



## Information Note on the Tax treatment of E-Commerce Operators

The Office of the Commissioner for Revenue wishes to remind persons who engage in an activity that consists of the purchasing in their own name, and subsequently, supply goods against payment, that such activity may have implications as regards Value Added Taxes (VAT) as well as Income Taxes.

Particularly, this Office would like to bring to the attention of persons who engage in an activity whereby, on an ongoing basis, such persons take orders from customers (such as through social media pages or groups) for the purchase of goods from third party online websites, which goods are purchased by said persons in their own name and subsequently sold to the end customers, that such persons would be subject to:

- VAT on any sales made to end customers; and
- Income taxes on any profits made from such activity.

In this regard, such persons are required to register for VAT and inform the Office of the Commissioner for Revenue of their activities. Furthermore, any gains or profits derived from such activity need to be declared in an income tax return. Non-compliance with tax law may result in administrative, and possibly criminal, proceedings.

From a Customs perspective, where the goods to be sold locally are imported from outside the EU, the importer would be required to provide their VAT number to Customs in order to be registered for Customs purposes. The importer would then be obliged to file import declarations through a Customs clearing agent which the importer would have to appoint.

### **Hereunder please find an example to assist:**

An individual sets up a group on social media from his/her Maltese residence to collect orders for goods from interested customers who wish to make orders from a specific website. On an ongoing basis, this individual purchases the goods from the website in his/her own name and then collects payment for the goods from the customers for the orders made in his/her name in return for providing them with the goods they ordered. In such cases, this individual would be subject to taxes as follows:

**VAT:** Since this individual purchases goods on an ongoing basis, in his/her own name, and provides these goods to the end customers against payment; those goods would be deemed to have been purchased by the individual and then sold by that same individual. Accordingly, this individual would be required to account for VAT on such supplies of goods against consideration which he/she makes in Malta. The individual would be entitled to claim any VAT incurred on such purchases made, provided this VAT has not been charged by the supplier through any special scheme under the [“One-Stop-Shop”](#) or [“Import-One-Stop-Shop”](#).



**Income Tax:** The individual would be carrying out a trade or business and accordingly this is taxable on any profits arising from this activity. Ex: If the individual collects orders worth €500 but obtains a discount from the website which is not passed on to the end-customer, of €50, resulting in a total purchase cost for the individual of €450, then the individual would be subject to tax on the profit made.

### **Disclaimer**

The information contained in this note is provided for the purpose of guidance, and this note does not serve as a legal document providing a legally binding ruling. For more information on how to implement tax legislation in specific cases, please contact Business First on 144 or by email on [servizz@gov.mt](mailto:servizz@gov.mt).