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**Guidance note  
on Article 14(1)(m) of the Income Tax Act**

The purpose of this guidance note is to clarify the application of the second proviso to Article 14(1)(m) of the Income Tax Act ('ITA') and Rule 6 of the Income Tax (Deductions) Rules (the 'Rules').

With effect from the period covered by the year of assessment 2024, any expenditure of a capital nature incurred on Intellectual Property or Intellectual Property Rights may, at the option of the person that has incurred such expenditure, be claimed in full by virtue of the second proviso to Article 14(1)(m) of the ITA. This option is available also with respect to any such expenditure brought forward during the year of assessment 2024.

Where such option is availed of, the total amortisation deductible in respect of any year of assessment shall be computed in accordance with Rule 6 of the Rules and shall be made up of:

- an amount of amortisation deductible as per paragraph (a) of sub-rule (1) or (2) of Rule 6; and
- an amount of 'accelerated amortisation' deductible as per paragraph (b) of sub-rule (1) or (2) of Rule 6.

It is hereby clarified that:

Where a taxpayer incurs expenditure in respect of more than one intellectual property or intellectual property right, the election to claim a full deduction by virtue of the second proviso to Article 14(1)(m) is to be made in respect of each asset independently i.e., a different decision can be made in respect of different assets.

Where the accelerated amortisation for any year cannot be given effect to in full because there is insufficient qualifying income, the amount of utilised accelerated amortisation is to be attributed to one or more of the intellectual property or intellectual property rights used or employed in the production of the qualifying income, at the discretion of the taxpayer.

Example:

IP Asset A was acquired and put into use in the year of assessment 2024. IP Asset B was acquired and put into use in the year of assessment 2023 and a deduction in terms of Article 14(1)(m) was being claimed over a period of 4 years i.e., a deduction amounting to one-fourth of the expense was claimed in the year of assessment 2023.

Both IP assets are used and employed in the production of income from the same trading activity.

In the year of assessment 2024 the taxpayer opted to claim a deduction by virtue of the second proviso to Article 14(1)(m) in respect of both IP assets.

The amount of qualifying income<sup>1</sup> produced through the use and employment of the afore-mentioned IP assets amounts to EUR400,000, EUR350,000 and EUR450,000 for year of assessment 2024, 2025 and 2026 respectively. This is computed as follows:

	YA 2024 <b>EUR</b>	YA 2025 <b>EUR</b>	YA 2026 <b>EUR</b>
Chargeable income produced through the use or employment of the IP BEFORE article 14(1) (m) deductions and BEFORE the NID	1,900,000	1,850,000	1,200,000
LESS: Article 14(1)(m) amortisation deductible (excluding accelerated amortisation as per paragraph (b))	(1,500,000)	(1,500,000)	(750,000)
Chargeable income produced through the use or employment of the IP BEFORE accelerated amortisation deductible as per paragraph (b) and BEFORE the NID	<b>400,000</b>	<b>350,000</b>	<b>450,000</b>

Assuming that there are no disposals, amortisation deductible under article 14(1)(m) in respect of IP Asset A and IP Asset B is computed as follows:

#### Year of Assessment 2024

Description	Cost of IP <b>EUR</b>	YA in which the cost was incurred or asset first used <b>EUR</b>	Accelerated amortisation b/fwd <b>EUR</b>	Amortisation deductible as per paragraph (a) <b>EUR</b>	Accelerated amortisation deductible as per paragraph (b) <b>EUR</b>	Utilised accelerated amortisation <b>EUR</b>	Total Amortisation utilised during the year <b>EUR</b>	Accelerated Amortisation c/fwd <b>EUR</b>
IP Asset A	3,000,000	2024	0	1,000,000**	2,000,000	300,000*	<b>1,300,000</b>	1,700,000
IP Asset B	2,000,000	2023	0	500,000	1,000,000	100,000*	<b>600,000</b>	900,000

#### Year of Assessment 2025

Description	Cost of IP <b>EUR</b>	YA in which the cost was incurred or asset first used <b>EUR</b>	Accelerated amortisation b/fwd <b>EUR</b>	Amortisation deductible as per paragraph (a) <b>EUR</b>	Accelerated amortisation deductible as per paragraph (b) <b>EUR</b>	Utilised accelerated amortisation <b>EUR</b>	Total Amortisation utilised during the year <b>EUR</b>	Accelerated Amortisation c/fwd <b>EUR</b>
IP Asset A	3,000,000	2024	1,700,000	1,000,000**	700,000	200,000*	<b>1,200,000</b>	500,000
IP Asset B	2,000,000	2023	900,000	500,000	400,000	150,000*	<b>650,000</b>	250,000

<sup>1</sup> As defined in the Income Tax (Deductions) Rules (S.L. 123.07)

\* At the discretion of the taxpayer.

\*\* Deductible by reference to the minimum period allowed under the first proviso to article 14(1)(m) of the Act (i.e., 3 years).

### Year of Assessment 2026

Description	Cost of IP	YA in which the cost was incurred or asset first used	Accelerated amortisation b/fwd	Amortisation deductible as per paragraph (a)	Accelerated amortisation deductible as per paragraph (b)	Utilised accelerated amortisation	Total Amortisation utilised during the year	Accelerated Amortisation c/fwd
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
IP Asset A	3,000,000	2024	500,000	500,000	0	0	<b>500,000</b>	0
IP Asset B	2,000,000	2023	250,000	250,000	0	0	<b>250,000</b>	0



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