



**TAX & CUSTOMS
ADMINISTRATION**

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OVERVIEW OF RECENTLY PUBLISHED LEGAL NOTICES

July to December 2025

The purpose of this memo is to give a brief overview of subsidiary legislation issued under the Income Tax Acts and Duty on Documents and Transfers Act between July and December 2025.

LN 137/2025	Income from Artistic Activity (Amendment) Rules, 2025
LN 139/2025	Audit Exemption Rules, 2025
LN 177/2025	Determination of Additional Penalty Rules, 2025
LN 188/2025	Final Income Tax without Imputation Regulations, 2025
LN 250/2025	Senior Employees of Family Offices, Back Offices and Treasury Management Operations Tax Rules, 2025
LN 279/2025	Deduction (Income from Employment) (Amendment) Rules, 2025
LN 283/2025	Various Laws relating to Periods of Applicability of Exemptions under the Duty on Documents and Transfers Act (Amendment) Order, 2025
LN 284/2025	Relief from Income Tax and from Duty on Documents and Transfers on Certain Property Transfers (Amendment No. 2) Rules, 2025
LN 305/2025	Exemption of Duty in terms of article 23 (Amendment) Order, 2025
LN 306/2025	Reduced Rate of Duty on Transfers Causa Mortis of a Dwelling House Rules, 2025

Income from Artistic Activity (Amendment) Rules, 2025 (LN 137/2025)

Following the amendment introduced by the Budget Measures Implementation Act, 2025 to Article 56(26A) of the Income Tax Act, the reduced tax rate of 7.5% on income from artistic activities, as approved by Arts Council Malta, will now apply to net income rather than gross income.

In order to reflect this change in the Income from Artistic Activity Rules, Rule 3 has been revised to apply the 7.5% reduced rate to net income as from the year of assessment 2026, in alignment with the amendment to the Income Tax Act. The existing €50,000 capping has been retained; however, it will now apply to net income.

Since the amount exceeding the capping, required to be reported in the tax return, will now represent net income (i.e. income net of allowable deductions), the amendments have also removed the reference to such deductions that may be claimed in the tax return.

Audit Exemption Rules, 2025 (LN 139/2025)

By means of LN 139/2025, the Audit Report Waiver and Deduction Rules (S.L. 372.29) have been repealed, and the latter rules were replicated under rules 3 to 5 of these rules. Such rules extend the audit report waiver or the 120% deduction in relation to audit fees for the first two accounting periods of newly registered companies whose annual turnover does not exceed €80,000 (or a pro rata amount if the relevant accounting period is other than 12 months) and whose sole shareholders are individuals in possession of educational qualifications at MQF level 3 or higher (as recognised by the Malta Qualifications Recognition Information Centre) and who have set up the new company within 3 years of obtaining such qualifications. The 120% deduction in relation to audit fees may not exceed €700 in each accounting period.

Moreover these rules also recognise in part, for the purposes of the Income Tax Management Act, the exemptions regarding statutory audit requirements provided by the Companies Act and, or the Merchant Shipping Act, without in any way limiting the audit obligations arising from the said Acts or any other Act.

Under rule 6 where a company is not registered under the Merchant Shipping Act, and benefits from an exemption in accordance with article 185(2) of the Companies Act and:

- two of the three criteria therein are satisfied then the statutory audit requirements may be replaced by a review report.
- all three criteria therein are satisfied then there would be no requirement for the statutory audit.

For a company that is required to prepare consolidated accounts in accordance with the Companies Act the above treatment may be availed of so long as the group of which the company forms part continues to qualify as a small group in accordance with the criteria established in article 185(5) of the Companies Act.

Under rule 7 where a company is registered under the Merchant Shipping Act, and benefits from an exemption under regulation 64 of the Merchant Shipping (Shipping Organisations – Private Companies) Regulations, then there would be no requirement for the statutory audit.

For a company that is required to prepare consolidated accounts in accordance with the Companies Act the above treatment may be availed of so long as the group of which the company forms part continues to qualify as a small group in accordance with the criteria established in article 185(5) of the Companies Act with the exception that the balance sheet total and turnovers thresholds in the said article shall be replaced with the thresholds established in regulation 64 of the Merchant Shipping (Shipping Organisations – Private Companies) Regulations.

In determining whether at balance sheet date, other than its first balance sheet date, a company registered in Malta may avail itself of the option provided for in rules 6 and 7 for that accounting period, the fact that the criteria above have been satisfied or not satisfied shall affect the application of the exemption only if it occurs in two consecutive accounting periods. Where a company is not resident in Malta, the determination as to its eligibility under rules 6 or 7 shall be established by reference to the criteria as applicable to the said company's activities in Malta.

All rules come into force from accounting periods commencing on or after 1 January 2024 with the exception of Rule 6 which comes into force from accounting periods commencing on or after 1 January 2025.

Kindly also refer to the Guidance Note on MTCA's website [Audit Exemption Rules - Guidelines](#) which provides further guidance on the application of rule 6.

Determination of Additional Penalty Rules, 2025 (LN 177/2025)

This legal notice must be read in conjunction with the newly introduced article 68 of the Duty on Documents and Transfers Act and article 52A of the Income Tax Management Act. The latter amendments establish a special mechanism for out of court settlements whereby upon the conclusion of an agreement between the Commissioner and any person obliged to make any payment under the said Acts and which agreement provides for the payment of an additional penalty in addition to any other penalties otherwise provided in the above Acts, criminal liability shall be extinguished for breaches under the said Acts which are in relation to the agreement concluded.

LN 177/2025 establishes the manner in which the additional penalty shall be determined for the purposes of the above articles. Such additional penalty shall be not less than ten thousand euros and not more than 1 million euros according to the progressive rates indicated in the Table below:

Endangered Tax (€)	Endangered Tax (€)	Progressive Rate (€)
	Up to 1,500,000	15.0
1,500,001	2,500,000	20.0
2,500,001	4,000,000 and over	25.0

Such additional penalty shall be paid immediately upon the signing of the agreement or in instalments over a period of time, as may be determined by the Commissioner.

Final Income Tax without Imputation Regulations, 2025 (LN 188/2025)

These regulations establish an optional tax regime allowing certain entities in Malta to be taxed at a 15% final rate on chargeable income, instead of the standard corporate tax rate, starting from year of assessment 2025 and applicable for a minimum of five years. The regime excludes dividend income received from profits that are not allocated to the final tax account of another company and income that has been subject to tax at a final rate of tax. Once elected, the tax paid is final and non-refundable, with taxed profits allocated to the final tax account. Additionally, the final tax must not be less than the effective tax that would otherwise apply under the standard corporate tax system, after deducting any refunds that would have been claimable by the shareholders and applying the provisions of Article 43(6) of the Income Tax Act where applicable.

Senior Employees of Family Offices, Back Offices and Treasury Management Operations Tax Rules, 2025 (LN 250/2025)

Under these rules senior professionals working in family offices, back-office service providers and treasury management operations shall be subject to tax at the rate of 15% with effect for year of assessment 2026 on qualifying employment income up to a maximum income of €7 million per year. No deductions, reliefs, credits, or set-offs may be claimed against income taxed at 15% and any income in excess of €7 million per year will be taxed at the rate of 35%.

To be eligible the senior professional must:

- Be first employed in Malta in an eligible office under a contract of employment requiring the performance of his duties in Malta
- Earn minimum annual emoluments of €65,000 (excluding fringe benefits), increasing by €10,000 every five years
- Possess relevant professional qualifications or at least 5 years' comparable experience
- Not be domiciled in Malta
- Have adequate accommodation, stable resources, and private medical insurance
- Hold valid travel documentation
- Not have had income referred to in article 4(1)(a) and (b) of the Income Tax Act before 1st January 2025

Kindly also refer to the Guidance Note on MTCA's website [Guideline – HQPR for Family Office](#) which provides further guidance in relation to the application of the rules.

Deduction (Income from Employment) (Amendment) Rules, 2025 (LN 279/2025)

The deduction threshold available under the main rules has been increased from €12,050 to €12,445 to ensure that the COLA and minimum wage increase for basis year 2026 remain below the taxable threshold. This revised threshold is applicable from year of assessment 2027.

Various Laws relating to Periods of Applicability of Exemptions under the Duty on Documents and Transfers Act (Amendment) Order, 2025 (LN 283/2025)

These amendments extend the duty exemptions with respect to the second-time buyers' scheme and the reduced rate of duty on transfers of family businesses for another year.

Relief from Income Tax and from Duty on Documents and Transfers on Certain Property Transfers (Amendment No. 2) Rules, 2025 (LN 284/2025)

LN 284/2025 extends until the end of 2026 the relief from income tax and duty with respect to transfers of property:

- that have been built at least 20 years earlier and vacant for at least 7 years
- that are situated within an urban conservation area
- that have been developed in line with Maltese typical or characteristic architectural design and style.

Exemption of Duty in terms of article 23 (Amendment) Order, 2025 (LN 305/2025)

The eligibility criteria for duty exemptions for First-Time Buyers have been amended such that the duty exemption now applies to individuals who have never previously acquired residential property, including airspace and any other immovable property acquired for the purpose of constructing or developing a residence, except for minor undivided shares representing less than 25% of the property's real value. By excluding the prior acquisition of non-residential property, such as garages or fields, as a disqualifying factor, this new condition effectively broadens the eligibility criteria. The new eligibility conditions apply to transfers made on or after 28 October 2025.

Reduced Rate of Duty on Transfers Causa Mortis of a Dwelling House Rules, 2025 (LN 306/2025)

The threshold upon which a reduced duty rate of 3.5% is payable by individuals who inherit property used as their residence under a transfer of causa mortis has been increased from €200,000 to €400,000 of the property's value. The revised threshold is applicable for transfers occurring on or after 28 October 2025.



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