# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2025

# MODULE 2.07 – MALTA OPTION

## ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

TIME ALLOWED – 3¼ HOURS

This exam paper has **three** parts: **Part A**, **Part B** and **Part C**.

You need to answer **five** questions in total. You will **not** receive marks for any additional answers.

You must answer:

- **Both** questions in **Part A** (25 marks each)
- **One** question from **Part B** (20 marks)
- **Two** questions from **Part C** (15 marks each)

**Further instructions**

- All workings should be made in Euros, unless otherwise stated. Any monetary calculations should be made to the nearest whole Euro. Any necessary time apportionments in your calculations should be made to the nearest whole month.
- You must provide appropriate line breaks between each question, and clearly indicate the start of each new question using the formatting tools available.
- Marks may be allocated for clarity of presentation of your answers.
- The time you spend answering questions should correspond broadly to the number of marks available for that question. You should therefore aim to spend approximately half of your time answering Part A, and the other half answering questions in Parts B and C.
- There is no separate reading time, so you can start typing your answers as soon as the exam begins. However, we recommend that you set aside some time to thoroughly read each question and plan each of your answers.

## PART A

**You are required to answer BOTH questions from this Part.**

1. Global Malta Ltd (GML) is a company, similar in nature to a Malta Limited Liability Company, that was incorporated in Cyprus (an EU member state) during 2020. Although GML was incorporated in Cyprus, its presence in Cyprus is limited to a registered address therein, which it shares with over 100 other companies. GML runs its affairs from a head office in Malta; furthermore, its directors are all Maltese tax residents and its board always meets in Malta, where it keeps its books and records, and where its employees are located.

   In the relevant year, GML received the following:

   1) A dividend of €100,000 from Teal Waters Ltd (TWL), a company registered in the Bahamas (a non-EU country). GML owns 50% of the equity shares in TWL. TWL's income consists of the commercial exploitation of carbon credits. The dividend from TWL was not subject to tax in the Bahamas, and was received in GML's Maltese bank account.

   2) A net of dividend €20,000 from the Maltese Taxed Account of Malta Investors Ltd (MIL), a company listed on the Malta Stock Exchange. The dividend was not received in Malta.

   3) Trading income of €150,000, which is attributable to GML's permanent establishment in Italy (an EU member state). This income was not received in Malta.

   4) A lump sum payment of €1 million from a supplier, paid under a settlement agreement relating to a pre-contractual liability. This payment was received in GML's Maltese bank account.

   5) Rental income of €200,000 from an unrelated Maltese resident tenant that uses GML's warehouse in Italy. This payment was received in GML's Cypriot bank account and retained in Cyprus.

   6) Rental income of €300,000 from an unrelated Maltese resident tenant that uses GML's warehouse in Malta. This payment was received in GML's Cypriot bank account and retained in Cyprus.

   In the relevant year, GML incurred the following expenditure and deemed expenditure:

   7) Salaries and wages of €200,000.

   8) Water and electricity bills totalling €20,000.

   9) Italian property taxes amounting to €30,000.

   10) Lawyers' retainer fees totalling €30,000.

   11) Interest of €25,000 that was due on a bank loan taken to purchase the warehouse in Italy (to which €15,000 of the interest relates) and Malta (to which the remaining €10,000 of the interest relates).

   12) Wear and tear allowances calculated at €40,000.

   **You are required to allocate GML's chargeable income to the appropriate tax accounts, and to determine GML's Malta income tax liability in relation to each item of income and expenditure for the relevant year, briefly explaining the basis for this tax treatment.**

   **You should assume that GML's policy is to claim all forms of reliefs and exemptions available to it.**

   (25)

2. Mr Globals is the former chief executive officer of a United States-resident multinational company. He retired from the company in 2020 but still receives retirement benefits from the company. In addition, from time to time, he renders consultancy services to the company. During 2020, Mr Globals bought a home in Malta and obtained a Maltese residence card.

Mr Globals has retained his US citizenship and his residence in the US (a non-EU country). He recently married an Italian woman and bought a home in Sicily, Italy (an EU member state). At present, Mr Globals spends around 200 days per calendar year in Malta, though he intends to eventually sell his Maltese home and move to Sicily.

Mr Globals receives payments from both within and outside Malta. During the relevant year of assessment, he receives the following payments:

1) 50% of his retirement benefit, amounting to €20,000, paid directly by the US multinational company into his bank account in Switzerland (a non-EU country).

2) The remaining 50% of his retirement benefit, amounting to €20,000, paid by the company's Maltese subsidiary into his Swiss bank account.

3) Bank interest of €2,000 from the Swiss bank account, which is not received in Malta.

4) Fees of €30,000 for consultancy services performed in Malta. The fees are received in the Swiss bank account.

5) Profits of €5,000 from trading in foreign shares. Realised profits are not received in Malta.

6) A dividend of €8,000 from his company in Italy, in which he holds an equity of 100%. The dividend is received in his Maltese bank account.

7) Interest of €2,500 from Maltese government stocks paid into his Swiss bank account, which is not subject to withholding tax.

8) A dividend of €2,000 from shares listed on the London Stock Exchange in the United Kingdom, paid into his Maltese bank account.

9) Rental income of €24,000 from the US, paid into a US bank account.

10) A pension of €30,000, paid by the US Treasury into a US bank account.

11) Profits of €25,000 on the disposal of his late father's large collection of coins and medals. Such profits are received in his Maltese online bank account.

12) Royalties of €10,000 from the granting of image rights, paid in Bitcoin.

13) A lump sum payment of €4,000, received in relation to his cession of tenancy rights over an apartment in Malta.

**You are required to determine Mr Globals' chargeable income for Malta income tax purposes, for the relevant year of assessment.** (25)

## PART B

**You are required to answer ONE question from this Part.**

3. International Group Ltd (IGL) is a Maltese incorporated and resident company and the parent company of a large multinational group. All shares in IGL are held by an individual who is neither ordinarily resident nor domiciled in Malta. IGL is considering restructuring its holdings worldwide as follows:

   1) IGL will transfer all the loans held by International Treasury Company Ltd (ITCL), a fully owned company incorporated and resident in Ireland (an EU member state), to International Holding Company (IHL), another fully owned company incorporated and resident outside the EU in Switzerland.

   2) ITCL will then distribute a dividend to IGL, equivalent to its retained earnings, and be liquidated.

   3) IGL will transfer its equity shares in International Operations Company Ltd (IOCL), a fully owned company incorporated and resident in Italy, to International Holding Company (IHL). IOCL will then be merged into IHL.

   4) IGL will redomicile Bahamas Holding Ltd (BHL), a fully owned holding company incorporated and resident outside the EU in the Bahamas, to Malta. BHL will then be merged into IGL.

   5) IGL's Maltese subsidiary in which it holds 100% of the equity, namely International Property Ltd (IPL), will be liquidated, and the portfolio of immovable properties situated outside Malta held by IPL will be assigned to IGL.

   6) IGL Partnership, a General Partnership constituted outside of Malta which is owned and controlled by IGL's shareholder, will assign its intellectual property registered outside Malta to IGL. IGL Partnership will then be liquidated.

   7) Profit participating loans that IGL holds in Swiss Company Ltd, an unrelated party, will be assigned to IGL's sole shareholder.

   8) IGL will assign its right to receive a tax refund under Article 48(4A) of the Income Tax Management Act, due in respect of tax on profits distributed by IPL, to an unrelated third party.

   9) IGL will transfer its real rights over its office block in Malta to its sole shareholder.

   10) IGL will transfer its management and control to Ireland.

   **You are required to briefly explain the Maltese income tax treatment of each of the proposed restructuring activities.** (20)

4. Ms Bar is an individual who is neither ordinarily resident nor domiciled in Malta. She is considering the incorporation in Malta of Family Malta Ltd (FML), a company resident in Malta which will hold her family's worldwide investments.

Ms Bar has provided you, as a tax adviser, with the following scenario:

- FML will have a share capital of €1 million.
- FML will be legally empowered to apply the Flat Rate Foreign Tax Credit.
- FML will hold intellectual property, comprising a locally registered trademark that is commercially exploited in the local market in Malta and valued at €500,000, and a foreign registered trademark that is commercially exploited outside Malta and has a value of €1,200,000.

Every year, FML will receive:

1) Foreign source royalties from Country A of €300,000, exempt from foreign tax.
2) Foreign source royalties from Country B of €500,000 (net of foreign tax at a rate of 30%).
3) A Malta source royalty of €100,000.
4) Foreign source royalties from Country C of €3 million (net of foreign tax at a rate of 10%).
5) A dividend of €300,000 from a portfolio equity investment, held in a foreign tax-exempt company which holds the family's cash investments.
6) A dividend of €400,000 from an equity share (representing a 10% shareholding), held in a tax-exempt company incorporated in an EU member state.
7) Profits of €1 million attributable to a non-EU branch of FML in the United States.

**You are required to calculate FML's projected annual Malta Income Tax charge, using all credits, reliefs, deductions, exemptions and opportunities for tax mitigation that are available under Maltese tax law.** (20)

## PART C

**You are required to answer TWO questions from this Part.**

5. Malta Financial Institution (MFI) is a Maltese resident company that holds a license from the Malta Financial Services Authority. MFI charges its individual retail clients for the following supplies:

   1) An account opening fee;
   2) Legal service fees (relating to the vetting of contracts);
   3) Account maintenance fees;
   4) Transfer fees;
   5) Fees for safe deposit boxes;
   6) Investment advice fees; and
   7) Share brokerage fees.

   **You are required to explain the VAT treatment of each of these supplies, referring to any applicable VAT exemptions and rates.** (15)

6. **You are required to explain how the Anti-Tax Avoidance Directive (ATAD I) impacts the Maltese tax system.** (15)

7. In 2024, Malta transposed the EU Minimum Tax Directive into its domestic tax law.

   **You are required to identify all instances in which the Maltese tax system contemplates a 15% rate of tax.** (15)

8. **You are required to explain, in the context of tax accounting, the concept of a 'secondary allocation' under Maltese tax law.** (15)