



## Legislative Update 5: September 2022

The purpose of this update is to give a brief overview of recent legislation issued under the Income Tax Acts.

LN 204/2022	Relief from Income Tax and from Duty on Documents and Transfers on Certain Property Transfers (Amendment No. 2) Rules, 2022
LN 205/2022	Group Deductions (Income Tax) Rules, 2022
LN 220/2022	Pensions (Tax Exemption) (Amendment) Rules, 2022
LN 225/2022	Exemption from Tax on Certain Property Transfers (Amendment No. 2) Rules, 2022
LN 228/2022	Income Tax (Rate of Interest) (Amendment) Rules, 2022



## **Relief from Income Tax and from Duty on Documents and Transfers on Certain Property Transfers (Amendment No. 2) Rules, 2022**

Correction of a discrepancy in the English and Maltese versions of the Rules.

In the Maltese version of the proviso to sub-rule (1) of rule 3 of the principal rules, the words "ħelsien mit-taxxa fuq dokumenti utrasferimenti" shall be substituted by the words "ħelsien mit-taxxa fuq l-income u mit-taxxa fuq dokumenti u trasferimenti".

## **Group Deductions (Income Tax) Rules, 2022**

These Rules implement one of the 2022 Budget Measures.

The Legal Notice is aimed at assisting the recovery of groups of companies that suffered adverse consequences due to the COVID-19 pandemic. In terms of this Legal Notice, companies that form part of the same group may surrender unabsorbed capital allowances to other members of the same group with effect from year of assessment 2022, subject to the following conditions:

- Allowable deductions which may be surrendered are unabsorbed capital allowances resulting in respect of years of assessment 2021 and 2022. Unabsorbed capital allowances carried forward from year of assessment 2020 and previous years are not to be considered as allowable deductions.
- Balancing allowances resulting from the disposal of plant and machinery in respect of years of assessment 2021 and 2022 shall be treated in the same manner as capital allowances for the purpose of these Rules.
- Such allowable deductions can only be surrendered if either the claimant or the surrendering company is a beneficiary under which they were entitled to postpone the payment of certain taxes under the COVID-19 Fiscal Assistance – Postponement of Payment of Certain Taxes Tax Deferral Scheme.
- The total allowable deductions that may be claimed shall not exceed €1,000,000 per group of companies.
- The total amounts surrendered must be equal to the amounts claimed, thus eliminating the possibility for the claimant company to claim deductions in excess of its current total income for these to be carried forward. Thus, the total allowable deductions which may be claimed by a claimant company



shall not exceed the company's total income for year of assessment 2022, (computed before any deductions are made in terms of these rules).

- Restrictions related to the set off against profits and the carry forward of losses by the claimant company found in Article 18(c) and (d) of the ITA, depending on to which tax accounts such losses would have been allocated had they been a profit are not applicable to these Rules.

A new TRA 125 had been included as part of the tax return for companies, by virtue of which claimant and surrendering companies may claim and surrender unabsorbed capital allowances as per the above-mentioned rules.

Guidance notes can be found on the CfR website, link below:

<https://cfr.gov.mt/en/inlandrevenue/legal-technical/Documents/Group%20Deductions%20Guidance%20Note.pdf>

### **Pensions (Tax Exemption) (Amendment) Rules, 2022**

In terms of this Legal Notice, pension income derived by an individual on or after 1 January 2022 shall be partially or fully exempt from tax as follows:

- Basis Year 2022 – Amount exempt 20%, not exceeding € 2,864
- Basis Year 2023 – Amount exempt 40%, not exceeding € 5,727
- Basis Year 2024 – Amount exempt 60%, not exceeding € 8,591
- Basis Year 2025 – Amount exempt 80%, not exceeding € 11,454
- Basis Year 2026 – Amount exempt 100%, not exceeding € 14,318

### **Exemption from Tax on Certain Property Transfers (Amendment No. 2) Rules, 2022**

This Legal Notice extends the applicable period of the reduced final withholding tax of 5% instead of the normal rates of 8 or 10% on transfers of immovable property situated in Malta (on the first €400,000 of transfer value).

The original Rules provided for a reduction of tax payable on property transfers made not later than 31 March 2021. This deadline was extended by means of Legal Notice 459 of 2020 and again by means of legal notice 129 and 325 of 2021 and 121 of 2022.

This amendment extends the applicability of the reduced rate to transfers made before 30 June 2023.



## **Income Tax (Rate of Interest) (Amendment) Rules, 2022**

This Legal Notice has revised the second proviso to Rule 2 of the Income Tax (Rate of Interest) Rules, specifying that where the date by which tax is payable under the Income Tax Acts is 31 August 2022 or later date, interest shall be charged at the monthly rate of 0.6% and that the total interest shall not exceed the amount of the said tax.