Help
to complete your tax return

Basis year 2018
Year of Assessment 2019

OFFICE OF
THE COMMISSIONER
FOR REVENUE

Designed, Set and Printed at the Government Press

This information booklet has been produced by the Office of the Commissioner for Revenue to help you fill in your basis 2018 Income Tax Return in a complete and correct way.

Your return is to be completed and forwarded so as to reach us by not later than 30th June, 2019.

You are to ensure also that all the tax due for 2018 will be paid by the 30th June, 2019. Your tax return will be carried free through the post in Malta by using the envelope enclosed.

Payment should be made online on https://cfr.gov.mt/onlinepayments or through internet banking, quoting the Payment Reference Number.

Alternatively, payment may be sent by cheque payable to the Commissioner for Revenue by using the small envelope provided. If payment is being made in any one of the MaltaPost branches the cheque is to be made payable to MaltaPost plc.

It is important to include/present the Payment Slip with the cheque.

If you have an income tax query you can either visit the Taxpayer Service, Servizz.gov Hub in Floriana or Victoria Gozo or phone our Call Centre on Freephone 153.

Note: This booklet is a guide only and has no legal force whatsoever.

For further information:

Taxpayer Service, Servizz.gov Hub, Office of the Commissioner for Revenue, Block 4 – Floriana
Gozo residents may contact our office at Enrico Mizzi Street, Victoria.

To view the opening hours please refer to our website www.cfr.gov.mt

- **Freephone 153**

- **Email: taxpayerservice.cfr@gov.mt**

The Office of the Commissioner for Revenue uses the information provided, to process the Income Tax return and Self-Assessment in accordance with the Income Tax Acts and subsidiary legislation. We may check information provided by you, or information about you provided by a third party, with other information held by us. We will not disclose information about you to anyone outside the Office of the Commissioner for Revenue unless permitted by law. The Office of the Commissioner for Revenue treats your personal information in accordance with the Regulation (EU) 2016/679 (General Data Protection Regulation) and the Data Protection Act (Cap 586) to protect your privacy.

Any queries may be addressed to The Data Controller, Office of the Commissioner for Revenue, Floriana, FRN 1700.

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Although the Commissioner for Revenue will be accepting your tax return as declared by you, he may make those necessary checks whenever he deems that circumstances so warrant. If it results that not all the tax chargeable has been paid, penalties may have to be imposed. The additional tax and interest will be charged as from the tax return date, which is 30th June, 2019.

Submission of tax return

The income tax return is to reach us by not later than 30th June, 2019. If, for some reason or another, you have not been served with a blank tax return form, you are nonetheless obliged to submit your income tax return and self-assessment by 30th June, 2019. If you do not submit your tax return, the Commissioner for Revenue will issue a tax statement based on estimated amounts.

When personally submitting the income tax return by hand you are to deposit this form at the Correspondence Management Unit (CMU), Block no. 3.

Alternatively, if you have been assisted in filling this form by our staff it may be left at the Customers' Help Desk at Block 4.

Payment of the tax due

30th June, 2019 is the TAX RETURN DATE, that is, the last day by which you may deliver your tax return. It is also the TAX SETTLEMENT DATE. This means that you must pay any outstanding balance of tax for basis year 2018 by not later than 30th June, 2019.

Tax Refund

If you have overpaid your tax for 2018 and you submitted the income tax return in time we will be refunding your overpayment by not later than the end of December, 2019. Interest at the rate of 0.54% per month will start to accrue in your favour from the following January. Please note that the said refund will not be issued unless you have submitted all your income tax and VAT returns, where applicable.

Adjusting the Tax Statement

If you think that the tax statement issued contains a mistake you may fill in a **Correction Form (Form AF)**. If you need to add to, or correct, your own self-assessment, you may fill in an **Adjustment Form (Form AF1)**. Both forms may be obtained from our Taxpayer Service.

Following the submission of these forms, a new tax statement will be issued, superseding all previous tax statements for the relative year.

TAX RETURN OF MARRIED COUPLES

Joint Return

The couple's income is to be declared in a joint return, which is to be signed by both spouses. However a return signed only by the responsible spouse is considered as having been duly signed.

It is important to note that for the purpose of this self-assessment the definition of Married Couple includes couples in a Civil Union.

Taxpayers who married during 2018

The tax return of the responsible spouse is to include (1) the income of the responsible spouse for the whole of 2018 and (2) the income of the other spouse from the date of marriage to 31st December 2018. The 'Married' rates or the separate tax computation are to be applied thereon. The tax return of the other spouse is to include the income of the other spouse from 1st January 2018 to the date of marriage. The 'Single' rates are to be applied on this income.

Responsible Spouse

The couple may choose who of the two shall be the responsible spouse by filling the appropriate form which is available from the department's Taxpayer Service. In a joint return the word "Self" refers to the responsible spouse. Therefore, steps 1 to 8 in the return must show the emolument and business income of the responsible spouse in the left hand columns (under "Self"). The emolument and business income of the other spouse is to be shown in the right hand column (under "Spouse"). The income and relative deductions of a dependent child (i.e. a child who is not required to fill in an income tax return in his own right) are to be included with the income of the responsible spouse.

Separate Computation

You may apply the single rates of tax if you consider these to be more advantageous to you.

However the 'separate tax computation' may not be applied to all sources of income, but only to income from employment, trade or pension which is received in view of past employment. All other income is chargeable in the hands of the spouse with the higher emolument and business income.

Directors' fees are always chargeable in the hands of the responsible spouse – whether these are earned by the responsible spouse or by the other spouse. The fact that a couple opts for a separate computation does not mean that two tax returns have to be submitted. Nor does it mean that two tax statements will be issued. The tax statement will be issued in the name of the responsible spouse, but responsibility regarding the payment of tax lies with both spouses jointly and severally.

Single Parents

Unmarried individuals, widows or separated/divorced persons who maintained a child during the year may compute their tax by applying the married tax rates instead of the single rates. This means that they will benefit not only from a higher tax threshold (€12,700) but also from the application of more favourable tax bands. In order to qualify for this benefit all the following conditions have to be satisfied:

- the parent must have maintained a child who, during 2018, was not over 16. However, where the child is over 16 the parent may still qualify for the benefit provided the child was a full-time student or he was incapacitated from maintaining himself;
- the child did not have an income exceeding €3,400;

- the parent was recognized by the Director of Social Security as the sole beneficiary of the children's allowance;
- the parent was not in receipt of financial assistance from the other parent on behalf of the child/ren;
- the parents were not living together.

If you are a single parent, tick the correct tax status on page 1 of the tax return.

Separated/Divorced Couples

Where a couple has separated, both spouses are required to register separately as a taxpayer with the Department as from the year of separation. This may be effected by a direct notification to this Department, specifying the date of separation and referring to any arrangements made between the spouses with regards to alimony paid to the other spouse and/or the children.

Each spouse will be responsible for filing his or her tax return covering income earned from 1st January to 31st December. Each individual will be taxed as a single person and will be responsible to pay the relative tax on the income earned. Married rates will apply only if the individual qualifies as a single parent (see above).

Where income is derived from employment, separate FS3s of each individual covering the employment period for the year, are to be attached to the tax return.

In cases of separation or divorce it is important that the department is notified with the change in addresses of the respective spouses.

Parent Tax Rates

These tax bands apply to parents who maintained under their custody a child, or paid maintenance in respect of their child as determined:

a) by the Courts of Malta or the Courts of another country;

b) by a public deed of personal separation under the authority of the Courts of Malta or the Courts of another country;

c) by a public deed establishing the maintenance of the children; or

d) by the Courts of Malta in a divorce judgment or a decree or by the Courts or other authorities of another country.

The Parent Tax Rates apply only where such child was not over 18 years of age (or not over 23 years if receiving full-time instruction at a tertiary education establishment) and not gainfully occupied, or if gainfully occupied did not earn income in excess of €3,400.

These rates may be viewed at the back of this booklet.

PERSONAL DETAILS

Identity Details

Check the identity details printed on page 1 of your tax return and make the appropriate corrections in the space provided. Please write your telephone number on page 1. In the case of a married couple some of the details in this section refer to the other spouse as currently recorded at the Office of the Commissioner for Revenue.

Changes in personal details

It is important to note that changes of address or changes affecting your marital status taking place during the year, should be communicated to the Office of the Commissioner for Revenue immediately.

Tax Status

Your tax status ("single" or "married and living together") as known to the Office of the Commissioner for Revenue is printed on page 1. If the tax status, as printed, is correct, you do not have to do anything. If your status has changed please indicate this by ticking the appropriate box showing your new tax status and the date of the change. For example, if you are single but you qualify as a single parent in 2018, tick the box "single parent". If you are a married person but you became widowed, separated or divorced during 2018, tick the box "widow" or "separated/divorced", as appropriate. Enter also the date of the change in status.

Residency Status

Different rates of tax apply to taxpayers who are not residents of Malta. Therefore you are to indicate your residency status for income tax purposes in your tax return.

Non resident taxpayers

As a general guideline, a non-resident may be defined as a foreign employee whose stay in Malta is less than 183 days. However, in cases where such employee can prove by a contract of employment that the duration of the employment exceeds 6 months in any 12-month period, such employee is taxed under the residents rates, even though the period of employment in that particular year of assessment is less than 183 days.

If you answer 'Yes' to question 1 (i.e. you were resident in Malta) you do not have to reply to question 2 and 3 and you may go to the next step straight away. If you answer 'No' (i.e. you were not resident in Malta for income tax purposes) then you must answer question 2 and/or 3 and indicate the period during which you were in Malta during 2018. If you had multiple stays in Malta during 2018 then attach a list of the relevant dates.

Provisions regarding the taxability of non residents (E.U and E.E.A Nationals) - Article 56(1)(c) I.T.A

Non resident Individuals from the European Union (E.U) or the European Economic Area (E.E.A), who earn more than 90% of their worldwide income in Malta, shall qualify for the residents tax rates as per proviso in article 56(1)(c) of the Income Tax Act.

However, when a non resident individual, who although being a national of the E.U or the E.E.A does not have 90% of his world wide income derived from Malta, he/she may opt to be taxed by using the tax calculation as explained in the following examples:

Example 1

An E.U national being a non resident single taxpayer has an income chargeable to tax in Malta of €8,000, whilst his world-wide income is €10,000.

In this case although this individual does not have 90% of his world wide income derived from Malta, he may use the following option:

Step 1. Calculate the tax on the Income chargeable to tax in Malta (€8,000) by using the non-resident rates. In this case the amount of tax is **€1,960**;

Step 2. Calculate the tax that would result by charging the world-wide income (€10,000) using the resident rates. In this example the tax amounts to **€135**;

Step 3. Divide the income chargeable to tax in Malta by the World-wide income.

€8,000/€10,000 = **0.8**;

Step 4. Multiply the result from Step 3 (0.8) by the result in Step 2 (**€135**) = **€108**;

Step 5. Choose the lesser amount of Step 1 (**€1,960** – using the Non resident tax rates) or Step 4 (**€108**);

Step 6. Transfer the amount chosen in Step 5 to box 26 on page 3 of the tax return.

EXAMPLE 2

A non resident couple, whereby both spouses are nationals of a country within the E.E.A, has an aggregate income chargeable to tax in Malta of €49,200. The spouses' aggregated total world-wide income amounts to €60,000.

Step 1. Calculate the tax on the Income chargeable to tax in Malta (€49,200) by using the non-resident rates. In this case the amount of tax is **€16,380**;

Step 2. Calculate the tax that would result by charging the world-wide income (€60,000) using the resident rates. In this example the tax amounts to **€11,095**;

Step 3. Divide the income chargeable to tax in Malta by the World-wide income €49,200/€60,000 = **0.82**;

Step 4. Multiply the result from Step 3 (0.82) by the result in Step 2 (€11,095) = **€9,098**;

Step 5. Choose the lesser amount of Step 1 (**€16,380** – using the Non resident tax rates) or Step 4 (**€9,098**);

Step 6. Transfer the amount chosen in Step 5 to section 26 on page 3 of the tax return.

EXAMPLE 3

An E.E.A national being a non resident single taxpayer has an income chargeable to tax in Malta of €8,000, whilst his world-wide income is €200,000.

Step 1. Calculate the tax on the Income chargeable to tax in Malta (€8,000) by using the non-resident rates. In this case the amount of tax is **€1,960**;

Step 2. Calculate the tax that would result by charging the world-wide income (€200,000) using the resident rates. In this example the tax amounts to **€61,275**;

Step 3. Divide the income chargeable to tax in Malta by the World-wide income €8,000/€200,000 = **0.04**;

Step 4. Multiply the result from Step 3 (0.04) by the result in Step 2 (€61,275) = **€2,451**;

Step 5. Choose the lesser amount of Step 1 (**€1,960** – using the Non resident tax rates) or Step 4 (**€2,451**);

Step 6. Transfer the amount chosen in Step 5 to section 26 on page 3 of the tax return.

If you are in doubt regarding your residency status for income tax purposes you may phone our Call Centre on 153 or visit the Taxpayer Service at Block 4, Floriana or our offices at Victoria, Gozo to clarify your residency status before submitting your tax return.

Expatriates

This section is to be filled in by expatriates only. Such individuals are to tick the appropriate box or boxes.

Amendments regarding the taxability of expatriate persons.

Remittance basis of taxation

The remittance basis of taxation will no longer apply to an individual who is a long-term resident, or who holds a permanent residence certificate or permanent residence card, in respect of any income derived by such individual in the year of being granted such long-term resident status or the right of permanent residence and in subsequent years.

(The terms "long-term resident", "permanent residence certificate" and "permanent residence card" have the meaning assigned to them respectively in the Status of Long-Term Residents (Third Country Nationals) Regulations and the Free Movement of European Union Nationals and their Family Members Order). This applies from the year of assessment 2019.

Persons who are ordinary residents but not domiciled in Malta

If you have marked "YES' to question Q4 on page 1 of the Tax Return, with effect from Y/A 2019 an individual who is *ordinarily resident but not domiciled in Malta will be subject to a minimum tax of €5,000 annually in Malta if the said individual:

- is not taxable in Malta in accordance with a scheme establishing a minimum amount of tax in Malta, including The Residence Programme, Global Residence Programme, Malta Retirement Programme; and the Residents Scheme Regulations;
- derives income arising outside Malta amounting to not less than €35,000 and which was not received in Malta or its equivalent in another currency – in the case of a married couple, one would have to look at the income derived by both spouses.

In computing the minimum tax, account shall be taken of any Maltese income tax paid, whether by withholding or otherwise, excluding tax paid on capital gains.

Should the income, excluding capital gains, chargeable to tax in the hands of the resident non-domiciled person result in a Maltese tax liability amounting to less than the minimum tax, the person shall be deemed to have received additional income arising outside Malta such that the total tax liability on the total income would amount to the minimum tax of €5,000.

Example

A married person who is an ordinary resident but not domiciled in Malta, had in 2018 income arising from outside Malta amounting to €40,000, which was not remitted to Malta.

When filling the self-assessment this person declares a chargeable income amounting to €28,000 arising in Malta. This is inserted in Box 25 of the Tax Return.

The tax on €28,000 using the Married tax rates amounts to €2,975. This amount is inserted in section 26 of the Tax Return.

However, since the income arising outside Malta exceeds €35,000 the minimum tax payable of €5,000 applies. Therefore the amount of €5,000 is to be inserted in Box 27.

*Kindly refer to our website for technical Guidelines on the terms used

From this amount of €5,000, one may deduct any tax payments made as shown in below example **with the exception of the Final Tax on Propery Transfer paid:**

FSS Tax Payments	€400	Box 35
Tax at Source on local dividends	€50	Box 38
15% tax on part-time self-employment (TA 22 Form)	€0	Box 40
15% tax on rental income (TA 24 form)	€120	Box 40
Tax withheld at source on investment income	€70	Box 40
Other tax payments	€0	Box 40
Total tax paid	**€640**	

In the above example the amount of tax due of €4,360 (€5,000 - €640) which is to be inserted in Box 42a. **Any Double Tax Relief may also be deducted.**

Tax Return Language Choice

If you require this tax return in the Maltese language you may contact the Office of the Commissioner for Revenue.

Declaration

The declaration on page 1 is to be signed and dated. The return will not be considered complete unless properly signed. The return of a married couple is to be signed by both spouses. If it is signed by the responsible spouse only, it will be deemed to have been signed by both.

OTHER INFORMATION

Tax Advice

If you are attaching with the tax return the original written advice of a tax professional in terms of the Income Tax Act, you are required to tick the box adjacent to the item and supply the name of the tax professional in the space provided.

General Basis of Taxation

If you are domiciled and ordinarily resident in Malta you should declare all your 2018 income (including that of your spouse and dependent children) from whatever source. If you are either not domiciled or not ordinarily resident in Malta you should declare all income accruing to you in Malta or derived from Malta (including that of your spouse and dependent children), as well as any income which was remitted to Malta during 2018.

Disregard or round up the cents

When you fill in your tax return enter the amounts in euro, leaving out the cents. This is done as follows:

When determining the CHARGEABLE INCOME disregard any fraction of a euro, even if this is 99 cents – in respect of any source of income. For example, if you received a salary of €11,155.65 you are to enter €11,155 in box 1. If you received three interest amounts of €210.84, €48.34 and €24.68, first you should add them all up. This amounts to €283.86. At this point you are to disregard the cents (86c) and enter €283 in box 9b.

When you are determining any DEDUCTION AGAINST INCOME you are to round up to one euro. For example, if you need to effect a deduction of €60.45 from rental income, you are to enter €61 in box 16b. Any fraction of a euro even if it does not exceed 50c – is to be rounded up to a euro.

When you are computing the TAX DUE that is from section 26 onwards, the rules change slightly. Here, you are to disregard any fraction of a euro being equal to or less than fifty cents, and round up to one euro any fraction of a euro exceeding fifty cents.

INFORMATION ON DEDUCTIONS AND TAX CREDITS

Tax credit for persons returning to employment

1. Tax credit up to a maximum of €2000 for a person, who has not attained the statutory retirement age and who returns to employment on or after the 1st January, 2008 after having been absent from any gainful occupation for at least five years immediately preceding the date of the said return to employment and whose name was not during the said time on the unemployment register (Parts 1 and 2) as established by Jobsplus and who has never been, prior to the date of the said return to employment, in receipt of a pension in view of past employment and who, moreover, had previously been in employment for at least twenty-four consecutive months. This tax credit has to be claimed on Form RA4.

2. a woman who has a child or children who is or are under sixteen years of age and returns to employment on or after the 1st January, 2008 after having been absent from any gainful occupation for at least five years immediately preceding the date of the said return; or

3. a woman who has a child or children born on or after the 1st January, 2007 and continues in employment, or returns to employment on or after the 1st January, 2007, may benefit from the folowing tax credits:

    a) Maximum of €2000 tax credit. If this amount of tax credit is not taken in a single year, the balance may be carried forward to the following year. In this case one may fill in an RA7 form, which may be obtained from the Taxpayer Service at Block No. 4, or

    b) Tax credit up to a maximum of €5000. If the tax due on your employment or self-employment income is more than €2,000, you may avail yourself up to a maximum of €5,000 tax credit. In order to opt for this type of tax credit one needs to fill in an RA9, also obtainable from Taxpayer Service. If option b) is taken, a married couple must calculate their tax by using the separate or the Parent computation rates.

In case of difficulty please contact our Call Centre on 153.

Workplace accessibility deduction

If, as an employer, you have incurred an expense to increase the accessibility to the workplace to any of your employees suffering from a disability, you may be allowed a special deduction against your income. The qualifying expense may not exceed €20,000. If such deduction cannot be fully set off against your income in the year of entitlement, it may be carried forward to subsequent years. Qualifying expenditure includes expenditure of a capital nature (e.g. installation of a lift) and expenditure incurred in the training of employees having a disability. An approval has to be issued by the National Commission Persons with Disability following an application.

To claim this deduction you are required to file an RA12 form. The resultant expense computed in this form should be included in the Profit and Loss account accompanying your tax return.

Childcare facilities at the workplace

If, as an employer, you have incurred expenditure to provide childcare services for the children of your employees you are entitled to a deduction equivalent to the expense up to a maximum of €20,000. Where the deduction cannot be fully set off against your income in the year of entitlement, it may be carried forward to subsequent years. The expenditure must be of a capital nature and consist of (a) the construction or conversion of a childcare facility (b) the acquisition of childcare equipment for use in a childcare facility at the workplace. The claim is to be made on the RA 13 form which you may download from our website. The resultant expense computed in this form should then be included in the Profit and Loss account.

Deduction of donations to the University Research, Innovation & Development Trust

See Section 20 for more details about this deduction.

MicroInvest tax credits for micro enterprises and the Self-employed

This incentive is open to all micro enterprises including self-employed individuals that at point of application satisfy all criteria set up by the Malta Enterprise. Malta Enterprise may approve a tax credit of €50,000 for the duration of this incentive. All the relevant information regarding this scheme may be found on the Malta Enterprise website at maltaenterprise.com.mt. Any tax credit claim with respect to this incentive is to be made on the appropriate RA 15 form. As from 1st January 2016 this scheme has been extended so as to entitle self-employed women or businesses which are majority controlled by women to a tax credit of up to €50,000.

Highly Qualified Persons Incentive

Expatriates in receipt of income payable in terms of a "qualifying contract of employment" in respect of activities carried out in Malta, may opt to be subject to tax on such income at a flat rate of 15%, provided that the income amounts to at least €84,016, adjusted annually in line with the Retail Price Index. The 15% flat rate is imposed up to a maximum income of €5,000,000 and the excess is exempt from tax.

In order for a beneficiary to qualify for the reduced rate of tax he must be engaged in an employment activity which constitutes an 'eligible office'. An 'eligible office' consists of a specified senior employment position with companies licensed and/or recognised by the Malta Financial Services Authority (MFSA), the Lotteries and Gaming Authority and the Authority for Transport.

The eligible offices may be found in L/N 106 of 2011, L/N 428 of 2011 and 306 of 2012.

An application must be made to the MFSA on form RA17 which is downloadable from the CFR and MFSA website. The completed form is to be attached to the income tax return and filed by the 30th June 2019.

Qualifying Employment in Innovation and Creativity L.N 106/2013

This Scheme apply to income from emoluments which must be payable under a qualifying contract of employment, and received in respect of work or duties carried out in Malta by a person who is not domiciled in Malta.

Qualifying contract of employment consists in income subject to tax under article 4 (1) (b) of the ITA subject to a minimum of €45,000 and the employment is in a role directly engaged in the development of innovative and creative digital products as approved by Malta Enterprise (ME). Anti-abuse provisions are also provided for.

The beneficiary must be in possession of professional qualifications recognised by the Malta Qualification Recognition Information Centre or has relevant experience to the eligible office as approved by Malta Enterprise.

An eligible person qualifies to be taxed under article 56(21) of the ITA at the rate of 15%. Where the option is exercised, the income that is charged to tax at the said rate shall be deemed to constitute the first part of that individual's total income.

The option applies for a consecutive period of 3 years commencing from the year preceding the first year of assessment in which that person is first liable to tax under the provisions of the Act. This condition applies for both EEA/Swiss and third country nationals.

The Rules (L.N 106/2013) provide a schedule with a list of designations which qualify under these rules subject to the approval of the competent authority (ME).

For the scope of this scheme the RA18 form, which may be obtained from the department, is to be filled in and submitted with the tax return.

Repatriation of Persons established in a Field of Excellence

An individual would be deemed to be eligible for the scheme if he is established in a field of excellence and returns to Malta as ordinarily resident. Such individual must have been ordinarily resident in Malta for at least twenty years after which he spent ten consecutive years in which he was not resident in Malta prior to his return to Malta. The term "field of excellence" refers to an area of professional competence in the manufacturing and research and development sectors.

Work carried out in Malta by an eligible individual under a contract of employment shall be taxed at the reduced rate contemplated in Art 56 (25) that is at 15 %.The Rules provide that the remuneration must be at an annual minimum of €75,000 and the eligible person must prove his professional competence to Malta Enterprise Corporation.

The option available under article 56 (25) of the Act may not be exercised in respect of any year of assessment preceding year of assessment 2013 and the option shall apply for a consecutive period of 5 years.

A qualifying individual who wants to benefit from the scheme must submit with his income tax return a declaration signed by him and endorsed by Malta Enterprise. The income tax return must be filed by not later than the relative tax return date.

Deduction (Apprentices and Work Placements) L.N. 179 of 2014

Where an employer provides a work placement, a deduction equivalent to €600 is available against the employer's chargeable income for each work placement. In the case of apprenticeship, the deduction is of €1,200.

The deduction is allowable in case where the work placement or apprenticeship is for a continuous duration of at least 6 months. Where the deduction available cannot be wholly set-off against the chargeable income for a particular year, the deduction can be carried forward and set-off against the income for subsequent years.

The employer cannot benefit from the said deduction, if assistance has already been provided by the government or a government entity on the same expenditure.
expenditure.

Deduction (Mature Workers) L.N. 180 of 2014

Where an employer provides employment to an individual aged between 45 and 65 years old and whose name appears on the unemployment register for at least the preceeding 6 months:

- The employer may benefit from a deduction equivalent to €5,800 per annum which shall be allowed against the chargeable income of the said employer;

- Provided that, where the employee is not employed for a full year during the year of assessment, the deduction is allowable pro rata. The two years deduction commence on the first day of employment, and, provided the employee remains in the relative employment, the qualifying person will benefit from a deduction equivalent to €11,600 at the elapse of the said two years

- A deduction equivalent to 50% of the expense incurred in providing training to a qualifying employee of up to a maximum of €400 shall be allowed against the chargeable income of the employer;

Provided that all the deductions available cannot be wholly set-off against the chargeable income, the deduction can be carried forward and can be set-off against the income for subsequent years.

Spouse returning to work – Exemption of tax

A married couple may opt to be taxed under the married tax rates without taxing the spouse's employment income (other than income derived from the holding of an office of director), provided that:

- the spouse has been absent from any gainful occupation for at least 5 years; and whose name was not during the said time on the unemployment register (Parts 1 & 2) as established by JobPlus;

- the spouse is over 40 years of age, and

- the spouse's income does not exceed €9,700

This incentive applies for a period of five consecutive years of assessment commencing from the basis year in which the spouse started work. One has to fill in the RA 19 form in order to apply for this incentive.

Personal Retirement Scheme tax credit

This tax incentive is aimed at encouraging Maltese residents to start saving for their pension by investing in private products offered by local banks, life insurance companies and other financial institutions. It provides for a tax credit with respect to contributions paid to personal retirement schemes or premium payments in relation to a policy of insurance.

The amount of the tax credit is equivalent to the lower of:

15% of the aggregate of any contributions made or premiums paid by a person during the year in respect of membership in any personal retirement schemes as defined in the Special Funds (Regulation) Act or any Act substituting the said Act, or a policy of insurance held with a company authorised to carry on long term business under the Insurance Business Act; and

€150.

In the case of a married couple resident in Malta, each of the spouses may claim the credit (irrespective of whether they have used the parent, single or married computation). The credit will only be available in respect of income tax chargeable for the year in which the contribution was made or the premium paid and cannot be carried forward if not utilized. The income against which the tax credit is granted is considered to be the first part of the income.

This tax credit may be claimed in box 30 of the tax return.

Seed Investment Scheme

The purpose of this Scheme is to grant tax relief to natural persons resident in or operating in Malta investing in start-up businesses.

Any qualifying investor may benefit from a tax credit equivalent to a sum amounting to thirty-five per cent (35%) of the aggregate value of the investments made by such investor in one or more qualifying companies, so however that the total tax credit applicable to any such investor shall not exceed two hundred and fifty thousand euro (€250,000) per annum. Such tax credit shall be set off against the tax due by the qualifying investor in respect of any income or gains brought to charge to tax in the year of assessment immediately following the basis year during which the investment is made.

Any part of the tax credit that is not absorbed in the year of assessment referred to may be carried forward by the qualifying investor and set off against tax due for any subsequent year of assessment until it is fully absorbed.

In order to qualify for this tax credit one has to fill in the RA20 form

The relevant tax credit may be deducted in Box 30 of the tax return.

For further information regarding this Scheme one may contact Mimcol or visit their website - mimcol.com.mt.

POYC tax credit on service of home delivery of medicine

Pharmacies that provide the service of home deliveries of medicine as part of the extension of the POYC scheme may qualify for a tax credit equivalent to 100% of the cost incurred by each pharmacy outlet participating in this POYC extension. This tax credit is capped at €14,000.

The tax credit available is in respect of expenditure on motor vehicles and labour additionally required for home delivery of the medicines. The tax credit also covers expenditure on equipment, as was the case in the previous deduction.

No tax credit can be claimed for any expenditure incurred after the 31st December 2020.

In order to qualify for this tax credit one has to fill in the RA22 form.The relevant tax credit may be deducted in Box 30 of the tax return.

Deductions and Tax Credits (Relevant Qualifications for Industry) Rules, 2018, - RA10 Form

These Rules replace the rules with the same title which were previously administered by Malta Enterprise but which have now fallen under the remit of the Education Ministry. They provide for a tax credit of up to 70% of the study costs paid by a student for a certification, degree or post-graduate degree as approved by the Ministry for Education.

The tax credit, which will be effective as from 1st January 2018, will be deducted against the student's tax liability on his chargeable income for the year of assessment commencing in the year following that in which the relevant qualification is obtained. Any tax credits which are not absorbed may be carried forward to be allowed as a tax credit for the subsequent ten years of assessment.

A new measure is that the beneficiary of the tax credits may be either the student or his / her parents.

The study costs include the fees paid by the student or parent/s to the university or institution for the admission and attendance to the course and for sitting for the examinations required to achieve the relevant qualification.

The following documentation must be submitted with the tax return for the first year of assessment in which the tax credit is claimed:

a. A declaration that the individual claiming the tax credits has not been entitled from any source to any reimbursement or compensation for the costs on which the tax credit has been claimed;

b. A copy of the certificate issued by the university or institution providing the course, confirming the successful completion of the course; and

c. A copy of the tax credit certificate issued by the Department of Education confirming that the qualification obtained is a relevant qualification.

No tax credit certificates may be issued in respect of a course of studies that commences after 31st December 2020 and in respect of applications submitted to the Ministry after 2 years from the day on which the relevant qualification is obtained.

To this effect the relevant RA 10 form is to be filled in and attached with the tax return.

The tax credit may be deducted in Box 30 of the tax return.

Employment in Aviation – L.N 177/2016

This initiative provides for a beneficial tax rate of 15% for non-domiciled individuals employed in the aviation sector.

The minimum amount of income which shall be chargeable to tax at this beneficial rate is €45,000 (exclusive of the annual value of any fringe benefits) and shall consist of emoluments from an eligible office. The 15% shall apply without the possibility to claim any relief, deduction, reduction, credit or set off of any kind.

For EEA and Swiss nationals, this option, shall apply for a consecutive period of five years commencing from the first year of assessment in which that person is first liable to tax under the provisions of The Income Tax Act, whilst for third-country nationals, this option shall apply for a consecutive period of four years.

An application for a formal determination relating to eligibility under these rules shall be made on such form as the Authority for Transport in Malta may require.

The Schedule to the Legal Notice 177/2016 provides a list of eligible employments and offices.

For the scope of this scheme the RA21 form, which may be obtained from the department, is to be filled in and submitted with the tax return.

Tax Rebate on pensions

Income earned by individuals on or after 1st January 2018 derived from social security pension, treasury pension and from any other local or foreign pension is allowed a tax rebate in accordance with the established thresholds mentioned below. This benefit applies to individuals who were at least 61 year of age in the year when such pension was received.

The qualifying pension income thresholds for basis year 2018 are as follows:

For individuals using the **single tax rates** the threshold is €13,200;

For individuals using the **married tax rates** the threshold is €13,200 and are allowed a further tax rebate on any additional other income up to €1,000;

In the case of individuals using the **parent tax rates** the threshold amounts to €13,200. More information is available in section 3 and 26A of this booklet.

Voluntary Occupational Pension Scheme

This pension scheme came into effect as from 1 January 2017 as per Legal Notice 228 of 2017.

The tax benefits for the employee are as follows:

- An annual tax credit available to employees who voluntarily make additional contributions into the employer's scheme, amounting to the lower of 15% of the amount contributed during a year and €150 per annum;
- Non-taxation for the employee under the Fringe Benefits Rules in respect of contributions made by the employer for the employee's benefit.

Any unutilized tax credits cannot be carried forward by the employee to be set off against any income tax due by the said employee in subsequent years of assessment. However, the tax credits may be set off against the tax due on the employee's total income and is not limited to the tax due on the employment income.

All contributions are to be reported on the Payee Statement of Earnings (FS3) in terms of the Final Settlement System (FSS) rules. The relevant tax credit may be deducted in Box 30 of the tax return.

The tax benefits for the employer are as follows:

- An annual tax credit available to the employer amounting to the lower of 15% of the amount of contributions paid and €150 for each employee in respect of whom the contributions are paid;

- Tax deductibility for the employer in respect of the contributions paid, up to a maximum of €2,000 per employee per annum.

In order for the employer to claim this tax benefit the RA23 form is to be filled in and attached with his tax return.

Deduction for Embellishment Projects

This initiative provides for a deduction for income tax purposes in respect of expenditure incurred by a person carrying on a trade or business in respect of a qualifying project.

The expenditure has to be incurred on or after 1st January 2018 and a qualifying project is defined as an embellishment or other project useful to the local community that has been approved as such in writing by the Local Council and the Directorate responsible for Local Councils. Such a project must be wholly a community asset on which the qualifying person retains no proprietary rights and for which the said qualifying person is not remunerated in any way.

The deduction is equivalent to 120% of the costs incurred on such expenditure in any year which may be claimed against that person's chargeable income, up to a maximum of €90,000 in any year.

In order to benefit from this deduction, no other deduction may be claimed in respect of the same expenditure and where the qualifying person benefits from any form of assistance in relation to the said expenditure by the Government or from any other entity, the amount of such benefit or assistance is subtracted from the expenditure on which the deduction under these rules may be claimed. The same qualifying person may not claim a deduction for more than one qualifying project in any year. The deduction provided for by these rules shall only be allowed on completion of the project. In order to claim this deduction, one has to fill the RA27.

Deduction for transportation cost of employees

A person carrying on a trade, business, profession or vocation as set out in sub article 4(1)(a) of the Income Tax Act, may claim a deduction against his income equivalent to 150% of his employee transportation costs incurred during the year. The transportation costs for the purpose of this initiative means the cost incurred for transportation of employees to and from the place of work using means of transport capable of carrying more than eight persons.

The deduction claimed is to be the lower of:

i) €25,000 of the employee transportation costs incurred in the year 2018; or
ii) €300 per employee whose transportation costs have been incurred in 2018.

The deduction offered under these rules may only be availed of if the benefiting person:

(a) maintains proper records of the employee transportation costs in respect of which the deduction is claimed;
(b) claims the deduction in the income tax return relative to the basis year in which the employee transportation costs were incurred;
(c) submits with the income tax return a declaration by a Certified Public Accountant confirming that claimant has correctly computed the said costs.

In order to claim this deduction the relevant RA 25 form is to be completed and attached with the tax return.

Tax Credits for Research, Development and Innovation – Malta Enterprise

For more information on tax credits falling under this initiative please visit the Malta Enterprise website *www.maltaenterprise.com.*

In order to claim the relative tax credit the RA 24 form has to be filled and submitted with the tax return.

Tax credit in terms of the Business Development and Continuity Scheme

The Business Development & Continuity Scheme is intended to facilitate value added projects that are expected to contribute to the regional development of Malta and to support existing undertakings sustain operations during restructuring. The Scheme may support various activities such as the initial development phase on undertakings establishing an operational base in Malta, expansion projects, consolidation of activities and the re-organisation of activities. Supported initiatives should lead to the development of new business or to ensuring the continuity of current operations.

For more information regarding the scheme one may visit the Malta Enterprise website www.maltaenterprise.com.

The tax credit may be claimed by filling the RA26 which is to be attached and submitted with the tax return. One may find this form in the 'Downloads' section of the department's website www.cfr.gov.mt. This tax credit is to be inserted in box 30 of the tax return.

Tax credit (Construction Waste Recycling) Rules

A tax credit will be granted to persons who have a permit authorised by the Environment and Resources Authority (ERA) for taking in their quarries construction and demolition material.

Such persons may during the years 2017 to 2019 claim a tax credit equivalent to 25% of the gross fees received by them for the provision of the above-mentioned services, provided that their fees do not exceed €5.50 per tonne.

The tax credit shall not exceed the tax chargeable on the income derived by the authorised person during the year in which the claim for the tax credit is made.

To claim this tax credit, one is to fill in the RA28 form which may be downloaded from the department's website www.cfr.gov.mt. The tax credit is to be claimed in box 30 of the tax return.

Qualifying Employment in Maritime Activities and the Servicing of Offshore Oil and Gas Industry Activities.

This scheme allows senior employees in defined eligible positions engaged within the maritime and oil and gas industry to benefit from a flat rate of 15% tax on employment income derived in respect of work or duties carried out in Malta.

The applicant must be in line with the following conditions:

1. be employed to fill an eligible and be in possession of professional qualifications or acceptable professional experience;

2. be entitled to remuneration of at least €65,000 (exclusive of the annual value of any fringe benefits) in terms of a contract of employment;

3. resides in accommodation regarded as normal for a comparable family in Malta;

4. not be domiciled in Malta;

5. be in possession of a valid travel document;

6. be in possession of adequate health insurance;

7. not benefit under any alternative incentives available in Malta;

8. has signed a Qualifying Contract of Employment.

This option is available for EEA and Swiss nationals, for a consecutive period of five years commencing from the first year of assessment in which that person is first liable to tax under these rules, and with respect to third-country nationals for a consecutive period of four years. Provided that, one shall be eligible upon application for a one-time extension of five years or four years respectively. Applications are to be submitted to the Authority for Transport in Malta.

To claim this option one has to fill in the RA29 form which may be found on the department's website www.cfr.gov.mt.

EMOLUMENT AND BUSINESS INCOME

On page 2 of your tax return you are required to include all your emolument and business income. If your tax status is single you must declare your income under the “Self” column. If your tax status is married and living together, you must declare the income of the responsible spouse under the “Self” column and the income of the other spouse under the “Spouse” column. If your tax status is single parent you must declare your income under the “Self” column.

The box numbers, found from this page onwards, correspond to the numbers of the sections in the tax return.

1. Employment or Office

In this section you are to include the gross income received during the year from employment or office. This includes: salary or wages; bonuses; overtime; directors’ fees; fringe benefits; and other payments and allowances, including commissions.

For each separate source of income from employment or office enter the PE number of the payer. FS3s are to be attached to page 3 of your return.

If you or your spouse received director’s fees, these are to be included in box 1 under the column SELF. You may not opt for a separate computation in respect of such fees.

Part-time employment

Part-time employment income up to a maximum of €10,000 which qualifies under the part-time rules and on which tax at 15% has already been paid are not to be included in your return – unless you need to claim back some of the tax so paid. In this case, include the part time gross income in box 1 and claim the tax already deducted in box 35. If tax on part-time income is going to be claimed back, FS3s in respect of each source are to be attached to page 3. Any part-time income over €10,000 is to be included in box 1.

Reduced income tax rates for police officers

Income received for extra duties carried out by police officers will be taxed separately at the rate of 15% and should not therefore be included in the income tax return unless the individual needs to claim back the tax so paid.

Special tax rate of 7.5% on income derived from sport

A professional football or waterpolo player, registered with the Malta Football Association or the Aquatic Sports Association respectively, who earned income taxed at the special rate of 7.5% should not include this income in the tax return unless the individual needs to claim back the tax so paid. In this case, one should include the football/ waterpolo income in box 1 and claim the tax already deducted in box 35.

As from 1st January 2016 this special tax rate has been extended to coaches and professional sportsmen.

Other information

Arrears of salary received in 2018 are taxable in 2018, and are to be included in box 1. If you are a lotto receiver, do not declare your income in section 1 but in section 2. Although you may have been given an FS3, this income is not derived from an emolument but from a trade or business.

Individuals taxable at the "single" rates on income from full-time or part-time employment. - DEDUCTION (INCOME FROM EMPLOYMENT) RULES

It is important to note that individuals taxable at the "single" rates who in 2018 received only employment income, whether full-time or part-time, which are in total below the threshold of €9,700 will be not taxed.

This means that an individual receiving income from a full-time employment and a part-time employment, or receiving income from two or more part-time employments, remains not taxable as long as the total of such incomes does not exceed the threshold of €9700.

In order to ensure that such income is not taxed, the individual concerned would need to declare all of it in the tax return for the relative year, irrespective of whether the source was a full-time or a part-time employment. If any tax had been deducted at source through FSS, this will be then be credited and will be available for refund.

Therefore, if for example your total employment income during 2018 amounted to €9,400, you are to enter this amount in box 1a and deduct €300 (€9,400 - €9,100) in box 6.

Exemption from tax of Students' Stipends

Please note that students' stipends are exempt from income tax and therefore are not to be included in the tax return.

2. Trade, Business, Profession or Vocation

For each source of trade, business, profession or vocation you must provide the VAT number and the net profit earned during 2018. In the case that such business does not need VAT registration, mark the box N/A (not applicable). If this income was derived from a trade or business carried out in partnership, tick the appropriate box.

In the case of a loss indicate the loss in brackets.

A signed Profit and Loss Account is to be attached to page 3 of the tax return. You may use the enclosed specimen Profit and Loss statement for this purpose.

If the trade or business is carried out in partnership, include the following details in your Profit and Loss account: (1) the partnership number (2) the name of each partner (3) the ID card number of each partner.

Please note that special legislation is in place, providing for cross-checking between the VAT and the Office of the Commissioner for Revenue as regards sales and purchases.

Trading losses brought forward from previous years should not be declared in this section but in box 21 on page 3 of the return.

Part-time self-employed 15% threshold

It is important to note that the Net Profit threshold for part-time self-employment, stands at €12,000. Any profit amounts in excess of €12,000 are to be declared in the tax return.

Sale of Agricultural Produce

If during the year you had income from the sale of agricultural produce please refer to the leaflet issued with the RA1 form to help you fill in this part correctly.

Income from Student Hosting

If you are registered with the Malta Tourism Authority as a host family and you received payments from a registered language school you should fill in the RA6 form (copies available from the Department's Taxpayer Service). The RA6 form together with the statement/s provided by the language school/s showing the total payments made for the year are to be attached to page 3 of the income tax return.

3. Pensions and Social Security Benefits (Applicable to local and foreign pensions)

One is to Include the PE number (or other reference number) of the pension provider and the gross income received from each local and overseas pension. You should have an FS3 or similar statement for every amount of pension income included in this step. Attach these statements to page 3 but pensioners in receipt of a Social Security pension should not attach a Social Security pension statement with their income tax return.

Certain Social Security benefits, e.g. Unemployment Benefit or Sickness Benefit are taxable and are also to be declared in box 3.

War pensions and certain allowances/ benefits payable under the Social Security Act which are exempt from income tax need not be declared.

FSS tax deductions made from local pension payments are to be claimed in box 35.

It is important to note that although pensions are being allowed a tax rebate, they still need to be declared in this section.

This tax rebate applies to individuals who are in receipt of income from any pension including social security pensions, treasury pensions as well as other local and foreign pensions, and who were at least 61 years of age in the year when such pension was received.

Tax rebates cannot give rise to any refunds of tax nor can these be carried forward if not fully utilized.

For practical examples as to how these tax credits are applied please refer to page 38 of this booklet.

4. Overseas Employment

In this step you must declare the gross amount of emoluments received under a contract of employment requiring the performance of work or of duties mainly outside Malta. Insert the PE number of your employer in the box provided. The following information in respect of each source of overseas employment must be provided on a separate statement and attached to page 3:

- Country where the duties were performed;
- Employer's name and PE number;
- Duration of contract; and
- the amount of gross income (in euro).

If you satisfy the conditions for overseas employment and you (or your spouse, if married) wish to have this income taxed at 15%, you are required to tick the box adjacent to this item.

It is important to note that income from overseas employment is taxed as the first part of the income. For further information please see page 40 of this booklet.

5. Sub Total

Add steps 1 to 4 and enter the totals in boxes 5a and 5b.

6. Deductions from Employment or Office

In this section you may deduct expenses which are directly related to the income you have declared in steps 1 and 4. Under this step a deduction cannot be higher than the relevant income it relates to, i.e. you may not declare a loss on your employment income. Also note that you may not claim as a deduction the Social Security Contributions made during the year. FSS tax withheld from your salary is not a deduction and is to be entered in box 35.

Please be reminded that if you are an individual whose tax is calculated by using the single tax rates and during 2018 you received only employment income which did not exceed €9,700, you are to deduct the difference between your income amount and €9,100 by using this box. Therefore if for example your employment income or pension income during 2018 amounted to €9,400, you are to enter this amount in box 1a and deduct €300 (€9,400 - €9,100) in box 6.

7. Exemptions

In this section you may deduct any income declared in steps 1 to 3 which is exempt for tax purposes.

Exemption on Royalties derived from Patents

Royalties and similar income derived from patents in respect of inventions are exempt from tax.

This incentive does not restrict the exemption to patents registered in Malta and neither does it restrict the exemption to research and development activity carried out in Malta. For the exemption to apply in the case of an individual, however, such individual must have carried out, either solely or together with other persons, research, planning, processing, experimenting, testing, devising, developing or other similar activity leading to the invention which is the subject of the qualifying patent.

The exemption is obtained through an approval issued by Malta Enterprise following an application by the claimant.

Malta Enterprise may ask for any documentation and information it deems necessary in order to arrive at a decision.

8. Total Emolument and Business Income

Deduct 6a and 7a from box 5a. Enter the result in box 8a. If this return is in respect of a married couple then you should also deduct box 6b and 7b from 5b and enter the result in box 8b. Box 8a (and 8b, in the case of married couples) is not to be left blank. Where there is no income to report, insert “0”. If boxes 8a or 8b are negative amounts (as a result of a loss from a trade or business) then indicate the amount in brackets.

9. Local Investment Income

Local Dividends

Please note that Local Dividends have been categorized into two sections:

In Box 9ai, one is to declare gross dividends arising from shares listed on the Stock Exchange, distributed out of 2017 profits or later, while in Box 9aii other local gross dividends are to be declared.

The tax treatment of such dividends is as explained below:

Persons using the single rates of tax who earned an income of:

- less than €19,500 excluding any dividends, may only declare that amount of dividend which when added up with their other chargeable income, shall not exceed the total of €19,500;
- more than €19,500 excluding dividends, shall not declare any dividends.

Persons using the married rates of tax who earned an income of:

- less than €28,700 excluding any dividends, may only declare that amount of dividend which when added up with their other chargeable income, shall not exceed the total of €28,700;
- more than €28,700 excluding dividends, shall not declare any dividends.

Persons using the parent rates of tax who earned an income of:

- less than €21,200 excluding any dividends, may only declare that amount of dividend which when added up with their other chargeable income, shall not exceed the total of €21,200;
- more than €21,200 excluding dividends, shall not declare any dividends.

It is important to note that for the scope of any of the above calculations where an individual receives more than one dividend, the aggregate amount of such dividends shall be treated as one dividend.

Moreover in the case where the individual is entitled to claim a deduction against a dividend declared in the tax return, the amount or portion of such dividend, up to the amount of the said deduction, may be declared. In such cases one may add the relative deduction amount to the respective threshold.

The following examples will help you arrive at the correct amount of dividends which should be included in your self-assessment.

Example 1

A single person receiving employment income of €18,000 and local gross aggregated dividend of €3,000. The gross dividend amount is made up of €2,000 from company A, and €1,000 from company C. The tax at source (TAS) on these dividends amount to €1,050.

Chargeable income excluding aggregate gross dividends	**€18,000**
Less relevant threshold (single rates)	**€19,500**

Since the individual's chargeable income, excluding the aggregate amount of dividends, does not exceed €19,500, this person can declare €1,500 dividends in box 9a and claim the proportionate tax at source in box 38. In this example the tax at source that can be claimed is determined by dividing the dividends to be declared in box 9a (1,500) by the total dividends (3,000) and multiplying the result by the total tax a source (1,050) i.e 1500 / 3000 x 1050. Therefore in this case €525 tax at source may be claimed in box 38.

Example 2

A person using the parent rates of tax receiving employment income of €32,000 and local gross aggregated dividend of €5,000. The gross dividend amount is made up of €3,000 from company A, €1,000 from company B and €1,000 from company C.

Chargeable income excluding aggregate gross dividends	**€32,000**
Less relevant threshold (single rates)	**€21,200**

Since the individual's chargeable income, excluding the aggregate amount of dividends, exceeds the relevant threshold, the dividend income (€4,000) cannot be declared in the tax return.

Example 3
A married couple who do not qualify for the parent rates where spouse A has an employment income of €19,000 and Spouse B earns an employment income of €9,500. This couple also receives a gross dividend of €4,200. Tax at source on this dividend amounts to €1,470.

The tax treatment of the dividend in this example is as follows:

Option 1: Separate Computation

Spouse A

Chargeable income excluding aggregate gross dividends	**€19,000**
Less relevant threshold (single rates)	**€19,500**

Since the individual's chargeable income, excluding the aggregate amount of dividends is less than the relevant threshold the amount of €500 gross dividend is that part of gross dividend which may be declared in the self-assessment. Since €500 are being declared in box 9a, the relative tax at source amounting to €175 ((500 / 4200) x 1,470) may be claimed in box 38.

It is important to note that the dividend is being taxed with the higher income earner, in this case spouse A.

Spouse B
Total chargeable income of spouse B amounts to €9,500 and is taxed in the usual way under the single tax rates being a separate computation option.

Option 2: Joint Computation

Chargeable income excluding aggregate gross dividends	**€28,500**
Less relevant threshold (married rates)	**€28,700**

Since the couple's chargeable income, excluding the aggregate amount of dividends is less than the relevant threshold the amount of €200 gross dividend is that part of gross dividend which may be declared in the tax return. Since €200 are being declared in box 9a, the relative tax at source amounting to €70 ((200 / 4200) x 1,470) can be claimed in box 38.

IMPORTANT

Although dividends received by individuals are exempt from being declared for income tax purposes when these individuals' total income exceeds the threshold as explained in above examples, this exemption will no longer apply to dividends received in respect of shares listed on the Malta Stock Exchange and distributed to individuals whose holding of shares in a company represent less than 0.5% of the share capital of the company. This will only apply to dividends which represent profits derived from the year 2017 onwards.

These shareholders will be able to claim a refund of the tax at source paid by the company on its corporate profits which represent the difference between the corporate rate of tax and their personal applicable tax rate.

Local Interest

All local interest income (including foreign currency accounts held at local banks) that did not suffer tax deductions at source must be included in box 9b. Interest income from local banks, which has already suffered 15% tax should not be declared in your tax return. The 15% withholding tax on local interest income is final and cannot be claimed back. Non-residents should note that their local interest income is exempt from income tax in Malta.

10. Foreign Investment Income

In this step you must include the gross amount of foreign dividends and foreign interest. If you are domiciled and ordinarily resident in Malta you must declare all foreign dividends and foreign interest income. All other taxpayers (i.e. not domiciled or not ordinarily resident in Malta) are required to declare only those foreign dividends and foreign interests which were received in Malta.

Foreign Dividends

Include in box 10a the total amount of gross foreign dividends (in euro).

Foreign Interest

In box 10b include the total amount of gross foreign interest (in euro) except:

- foreign interest from which 15% tax has been withheld;
- foreign interest on which an arrangement will be made with an authorised financial intermediary by 30th June 2019 for the payment of tax at 15%.

The 15% tax is final and cannot be claimed back in your tax return. Foreign currency accounts held locally are not to be included here but under local interest (box 9b).

Write down the amount of credit for overseas tax paid on foreign investment income in box 33. See step 33 below on how to calculate the amount of the credit for double taxation.

11. Rental Income

In box 11a you should enter the total income from gross rents, premiums, key money, laudemia and any other receipts arising from property. In box 11b enter the total income from ground rents received. Deductions against rental income are to be made in section 16.

Note that if income from property renting is carried on as a business activity (e.g. short letting of holiday accommodation) this is to be included in section 2 above, and not here.

Rental Income received from the Housing Authority that was subject to a final tax of 5% should not be declared in your tax return.

15% Final Withholding Tax on Rental income

This optional 15% tax rate is applicable to rented properties for residential and commercial purposes, (excluding rents between related parties) and also applies to ground rents whether from an urban or rural tenement and will apply on the total gross rental income received. For this purpose one has to fill in the TA24 prescribed form which may be downloaded from our website. The duly filled and signed form together with the relative payment covering the amount of tax due is to reach the Office of the Commissioner for Revenue by not later than 30th April 2019. The TA24 form can now be submitted online together with the 15% payment by accessing our website www.cfr.gov.mt

12. Capital Gains Income

Enter the net amount of capital gains derived during 2018. Taxable capital gains arise from the transfer of the ownership or usufruct of, or from the assignment or cession of any rights over, any immovable property, securities, business goodwill, copyright, patents, trademarks and trade names.

With effect from 1st January 2015 the capital gains tax system has, with minor exceptions, been replaced by the Tax on Property Transfer System, in respect of immovable property situated in Malta. Capital gains continued to apply in respect of the transfer of shares and other prescribed items as well as immovable property situated abroad.

The new Final Withholding Tax is 8% on the value of the property transferred. There will however be two exceptions to this as follows:

a. In the case of individuals who do not carry on the business of property trading, the applicable final withholding tax rate shall be 5% if the property is transferred less than five years after the date of its acquisition.

b. In the case of properties acquired by any person (individuals & companies) before the 1st January 2004 the applicable final withholding tax rate shall be 10% the value of the property transferred.

Transfers of inherited immovable property will remain subject to a 12% final tax on the difference between the transfer value and the cost of acquisition (denunzja); and to a 7% final tax on the consideration if inherited before 25/11/1992. Nothing has changed in this regard.

The current exemptions are not affected by the new system and will therefore continue to apply. For example: transfers of one's own residence, donations as prescribed, assignments during separation and divorce, intra-group transfers, etc, will remain exempt from tax.

There are transitory provisions with respect to properties in respect of which a notice of a promise of sale or transfer relating to that property has been given to the Commissioner before the 17th November, 2014.

FAQ's have been uploaded on our website for further information and guidance.

13. Income from Alimony

If you received any income from your spouse as maintenance payment, such income is taxable and should be included in box 13. However, any income received during the year from your estranged spouse as maintenance payment in respect of your child/ren is exempt from tax and is not to be declared.

14. Other Income

In this step you must include any other income to be declared which has not been included elsewhere in your tax return. The appropriate documentation in respect of each amount of other income declared must be attached to page 3 of your tax return.

15. Total

Enter the total of boxes 9a to 14 in box 15.

DEDUCTIONS

16. Rental Deductions

Deduct the following expenses in connection with rental income:

- ground rents payable; and
- a further deduction of 20% (on rental income less ground rents).

Ground rent payable is to be deducted in box 16a. Deduct 20% as a further deduction in box 16b. This 20% deduction is allowable irrespective of whether actual expenditure has been incurred. It amounts to one-fifth of the rents received i.e. one-fifth of (gross rents less ground rents).

Example:
Gross rents...................................... €400
Less ground rent
payable (€40) €360
20% of €360 = €360 divided by 5 = €72

Enter €72 in box 16b. The 20% further deduction is not allowable on emphyteutical grants, i.e. against the ground rents declared in box 11b only the ground rents paid may be deducted.

The total amount of deductions in respect of each separate rental property in boxes 16a and 16b must not exceed the amount of rental income declared for that property in section 11.

17. Interest Payable on Capital

This is interest payable on capital used in acquiring income. No deduction is allowed in respect of interest which is of a personal or private nature. Indicate in the space provided the number of the box in which you declared the income against which you are claiming this interest. If you are claiming this interest against multiple sources of income attach a list of these sources.

18. Alimony Payments

Here you may deduct the amount of alimony paid to your estranged spouse. The alimony payment is to have been established by court or as agreed by a public deed of personal separation under the authority of the Courts. Maintenance payments made in respect of dependent children are not deductible.

19. Deduction of fees paid

19a. School Fees paid to private independent schools and/or Kindergarten centres.

Parents [or legal guardians] whose children have attended a private, fee-paying independent school or kindergarten centre during 2018 are eligible for a deduction equal to:

(1) The lower of €1,300 or the amount of school fees paid during 2018 for every child attending an independent school at kindergarten level;
(2) The lower of €1,600 or the amount of school fees paid during 2018 for every child attending an independent school at primary level;
(3) The lower of €2,300 or the amount of school fees paid during 2018 for every child attending an independent school at secondary level.

A list of such private independent schools may be found on our website cfr.gov.mt.

19b. Fees payable for the services of a facilitator

Parents who on advice of the Statementing Moderating Panel paid fees to a private fee-paying independent school in respect of children with special needs for the services of a facilitator may claim a deduction of the fees to a maximum of €9,320. Eligible parents must fill in the RA3 form. This form, together with any supporting documents requested, is to be attached to page 3. If you are eligible and you have not received the RA3 form you may obtain a copy from Taxpayer Service.

19c. Fees paid for child-care services

Parents who paid fees for child-care services in respect of their children who are below the age of 12, to centres, which are registered or otherwise approved by the Department for Social Welfare Standards or the Directorate for Quality and Standards in Education or is a service provided by the Foundation for Educational Services in respect of their children are eligible for a deduction equal to the lower of €2,000 for every child or the amount of fees paid during 2018. A list of the qualifying child-care Centres may be found on our website cfr.gov.mt.

19d. Fees paid for sport activities

If you have paid fees, in respect of your children who have not attained the age of 16, attending sports activities approved by the Malta Sports Council, you are allowed for each child a deduction being the lesser of the amount actually paid or €100.

19e. Fees paid in respect of residence in a private home for the elderly or the disabled or respite centre for the disabled.

If you have paid fees on your own behalf or on behalf of a family member, in respect of:

- residence in a private home for the elderly;
- residence in a private home for a disabled person; or
- a respite centre for the disabled, you shall be allowed a deduction equivalent to the amount actually paid or €2,500, whichever is the less. The deduction shall only be allowed if the payment and the details of the individual making the claim are certified by the person running the private homes or respite centre. See list of private homes/respite centres on our website cfr.gov.mt.

19f. Deduction of Tertiary Education fees.

If you have paid fees in respect of your studies at a recognised tertiary institution, a deduction against income up to a maximum of €10,000 is allowed. The deduction is allowed against income for the year in which the studies have been successfully completed.

Where the deduction cannot be fully set off against your income in the year of entitlement, it shall be carried forward to subsequent years. Such a deduction is forfeited if you receive any form of compensation or credit from Government, or any other public or private entity in respect of the fees paid.

You are to submit in the first year of the claim the certificate of completion of studies issued by the relative institution. The certificate must be confirmed as being of a tertiary education level by the Malta Qualifications Recognition Information Centre and is to be submitted with the income tax return. You are also to fill in RA14 form which you may download from our website.

19g. Fees paid for Creative or Cultural courses

Parents who have paid fees in respect of their children who have not attained the age of sixteen years, attending creative or cultural courses organised by institutions or persons licensed or accredited by the Malta Council for Culture and the Arts, shall, for each child, be allowed as a deduction against his income the lesser of these amounts –

(a) the amount actually paid;

(b) one hundred euro (€100):

Provided that the deduction shall only be allowed if the payment and the details of the individual making the claim are confirmed by information provided by the licensed or accredited person or institution through the Malta Council for Culture and the Arts.

19h. Deduction of school transport fees

Parents of children who have not attained the age of sixteen years and who attend church or private schools who opt to make use of school transport may claim a tax deduction against their income of up to a maximum of €150 per child.

Provided that the deduction shall only be allowed if the payment and the details of the individual making the claim are confirmed by Transport Malta by using the form VEH 65, which may be downloaded from the Transport Malta website, www.transportmalta.gov.mt or from our website, www.cfr.gov.mt

20. Other Allowable Deductions

Deduct any other allowable expense in respect of income which has been declared in steps 9 to 14. You must indicate in the space provided the number of the box in which you declared the income against which you are claiming this deduction and/or specify the type of deduction being made. If you are claiming this deduction against multiple sources of income attach a list of these sources to your tax return. Claims for deduction in respect of donations made to the University Research, Innovation and Development Trust, are also to be included in this box. A donation between €150 and €50,000, may be claimed as a deduction against income. To this effect the Trust shall issue a certificate to the donor showing the value of the donation and that its scope was for research and development. This certificate is to be attached to your tax return.

21. Trading losses brought forward

Trading losses incurred in prior years that may be set off against this year's chargeable income are to be declared here. Make sure that you have not already set off these trading losses brought forward against the income declared in section 2. Insert in the space provided the VAT number of the business activity from which the trading losses are brought forward.

22. Total Deductions

Add the amounts in boxes 16a to 21 and enter the total in box 22.

23. Total after deductions

Deduct box 22 from box 15 and enter the result in box 23. Where there is nothing to report, insert “0”. If box 23 is a negative amount indicate by using brackets.

TAX COMPUTATION

In this section you are required to determine your chargeable income (sections 24 and 25) and compute the tax due (section 26 and 26A).

24. Chargeable Income

Determine the amount of chargeable income according to your tax status by performing one of the following calculations:

Single Persons

If your tax status was “single” follow boxes 24a, 25a, 26a, 26e, 26i and 27 and ignore all other boxes in this part of the return. This also applies where your tax status is “Single” and you qualify for the Parent tax Rates.

Example 1:

You had €12,000 in box 8a (Total Emolument and Business Income) and €500 in box 23. Follow these steps:

24a
Add the amounts of box 8a (€12,000) and 23 (€500).

25a
Copy the amount from box 24a (€12,500). This represents your Total Chargeable Income, and on which you are to work out your tax calculation.

Married and living together

Example 2

Let us assume that:

- in box 8a, the total emolument and business income of the responsible spouse is €15,000;
- the other spouse’s income in box 8b is €13,500;
- the amount in box 23 is €900.

24b
Copy the amount from box 8a (€15,000).

24c
Copy the amount from box 8b (€13,500).

24e and 24f
The amount in box 23 (€900) is to be added either to box 24b or to box 24c, depending on which of the two is the higher.

Married couples opting for a separate tax computation or a Parent Rate Computation are to note that the investment, capital gains and other income is chargeable to tax in the hands of the spouse with the higher emolument and business income (totals in box 8a and 8b). If the amount in box 24b is higher than or equal to box 24c (as in the current example) then copy the amount from box 23 (€900) into box 24e and enter “0” in box 24f;

- add boxes 24b (€15,000) and 24e (€900) and enter the total (€15,900) in box 25b;
- add boxes 24c (€13,500) and 24f (€0) and enter the total (€13,500) in box 25c.

See section 26 for instructions on how to compute the tax due.

Example 3

Now let us assume that:

- in box 8a, the total emolument and business income of the responsible spouse is €13,500;
- the total emolument and business income of the other spouse in box 8b is €15,000;
- the amount in box 23 is €900.

24b
Copy the amount from box 8a (€13,500) into box 24b.

24c
Copy the amount from box 8b (€15,000).

24e and 24f
This time the amount in box 24c is higher than that in box 24b. In this case the total in box 23 is to be added to box 24c and not to box 24b. Therefore:

- copy the amount from box 23 (€900) into box 24f;
- enter "0" in box 24e;
- add the amounts in boxes 24b (€13,500) and 24e (€0) and enter the total (€13,500) in box 25b;
- add boxes 24c (€15,000) and 24f (€900) and enter the total (€15,900) in box 25c.

See 26 for instructions on how to compute the tax due.

Before deciding whether to opt for a separate/parent tax computation or not we still have to work out one further calculation.

Example 4

In this example we shall take the same figures as in example 2 above, that is:

- in box 8a the total emolument and business income of the responsible spouse is €15,000;
- in box 8b the total emolument and business income of the other spouse is €13,500;
- the amount in box 23 is €900.

24d
Add the amounts in boxes 8a (€15,000), 8b (€13,500), and 23 (€900) and enter the total in box 24d. In this case the total is €29,400.

Copy the total from box 24d into box 25d. See box 26 for instructions on how to compute the tax due.

Single Parent

If you qualify as a single parent (i.e. you satisfy the conditions as explained on page 4) you do not have to enter into all these calculations; all you have to do is to fill in box 24d.

25. Total Chargeable Income

Tax Status: Single (based on example 1)

25a
Enter in box 25a the total of the amounts in box 24a (€12,500). This is your Total Chargeable Income, on which you are to calculate the tax due.

See section 26 for instructions on how to calculate the amount of tax due.

Married – Separate/Parent Computation (based on example 2)

25b
Add boxes 24b (€15,000) and 24e (€900) and enter the total (€15,900) in box 25b.

25c
Add boxes 24c (€13,500) and 24f (€0) and enter the total in box 25c.

Married joint computation

25d
Copy the amount from box 24d (€29,400) into box 25d. See box 26 for instructions on how to compute the tax due.

Single Parent

25d
Copy the amount from box 24d into box 25d.

26. Tax on Chargeable Income

In this step you are required to calculate the amount of tax, which is due on your chargeable income. The examples below will show you how to compute the amount of tax using the single, married and parent tax rates. These rates are set out on the back of this booklet.

Example 1

Tax Status: Single Person

In this example a single person has a Total Chargeable Income in box 25a of €12,750.

Tax on Chargeable Income (€12,750) is computed by using the "single tax rates" as follows:

1. Match the Chargeable Income figure to the appropriate tax band (in this case €12,750 falls within the range €9,101 to €14,500).
2. Multiply the Chargeable Income by the appropriate tax rate for that tax band (in this case 0.15) and subtract the 3rd column figure (in this case €1,365), that is (€12,750 x 0.15) – €1,365 = €547.

Enter €547 in box 26a

Example 2

Tax Status: Single Person qualifying for the Parent Tax Rates.

In this example a single person who maintains a child of five years and qualifies for the Parent Tax Rates has a Total Chargeable Income in box 25a of €18,500.

Tax on €18,500 is computed by using the "Parent Tax Rates" as follows:

1. Match the Chargeable Income figure to the appropriate tax band (in this case €18,500 falls with the range of €15,801 and €21,200
2. Multiply the Chargeable Income by the appropriate tax rate in that tax band (in this case 0.25) and subtract the 3rd column figure (in this case €3,155), that is (€18,500 x 0.25) – €3,155 = €1,470.

Enter €1,470 in box 26a

Example 3

Tax Status: Married and living together

In this example:

- ***the Total Chargeable Income of the taxpayer is €15,900 (in box 25b) and***

- **that of the other spouse is €13,500 (box 25c).**

In this case you are to calculate the tax due, first using the separate tax computation and then using the joint computation. You may choose the more advantageous option.

The calculation of the tax due using SEPARATE COMPUTATION is made in two steps:

Step 1
Responsible Spouse

The tax on the Chargeable Income of the responsible spouse (€15,900) is computed by using the "single tax rates" as follows:

1. Match the Chargeable Income figure to the appropriate tax band (in this case €15,900 falls within the range €14,501 and €19,500).
2. Multiply the Chargeable Income by the appropriate tax rate for that tax band (in this case 0.25) and subtract the 3rd column figure (in this case €2,815) that is, (€15,900 x 0.25) – €2,815 = €1,160.

   Enter €1,160 in box 26b

Step 2
Other Spouse

The tax on the Chargeable Income of the other spouse (€13,500) is computed by using the single tax rates as follows:

1. Match the Chargeable Income figure to the appropriate tax band (in this case €13,500 falls within the range of €9,100 to €14,500).
2. Multiply the Chargeable Income by the appropriate tax rate for that tax band (in this case 0.15) and subtract the 3rd column figure (in this case €1,365), that is, (€13,500 x 0.15) – €1,365 = €660.

   Enter €660 in box 26c

Note:
Total tax for this married couple using separate computation is €1,820 (i.e. €1,160 + €660).

We shall now use the JOINT TAX COMPUTATION, taking the same figures used in the previous example. This will help us decide which of the two options is the more advantageous.

The Total Chargeable Income is €29,400 (box 25d) The tax on Chargeable Income is computed by using the "married tax rates" as follows:

1. Match the Chargeable Income figure to the appropriate tax band (in this case €29,400 falls within the last range €28,701 to €60,000).

2. Multiply the Chargeable Income by the appropriate tax rate for that tax band (in this case 0.25) and subtract the 3rd column figure (in this case €3,905) i.e. (€29,400 x 0.25) – €3,905 = €3,445.

   Enter €3,445 in box 26d

Note:
For this married couple, total tax using joint computation is €3,445. Total tax on the same income computed using separate computation would be €1,820 (i.e. €1,160 + €660).

Therefore, it is more advantageous for this married couple to opt for a separate tax computation.

Example 4

Tax Status:

Married and living together

The couple has a child aged 19 years who is attending a tertiary educational institution (and his only income is the stipend related to his degree course which does not exceed €3,400).

As in example 3 the responsible spouse's chargeable income is €15,900 and that of the other spouse is €13,500.

The calculation of tax due using the PARENT COMPUTATION is also made in two steps:

Step 1
Responsible Spouse

The tax on the Chargeable Income of the responsible spouse (€15,900) is computed by using the "Parent tax rates" as follows:

1. Match the Chargeable Income figure to the appropriate tax band (in this case €15,900 falls within the range of €15,801 to €21,200).
2. Multiply the Chargeable Income by the appropriate tax rate for that tax band (in this case 0.25) and subtract the 3rd column figure (in this case €3,155) that is, (€15,900 x 0.25) – €3,155 = €820.
   Enter €820 in box 26b

Step 2
Other Spouse

The tax on the Chargeable Income of the other spouse (€13,500) is computed by using the Parent tax rates as follows:

1. Match the Chargeable Income figure to the appropriate tax band (in this case €13,500 falls within the range of €10,501 to €15,800)
2. Multiply the Chargeable Income by the appropriate tax rate for that tax band (in this case 0.15) and subtract the 3rd column figure (in this case €1,575), that is, (€13,500 x 0.15) – €1,575 = €450.

   Enter €450 in box 26c

Note: The total tax for this married couple using the Parent computation is €1,270 (€820 + €450). As we have seen above the Joint Tax Computation on this married couple's income is €3,445. Therefore it is more advantageous for this married couple to opt for the Parent Tax Computation.

Example 5

Tax Status: Single Parent

In this example a single parent has a Total Chargeable Income in box 25d of €14,800.

In the case of single parents the Tax on Chargeable Income is calculated exactly in the same way as a married couple with a joint computation.

1. Match the Chargeable Income figure to the appropriate tax band (in this case €14,800 falls within the range €12,701 and €21,200).
2. Multiply the Chargeable Income by the appropriate tax rate (in this case 0.15) and subtract the 3rd column figure (in this case €1,905), i.e. €14,800 x 0.15 – €1,905 = €315.

Enter €315 in box 26d

26A Tax rebate for certain income brackets

Box 26e

A Single person using the Single Tax Rates whose chargeable income for the year is higher than €19,500 but less than €19,620 is allowed a tax rebate computed as follows:

€17,440 – (Box 25a – Box 26a)

This Tax Rebate amount is to be inserted in Box 26e

or

A Single person using the Parent Tax Rates whose chargeable income for the year is higher than €21,200 but less than €21,340 is allowed a tax rebate computed as follows:

€19,055 – (Box 25a – Box 26a)

This Tax Rebate amount is to be inserted in Box 26e

Box 26f and Box 26g

A married person using the Single Tax Rates - Separate Computation whose chargeable income for the year is higher than €19,500 but less than €19,620 is allowed a tax rebate computed as follows:

Self - €17,440 – (Box 25b – Box 26b). Tax Rebate amount to be inserted in Box 26f

Spouse - €17,440 – (Box 25c – Box 26c). Tax Rebate amount to be inserted in Box 26g
If any of the spouses' chargeable income does not fall within the above-mentioned thresholds, a '0' amount is to be inserted in Box 26f and/or 26g

or

A married person using the Parent Tax Rates – Separate Computation whose chargeable income for the year is higher than €21,200 but less than €21,340 is allowed a tax rebate computed as follows:

Self - €19,055 – (Box 25b – Box 26b) Tax Rebate amount to be inserted in Box 26f

Spouse - €19,055 – (Box 25c – Box 26c) Tax Rebate amount to be inserted in Box 26g

If any of the spouses' chargeable income does not fall within the above-mentioned thresholds, a '0' amount is to be inserted in Box 26f and/or 26g

Box 26h

A Married person or Single Parent using the Married Tax Rates whose chargeable income for the year is higher than €28,700 but less than €28,860 is allowed a tax rebate computed as follows:

€25,550 – (Box 25d – Box 26d) Tax Rebate amount to be inserted in Box 26h

26A
Calculation of the tax rebate for pensions

In order to allow pensions a tax rebate as mentioned in section 3 of this booklet, tax rebates are being applied as shown in the following examples. The tax rebate calculated is to be inserted in section 26A of the tax return and self assessment.

1. In the case of an individual who is chargeable to tax at the **single rates** a tax rebate shall be allowed as a set off against the tax on his chargeable income, as follows:

Tax rebate = (pension income less 9,100) multiplied by 15% (with a rebate capping of €615).

Example: Pension income €13,000 - €9,100 =€3,900 x 15% = €585

The tax rebate amounts to €585 and is to be inserted in Box 26e or 26f or/and 26g (where applicable) of Section 26A.

2. In the case of an individual who is chargeable to tax at the **parent rat**es a tax rebate shall be allowed as a set-off against the tax on his chargeable income as follows:

Tax rebate = (pension income less 10,500) multiplied by 15% (with a rebate capping of €405).

Example: Pension income €13,100 - €10,500 = €2,600 x 15% = €390

The tax rebate amounts to €390 and is to be inserted in Box 26e or 26f and/or 26g (where applicable) of section 26A.

3. In the case of an individual who is chargeable to tax at the **married rates,** a tax rebate shall be allowed as a set-off against the tax on his chargeable income, as follows:

Tax rebate = (pension income less 12,700) multiplied by 15% (with a rebate capping of €75).

Example: Pension income €13,200 - €12,700 = €500 x 15% = €75

The tax rebate amounts to €75 and is to be inserted in Box 26h of section 26A.

In this example taxpayer also earned a further €1,000 from any other source.

In this case, an additional tax rebate shall be allowed against the tax on his chargeable income as follows:

Tax rebate = (chargeable income less 12,700) multiplied by 15% less the rebate already granted (with a rebate capping of €150).

Example: Chargeable income €14,200 - €12,700 = €1,500 x 15% = €225
€225 less capping already granted (€75) = €150.

The additional tax rebate amounts to €150.

Therefore the total amount of tax rebate that this individual may claim is €225 (€75 + €150).

26B Tax after Tax Rebate

Box 26i
Deduct box 26e from Box 26a and enter result in Box 26i

Box 26j
Deduct box 26f from Box 26b and insert result in Box 26j

Box 26k
Deduct box 26g from Box 26c and insert result in Box 26k

Box 26l
Deduct box 26h from Box 26d and insert result in Box 26l

27. Total Tax on Chargeable Income

If you are claiming the tax credit for women returning to employment make sure that before proceeding with this step you fill in the RA4 or RA7 or RA9 forms (see page 12). This is essential to choose which tax computation is more advantageous to you.

In this step you are required to transfer the amount(s) you calculated in step 26 as follows:

- if your tax status is Single, transfer the amount in box 26i to box 27;
- if your tax status is Married and living together, and the total of boxes 26j and 26k is higher than the amount in box 26l, transfer the amount in box 26l to box 27;
- if your tax status is Married and living together, and the total of boxes 26j and 26k is lower than the amount in box 26l, add the amounts in boxes 26j and 26k and transfer the total to box 27. In our example, add €1,160 (box 26j) to €660 (box 26k) and enter €1,820 in box 27;
- if your tax status is Single Parent transfer the amount in box 26l to box 27;
- if no tax is payable enter "0" in box 27.

In this section it is important that you indicate whether you have opted for the Parent tax rates by ticking the box.

Non-residents and expatriates living in Malta

As different tax rates apply to non-residents or to expatriates who live in Malta, such individuals may not be able to calculate accurately the amount of tax due in step 26 from the information contained in this booklet. In such cases our staff will be ready to help you in computing the correct figure.

Overseas Employment

Taxpayers who satisfy the conditions for overseas employment may choose to have such income taxed either at the normal rates of tax or at a flat rate of 15%. However, on calculating the tax due, the overseas employment is to be treated as the first part of the income. In order to establish the more advantageous option you should calculate the tax due in three steps:

Step 1:

- Compute the tax due on the aggregate chargeable income (including the overseas employment) using the appropriate normal tax rates ('single', 'married' or 'parent').

Step 2:

(a) Calculate the tax of overseas employment at normal 'single' or 'married' rates.
(b) Deduct the tax on overseas employment using the normal rates (a) from the tax on total income using normal rates.
(c) Compute the tax charged at 15% on the overseas employment and add the amount with the resultant tax arrived at (b).

Step 3:

Compare the results between Steps 1 and 2

Example 1:

Let us assume that a single person had €10,000 in box 1a as employment income, and €25,000 in box 4a as overseas employment.

The computation would work out as follows:

In Step 1:

The tax computed on the total chargeable income (€35,000) (using single rates) would be €6,025.

In Step 2:

(a) Tax on overseas employment using the normal single rates is €3,525;
(b) Deduct the tax on overseas employment calculated at normal rates (€3,525) from the tax on the total chargeable income (€25,000 + €10,000) taxed at normal rates (€6,025). This results in €2,500.
(c) Add the amount of tax at 15% charged on the overseas employment (€3,750) with the tax amount arrived at (b) above (€2,500).

This amounts to €6,250.

In Step 3:

- Check which computation worked out in step 1 or step 2 is the more advantageous to you and enter the resultant figure in section 26. In this case it is more advantageous for this taxpayer to opt for having the overseas income taxed at 15%.

28. Persons Returning to Employment Tax Credit

Enter the amount of tax credit that you are claiming if you are eligible for this tax credit. Refer to the explanatory booklets issued with the RA4, RA7 and RA9 forms to help you fill in this box correctly.

29. Sale of Agricultural Produce

Please refer to the leaflet issued with the RA1 form.

30. Other Tax Credits

In this step you may deduct any other amounts, which qualify for tax credit such as:

(a) tax credits for specific qualifications under the Deductions and Tax Credits (General and Specific Qualifications) Rules, 2005 (RA5 form) and those under the Deductions and Tax Credits (Relevant Qualifications for Industry) Rules, 2016 (RA10);
(b) re-investment tax credit under the Reinvestment Tax Credit (Income Tax) Regulations, 2003 and the Reinvestment Tax Credit (Income Tax) Rules, 2005;
(c) Investment tax credits under the Business Promotion Act [Reg 5];
(d) Micro Invest tax credits;
(e) Personal Retirement Scheme Tax Credit;
(f) Seed Investment Tax Credit;
(g) Tax Credit for POYC service extension;
(h) Tax Credit for Research, development & innovation;
(i) Tax Credit in terms of the Business Development Continuity Scheme;
(j) Tax Credit (Construction Waste Recycling).

When claiming any credits under this step it is important to indicate in the space provided the Act or Regulations under which you are claiming the tax credit. Furthermore, any such claims must be made on specific forms issued by the Department. These forms, which are available upon request from the Department, must be filled in and, together with any supporting documents requested, attached to page 3 of the tax return.

For any further information please contact our Call Centre on 153.

31. Total Tax Credits

Add boxes 28 to 30 and enter the total in box 31. If you are not claiming any tax credits enter “0”.

32. Tax Due after deducting Tax Credits

Deduct box 31 from box 27 and enter the result in box 32.

NOTE: The total amount of tax credits entered in boxes 28 to 30 may never exceed the tax due for the year. Hence, if the result of this calculation is negative, insert “0” in box 32.

33. Relief from Double Taxation

In this step you may deduct the credit for the double taxation relief to which you are entitled in respect of tax paid in a foreign country. In order to arrive at the correct amount of the tax credit for double taxation relief the following information is needed:

- the amount of the doubly-taxed income (e.g. foreign interest €1,200);
- the amount of foreign tax (e.g. €180);
- the total income which was taxed in Malta – including the foreign interest (e.g. €15,600);
- the tax charged in Malta on the total income (in this case, €1,085).

It will be noticed that the rate at which foreign interest was taxed overseas was 15% (€180 divided by €1,200). The Malta effective rate is 7.0% (divide the Malta tax €1,085 by the total income €15,600.

The Malta rate is lower than the foreign rate of tax. The lower rate (7.0%) will be used to compute the amount of the credit in box 33.

Therefore this person may enter €84 in box 33 (obtained by multiplying €1,200 by the lower rate, 7.0%).

The tax in box 27 (€1,085) may be reduced further by the amount in box 33 (€84), that is the tax for 2018 is €1,085 – €84 = €1,001.

The above may be summarised as follows:

Double-taxed Income	1,200	Overseas Effective Rate =180/1,200 =15%
Foreign Tax	180	

Total income Taxed in Malta	15,600	Malta effective Rate =1,085/15,600 =7.0%
Malta Tax	1,085	

The lower rate is to be used to work out the amount of relief, i.e. €1,200 x 7.0% = €84.

Another example:

- A widower had foreign income of €3,500.
- Foreign tax was €525 (that is, at the rate of 15%).
- His total income (including the foreign income) was €24,500.
- Total Malta tax €3,400.

The foreign tax rate was 15% (€525 divided by €3,500).

The Malta effective rate was 13.9% (€3,400 divided by €24,500). The local rate was lower than the foreign rate therefore it will be this lower rate, which will be used to compute the credit due to him in box 33.

The credit is computed by multiplying €3,500 by the lower rate (13.9%), that is, €487.

The tax due by this individual for 2018 will be €3,400 – €487 = €2,913.

This may be summarised as follows:

Double-taxed Income	3,500	Overseas Effective Rate =525/3,500 =15%
Foreign Tax	525	

Total income Taxed in Malta	24,500	Malta effective Rate =3,400/24,500 =13.9%
Malta Tax	3,400	

In this case the amount of relief from double taxation is: €3,500 x 13.9% (the lower rate) = €487.

If you find difficulty in computing this credit, do not hesitate to ask for help from our staff who will be willing to help you calculate the credit in box 33 correctly.

34. Tax due after relief of double taxation

Deduct box 33 from box 32 and enter the result in box 34. The relief of double taxation cannot create a refund of tax. Hence, if the result of this calculation is negative, insert "0" in box 34.

TAX PAYMENTS

Payments of Tax during 2018

In order to make a correct self-assessment you will need to know the tax paid during 2018 and the tax, which is still outstanding.

You will find the total of the provisional tax payments (if any) pre-printed in line 36, and the total of tax for capital gains in box 37.

These totals are not to include any payments for arrears of tax regarding years preceding 2018.

35. FSS Tax Deductions

In this step you should enter any FSS tax withheld during 2018 from employment income or local pensions. This amount can be found on the FS3 given to you by your employer or pension provider. For each separate amount of FSS tax deduction enter the PE number of your employer or pension provider and the amount of tax deductions made during 2018.

If in step 35 you are deducting the tax, which was deducted from your part-time employment income at the special 15% rate you must also include the part-time income in section 1.

Do not include in box 35 any tax deductions made from your emoluments, or any direct payments made by you, in respect of tax arrears for years preceding 2018.

These amounts, which are separately shown on your FS3, have no bearing on the amount of tax due on this year's "Chargeable Income". Details of these payments have already been provided to the Office of the Commissioner for Revenue directly by your employer.

36. Provisional Tax Payments

Here you will find printed the total of all provisional tax payments made for 2018. Check these amounts against the receipts.

Do not include any settlement tax amounts paid in respect of tax arrears for years preceding 2018.

Please note that, if during 2018 you have not paid provisional tax in accordance with the Provisional Tax Rules, you have become liable to pay additional provisional tax at the rate of 1% per month, or part thereof, up to the date of settlement of the provisional tax due. You will be notified of the exact amount of additional provisional tax due when you receive the tax statement.

37. Provisional Tax Paid on Capital Gains

In box 37 you will find the total of all payments made for the transfer of property, which were not subject to a final tax. Check the amounts against the receipts. Note that you may deduct such amount only if you have included the capital gain in box 12.

38. Tax at Source on Local Dividends

In this step you should only include tax deductions that were made (usually at 35%) from the local dividend income you included in box 9ai and 9aii.

39. Tax at Source on Sale of Agricultural Produce

For help on this part please refer to the explanatory booklet issued with the RA1 form.

40. Other Tax Payments

In this step you may deduct any other tax payments that refer to 2018, which were not included elsewhere in your tax return.

41. Total Tax Payments

Add the amounts in boxes 35a to 40 and enter the total in box 41. If you are not claiming any tax payments enter “0”.

TAX UNDERPAID OR OVERPAID

In this section you are required to calculate whether you have underpaid or overpaid your income tax for 2018.

42. Tax Underpaid / Tax Overpaid

Check boxes 34 and 41:

1. If box 34 is higher than box 41 enter the difference in box 42a.

THIS MEANS THAT YOU HAVE NOT PAID ALL THE TAX DUE FOR 2018.

The balance is to be paid by 30th June, 2019. Payments should be made online on https://cfr.gov.mt/onlinepayments or through internet banking, quoting the Payment Reference Number.

Alternatively, payment may be sent by cheque payable to the Commissioner for Revenue by using the small envelope provided. If payment is being made in any one of the MaltaPost branches the cheque is to be made payable to MaltaPost plc.

It is important to include/present the Payment Slip with the cheque.

If you fail to settle the balance for 2018 by the 30th June, 2019, you will be charged interest at 0.54% per month on the outstanding amount.

2. If box 34 is lower than box 41 enter the difference in box 42b.

THIS MEANS THAT THE OFFICE OF THE

COMMISSIONER FOR REVENUE OWES YOU A REFUND FOR THE TAX YOU OVERPAID FOR 2018.

We will be repaying you the balance within 6 months from 30th June, 2019. If the refund is not paid to you by the end of December 2019, you will be due interest at the rate of 0.54% per month. Interest will start running from 1st January, 2020. However, said refund will not be issued unless you have submitted all your income tax and VAT returns where applicable.

3. If the amount in box 34 equals that in box 41, enter '0' in boxes 42a and 42b.

FILLING OF INCOME TAX RETURNS IN SCHOOLS AND SERVIZZ.GOV CENTRES

The Office of the Commissioner for Revenue will be providing assistance in the filling of the Income Tax Return. For this purpose, our officers will be available at the under-mentioned Government Schools and Servizz.gov Hubs on the dates and times shown hereunder.

The Taxpayer Service, Servizz.gov Hub, at the Office of the Commissioner for Revenue in Floriana and in Victoria, Gozo, will also open to the public during the mentioned Saturdays between 8.00am to 1.00pm.

Taxpayers are asked to bring together with the Income Tax Return all relevant supporting documents, including I.D Card; F.S 3 for employment income; pension statements; Profit and Loss Account; dividend warrants (original); interest certificates (original); capital gains computation.

SATURDAY 1st JUNE 2019 – from 8.00am to 1.00pm

B'KARA 'C'...BRARED STREET
QORMI – SERVIZZ.GOV HUB.................................ORATORY STREET
OFFICE OF THE COMMISSIONER FOR REVENUE,BLOCK 4, FLORIANA .... V.DIMECH STREET
OFFICE OF THE COMMISSIONER FOR REVENUE, VICTORIA, GOZO .... ENRICO MIZZI STREET

SATURDAY 8th JUNE 2019 – from 8.00am to 1.00pm

SLIEMA...ISOUARD STREET
ŻABBAR 'B'...TUMAS DINGLI STREET
OFFICE OF THE COMMISSIONER FOR REVENUE,BLOCK 4, FLORIANA .... V.DIMECH STREET
OFFICE OF THE COMMISSIONER FOR REVENUE, VICTORIA, GOZO .... ENRICO MIZZI STREET

SATURDAY 15th JUNE 2019 – from 8.00am to 1.00pm

BIRGU - SERVIZZ.GOV HUB ....ST. EDWARD STREET
MARSA 'C'..BALBI STREET
OFFICE OF THE COMMISSIONER FOR REVENUE,BLOCK 4, FLORIANA .... V.DIMECH STREET
OFFICE OF THE COMMISSIONER FOR REVENUE, VICTORIA, GOZO .... ENRICO MIZZI STREET

SATURDAY 22nd JUNE 2019 – from 8.00am to 1.00pm

PAOLA 'A'..GUZE D'AMATO STREET
MOSTA 'A'..GROGNET STREET
OFFICE OF THE COMMISSIONER FOR REVENUE,BLOCK 4, FLORIANA .... V.DIMECH STREET
OFFICE OF THE COMMISSIONER FOR REVENUE, VICTORIA, GOZO .... ENRICO MIZZI STREET

TAX RATES

SINGLE RATES

Chargeable Income	Multiply by	Subtract
0 – 9,100	0	0
9,101 – 14,500	0.15	1,365
14,501 – 19,500	0.25	2,815
19,501 – 60,000	0.25	2,725
60,001 and over	0.35	8,725

MARRIED RATES

Chargeable Income	Multiply by	Subtract
0 – 12,700	0	0
12,701 – 21,200	0.15	1,905
21,201 – 28,700	0.25	4,025
28,701 – 60,000	0.25	3,905
60,001 and over	0.35	9,905

PARENT RATES

Chargeable Income	Multiply by	Subtract
0 – 10,500	0	0
10,501 – 15,800	0.15	1,575
15,801 – 21,200	0.25	3,155
21,201 – 60,000	0.25	3,050
60,001 and over	0.35	9,050

Different rates of tax apply to non-residents.
A copy of the relative tax rates can be obtained from the Taxpayer Service, Servizz.gov Hub, Floriana / Victoria, Gozo or the CFR website.