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Clarification Regarding Art 74 of the VAT Act

By virtue of [Budget Implementation Act XIII](#), Article 74 of the [Value Added Tax Act \(Cap 406\)](#) has been repealed. The latter takes effect on 1st January of 2024. In the absence of such provision, the treatment of interest under the VAT Act is being aligned with that applied to interest under the Income Tax Acts whereby interest on an income tax refund is not taxable whereas interest expense is not deductible for the purposes of computing the chargeable income of that person. Administrative penalties paid or payable under the VAT Act continue to be treated as not being incurred in the production of income of that person.

In this respect, taxpayers are reminded to duly pro-rate any amount of VAT interest income not chargeable and/or any amount of VAT interest expense not deductible whenever any such portion falls to be included during YA 2024/YA 2025 tax return.

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