZ in Box 4 (UK, non-EU) of the VAT return covering the period January to March 2027, with €0 VAT being reported in Box 7.

The portion of this cost deemed to be used and thus attributable to the services performed from October to December 2026, being three months, amounts to €30,000. This portion is subject to Malta VAT at 18%, resulting in Malta VAT of €5,400. Accordingly, €30,000 should be declared by Company XYZ in Box 4 of the VAT return covering the period January to March 2027 and the corresponding VAT of €5,400 in Box 7 of the same VAT return. In addition, given that the portion of the services acquired from UK Co which are performed from October to December 2026 shall be utilised by Company XYZ in the carrying out of taxable supplies (i.e. supplies which confer input VAT recovery rights) the VAT self-charged by Company XYZ on such costs may be recovered in full.

Example 2

Company A, a taxable person established in Malta, is engaged in the carrying out of activity which was classified as VAT exempt (without credit); however, which, as from 1 November 2025, has been re-classified as a taxable supply when taking place in Malta subsequent to a transition. Company A has been in operation since 1 January 2024 and does not carry on any other activity.

In the carrying out of its economic activity, Company A has acquired the following services:

- a. company secretarial services from Company B, a taxable person established in Malta, covering the period January to December 2025. Company A received an invoice covering such services dated 1 January 2025 and amounting to €30,000 + 18% VAT, which it paid in full in advance upon commencement; and
- b. accounting software services from Company C, a taxable person established in another EU Member State and not VAT registered in Malta. Company A received an invoice covering the supply of such software services dated 1 June 2025 and amounting to €50,000. This invoice covered services rendered during the period 1 June 2025 to 31 May 2026, which it paid in full in advance upon commencement.

- c. statutory audit services performed in 2026 in connection with financial year ended 2024 (amounting to €5,000 + VAT) and 2025 (amounting to €7,000 + VAT) from Company D, a taxable person established and VAT registered in Malta. On 1 July 2026, an invoice was raised by Company D for the carrying out of the audit services for both 2024 and 2025.

The value of the supplies made by Company A are as follows:

	2025 (€)
January	43,000
February	25,000
March	54,000
April	63,000
May	42,000
June	92,000
July	75,000
August	63,000
September	35,000
October	55,000
November	72,000
December	68,000

a. Company secretarial services

Company A would not include the invoice received from Company B in its VAT return given that the input VAT on such cost would not have been recoverable up to the date as at which the transaction would have been reportable for VAT purposes.

Nevertheless, given that the company secretarial services incurred during 2025 would be attributable to both supplies which confer input VAT recovery rights (supplies made as from 1 November 2025) and those which do not (supplies made prior to 1 November 2025), in accordance with the rules regulating the partial attribution calculation, as set out in item 6 of the Tenth Schedule to the VAT Act, Company A would be in a position to carry out an adjustment in its favour in the VAT return for the first tax period that ends in 2026 (i.e. assuming that the VAT returns of Company A are set on a calendar quarter basis, in the VAT period January to March 2026), after establishing the actual partial attribution ratio for Company A for 2025, taking into account:

- A:** the value of its supplies for the period 1 January to 31 October 2025 (which qualified as exempt (without credit) supplies during this period);
B: the value of its supplies for the period 1 November to 31 December 2025 (which changed VAT status to taxable as from 1 November 2025).

In this case, the partial attribution adjustment would be calculated as follows:

$$B \div (A+B) = €140,000 \div (€43,000 + €25,000 + €54,000 + €63,000 + €42,000 + €92,000 + €75,000 + €63,000 + €35,000 + €55,000 + €72,000 + €68,000) = 0.20$$

Therefore, an adjustment may be made by Company A to claim back 20% of the VAT incurred on the company secretarial services during 2025. The resulting amount (€1,080) would be included in Box 41 (catering for adjustments in favour of the taxpayer) of the VAT return covering the period January to March 2026.

b. Software services

Company A would have an obligation to include the aforementioned invoice in its VAT return covering the period April to June 2025 and, as at this date, Company A would require to self-charge VAT on the full amount of the invoice, with no input VAT recovery being possible at that point in time. This invoice would therefore be reported as follows:

Box 3: € 50,000

Box 6: € 9,000

Nevertheless, again, Company A would be in a position to carry out an adjustment in its favour in relation to this acquisition, in the VAT period January to March 2026.

In order to determine the appropriate adjustment in this case, considering specifically that: (i) the cost for the provision of software services which Company A has incurred covers the use of such services over two different calendar years; and (ii) the Malta VAT treatment of the supplies of Company A to which such cost is exclusively attributable shall change from VAT exempt (without credit) to VAT taxable within a transition period to which the invoice refers, this Office takes the view that a fair and reasonable approach to the attribution of such cost in the case of such transitions during the transition period would be the following:

- To utilise the actual partial attribution ratio for 2025 (calculated above) for the proportion of the costs relevant to the use of the services in 2025;
- To utilise the actual partial attribution ratio for 2026 (to be determined following the end of 2026) for the proportion of the costs relevant to the use of the services in 2026.

Therefore, the VAT self-charged during the VAT period April to June 2025 would need to be adjusted in the VAT period January to March 2026 to claim back 20% of the VAT self-charged on the software costs; however, this adjustment must be limited to the portion of such costs which corresponds to the use of the software during the months of June to December 2025. Therefore, assuming that the services have been equally delivered across the twelve months over which the services were performed, the monthly consideration is €4,166.67, calculated as follows:

$€50,000 \div 12 \text{ months} = €4,166.67$ (cost of software/month);

$€4,166.67 * 7 \text{ months of use during 2025} = €29,167$;

VAT self-charged relating to 2025: $€29,167 * 18\% = €5,250$;

Recoverable VAT on the software cost for 2025 (based on the actual partial attribution ratio for 2025): $€5,250 * 20\% = €1,050$

The resulting amount (€1,050) would be included in Box 41 (catering for adjustments in favour of the taxpayer) of the VAT return covering the period January to March 2026.

Software cost attributable to 2026

The remaining balance of the software cost of €20,833 ($€50,000 - €29,167$) would be allocated to 2026 and the VAT recoverable thereon would be calculated using the actual partial attribution ratio for 2026, with the amount recoverable being included in Box 41 of the VAT return covering the period January to March 2027.

c. Statutory audit fees

At the outset, it is important to note that the invoice issued by Company D relates to audit services performed during 2026 connected with Company A's activity carried out during 2024 and 2025.

Audit fee relating to 2024

Given that, during 2024, the supplies carried out by Company A classified as VAT exempt (without credit), the input VAT incurred on the 2024 audit fees by Company A would not be recoverable. Resultantly, the portion of the invoice relating to the 2024 audit would not be reported in the Company's VAT return covering the period July to September 2026.

Audit fee relating to 2025

Given that, during 2025, the supplies carried out by Company D classified as both taxable and exempt (without credit) for VAT purposes, in line with item 5(3) of the Tenth Schedule, the portion of recoverable input VAT on such costs should be determined in accordance with item 6 of the Tenth Schedule.

Company A should therefore include the invoice received from Company D in its VAT return covering the period July to September 2026 and input VAT should be recovered thereon in accordance with the provisions of item 6 of the Tenth Schedule to the VAT Act, i.e. based on the provisional partial attribution ratio of Company D for 2026 with a subsequent adjustment being carried out in the VAT return covering the period January to March 2027 in the event

that the provisional partial attribution ratio for 2026 is greater/less than the actual partial attribution ratio for 2026.

Example 3

Company C has engaged a brand ambassador (hereinafter “**Mr A**”), a taxable person established in another EU Member State and not VAT registered in Malta, to provide marketing and branding services. In terms of the contract entered into between the aforementioned parties, the consideration chargeable by Mr A for the provision of such services amounts to €75,000/month. Company C carries out supplies which are currently classified as taxable supplies when taking place in Malta as well as other supplies which were classified as VAT exempt supplies (without credit) supplies but which, as from 1 October 2025, have been re-classified as a taxable supplies when taking place in Malta subsequent to a transition. The supplies acquired from Mr A are utilised by Company C for the promotion of its business as a whole and therefore such costs are typically classified as general business overheads.

The value of the corresponding supplies of Company C for 2025 were as follows:

Taxable supplies	Exempt (without credit) supplies
Q1 2025 – €500,050	Q1 2025 – € 150,000
Q2 2025 – € 359,000	Q2 2025 – € 175,000
Q3 2025 – € 625,000	Q3 2025 – € 215,000
Q4 2025 – € 750,000	Q4 2025 – €0

Mr A has last raised an invoice for the provision of such services in January 2024, covering the period January to December 2024, and, as at 31 December 2025, had not raised any further invoices. Furthermore, Company C had settled all dues for 2024; however, has not settled any amounts due to Mr A for 2025.

Company C is preparing its VAT return covering the period October to December 2025. For the purpose of this example, it is assumed that the definitive partial attribution ratio of Company C for 2024 (and therefore the provisional partial attribution ratio for 2025) was calculated to be 14%.

VAT Reporting

Given that an invoice covering the consideration payable by Company C to Mr A for marketing and branding services rendered during 2025 has not yet been raised and such consideration has not been paid, reference is made to item 3 of the Fourth Schedule to the VAT Act which provides that:

“The tax on a supply of services which takes place in Malta becomes chargeable on the earlier of the following two dates:

- (a) the date when the chargeable event takes place; or**
(b) the date when a payment is made for the supply to the extent covered by that payment.”

In order to determine the date when the chargeable event takes place as per point (a) above, reference is made to item 2(3) of the Fourth Schedule to the VAT Act, which provides that such a supply **“shall be regarded as being completed on expiry of each calendar year until such time that the supply comes to an end.”** In view of this provision, and notwithstanding the fact that no invoice covering 2025 has been drawn up by Mr A, Company C has an obligation to report the procurement of such services in its VAT return covering the period October to December 2025 and to self-charge VAT thereon at the VAT rate applicable during this period (i.e. in this case, 18%). Therefore, Company C would be required to report the following:

Box 3: € 900,000

Box 6: € 162,000

From an input VAT recovery perspective, reference must be made to the rules regulating the partial attribution calculation, as set out in item 6 of the Tenth Schedule to the VAT Act. In terms of these rules, input VAT on such costs must be recovered based on the provisional partial attribution ratio of 2025. The input VAT recovered during this period would subsequently need to be adjusted for in the period January to March 2026, to reflect the amount recoverable based on the actual partial attribution ratio for 2025.

As a result, the following would need to be reported in the VAT return October to December 2025, from an input VAT recovery perspective:

Box 9A: € 900,000

Box 13A: € 22,680 (€ 162,000 * 0.14)

Adjustment in VAT period January to March 2025

In order to calculate the adjustment required to be carried out, Company C must first calculate the definitive partial attribution ratio for 2025. This would be calculated taking into account:

A: the value of the supplies of Company C during 2025 which classified as VAT exempt (without credit) supplies;

B: the value of the supplies of Company C during 2025 which classified as taxable supplies.

$$B \div (A+B) = €2,234,050 \div €540,000 + €2,234,050 = 0.80$$

Given that input VAT on the procurement of the marketing and branding services from Mr A was recovered based on the provisional ratio for 2025 - which was calculated to be 14%, whereas the definitive ratio for 2025 has been calculated to be 80%, a 66% adjustment in favour of Company C may be carried out in the VAT period January to March 2025, as follows:

Box 41: €106,920

Example 4

Company D, a company established in Malta and registered for VAT purposes in terms of article 10 of the VAT Act, operates in the online gambling and betting industry and carries out online casino services, which classify as taxable supplies when taking place in Malta, as well as sports betting activity, which currently classifies as VAT exempt (without credit) when taking place in Malta; however, which, as from 1 October 2026 being the transition date, will transition to become taxable when taking place in Malta.

During 2026, Company D entered into the following endorsement agreements:

- a. an agreement with a well-established footballer, Mr X, participating in the FIFA World Cup 2026 for the use of the image rights of Mr X during a marketing campaign related to the FIFA World Cup 2026 (hereinafter “**Agreement A**”). The appearances of Mr X related to this contract took place between 1 June and 19 July 2026 and all obligations due in terms of this agreement were terminated on the last day of the FIFA World Cup 2026 (i.e. 19 July 2026). In terms of this contract, Mr X is due a fee amounting to €100,000. Company D received an invoice from Mr X for the provision of such services on 10 October 2026 and the full invoice was settled by Company D shortly after;
- b. an agreement with another well-established footballer, Mr Y, for the purpose of promoting Company D’s sports betting brand by means of the footballer’s participation in various corporate initiatives to take place throughout 2026 (hereinafter “**Agreement B**”). The consideration due to Mr Y in terms of this agreement amounts to €150,000. In terms of this agreement, Company D shall receive two invoices from Mr Y: one at the end of June 2026, covering services rendered until the end of June, for 50% of the consideration due and another in December 2026 for services rendered from the end of June up till December covering the remaining balance due (50%); and
- c. an agreement with a world-renowned actress, Ms Z, for the endorsement of Company D’s sports betting and casino brands during 2026 (hereinafter “**Agreement C**”). The consideration due to Ms Z in terms of this agreement amounts to €75,000. In terms of this agreement, an invoice covering this consideration due is to be issued by Ms Z during December 2026.

All of Mr X, Mr Y and Ms Z are established in another EU Member State and are not VAT registered in Malta.

Company D has VAT periods set on a calendar quarter basis.

Agreement A

In terms of item 3 of the Fourth Schedule to the VAT Act, the VAT due in Malta by Company D on the procurement of the services from Mr X is payable in July 2026 (i.e. the date when the

chargeable event takes place – which is the date as at which the services would have been performed). As a result, Company D would include the value of such services as well as Malta VAT thereon in its VAT return covering the period July to September 2026, as follows:

Box 3: € 100,000

Box 6: €18,000.

From an input VAT recovery perspective, given that the supplies carried out by Mr X were wholly used during the months of June and July 2026 and therefore exclusively attributable to VAT exempt (without credit) supplies by Company D, the input VAT which is required to be self-charged thereon would **not** be recoverable. Additionally, no partial attribution adjustments should be carried out in this respect.

Agreement B

In this case, the chargeable event takes place and therefore the tax due on 50% of the consideration payable in terms of this agreement (i.e. €75,000) becomes chargeable in June 2026 whilst the tax due on the balance (i.e. €75,000) becomes chargeable in December 2026. As a result, Company D would include the value of such supplies as well as Malta VAT thereon in its VAT returns covering the periods April to June 2026 and October to December 2026, as follows:

Box 3: €75,000

Box 6: €13,500

With respect to the VAT self-charged during the period April to June 2026, given that the supplies carried out by Mr Y during this period were wholly used by Company D in the carrying out of (and therefore exclusively attributable to) VAT exempt (without credit) supplies, the input VAT which is required to be self-charged thereon would **not** be recoverable. Additionally, no partial attribution adjustments should be carried out in this respect.

With respect to the VAT self-charged during the period October to December 2026, given that the consideration due in December relates to services which would have been utilised by Company D during the months of July to December 2026 and given further that, during these months, the corresponding supplies of Company D were both VAT exempt (without credit) and taxable, this amount would **not** be exclusively attributable to a taxable supply and therefore the input VAT self-charged thereon would **not** be fully recoverable. Therefore, strictly for the purpose of applying these transitional provisions, the date when the tax becomes chargeable (which may or may not correspond with the date of the invoice) would not automatically determine input VAT recovery rights during the period of transition.

Resultantly, Company D should recover the input VAT self-charged on such supplies during the period October to December 2026 based on the provisional partial attribution ratio of Company D for 2026 in accordance with the provisions of item 6 of the Tenth Schedule VAT Act. A subsequent adjustment would need to be made in the VAT return covering the period January to March 2027 to account for the difference between the input VAT recovered based

on the provisional partial attribution ratio for 2026 and the input VAT recoverable based on the actual partial attribution ratio for 2026.

Agreement C

In terms of item 3 of the Fourth Schedule to the VAT Act, the VAT due in Malta by Company D on the procurement of the services from Ms Z is payable in December 2026 (i.e. the date when the chargeable event takes place – which is the date as at which the services would have been performed). As a result, Company D would include the value of such services as well as Malta VAT thereon in its VAT return covering the period October to December 2026, as follows:

Box 3: €75,000

Box 6: €13,500

Given that the services acquired from Ms Z were attributable to both VAT exempt (without credit) sports betting supplies (until 30 September 2026); VAT taxable sports betting supplies (as from 1 October 2026); and VAT taxable supplies of online casino services, the related VAT to be self-charged by Company D on such costs shall, in accordance with item 5(3) of the Tenth Schedule, be partially allowed as an input tax credit. Therefore, Company D should recover the input VAT self-charged on such supplies based on the provisional partial attribution ratio of Company D for 2026 in accordance with the provisions of item 6 of the Tenth Schedule VAT Act. A subsequent adjustment would need to be made in the VAT return covering the period January to March 2027 to account for the difference between the input VAT recovered based on the provisional partial attribution ratio for 2026 and the input VAT recoverable based on the actual partial attribution ratio for 2026.

Liability to tax

For the avoidance of doubt, it is relevant to note that the responsibility to properly declare and pay the VAT due on transactions taking place in Malta for VAT purposes remains the person designated as such in terms of article 20 of the Malta VAT Act.

Adjustments in relation to capital goods

In the event of a change in the Malta VAT treatment of a particular supply from VAT exempt (without credit) to taxable, one should also assess whether annual adjustments with respect to input VAT incurred on capital goods⁴ may be made in favour of the taxpayer. In this respect, particular reference is being made to the adjustment triggered in terms of item 4(b) of Subsidiary Legislation 406.12, relating to changes in the elements used for the calculation of the deducted input tax. Resultantly, adjustments would need to be made each year with respect to one-fifth (1/5 - applicable to capital goods excluding immovable property) or one-twentieth (1/20 - applicable to immovable property), of the input tax deducted.

⁴ As defined in item 2(1) of Subsidiary Legislation 406.12 (Value Added Tax (Adjustments Relating to Input Tax on Capital Goods) Regulations)

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.