

Value Added Tax as Applicable to International Trading Companies

by MGI Malta



As a general rule, an I.T.C. need not register for VAT.

Section 10 (1) of the ACT establishes who has to register for VAT as follows:

“ Any person who :

- carries on an economic activity ,
- if he is established in Malta and
- is not a registered person,



shall apply to the Commissioner to be registered under this ACT by not later than thirty days from the date on which he makes a taxable supply or an exempt with credit supply”

The Section 2(2) of the ACT defines the term “established in Malta” whilst its Proviso goes on to eliminate the ITC from such category as follows:

“ provided that a company registered in Malta which:

- does not carry on an economic activity in Malta and
- which is not a company whose capital or voting rights are owned, directly or indirectly, as to fifty per cent or more, by individuals who have a permanent address or who usually reside in Malta shall not be deemed to be established in Malta.”

Therefore through the above sections, an ITC is not a taxable person for VAT purposes.

However, through the powers vested in the Minister under Section 57, rules have been drawn up whereby despite the above, an ITC can still register and be eligible to reclaim refunds of VAT suffered, if:

- it has a permanent office in Malta,
- it has at least one person on its payroll.

These rules were drawn up in order to offer the ITC regime in Malta even more attraction in that all their costs would be exempted from VAT.

Disclaimer

The above information is being provided as a general guide only and should not be considered as a substitute for professional advice.



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