



9 July, 2010

The President
The Malta Institute of Taxation

Dear Renald,

Reduction in Additional tax and Interest – Phase 2

In September 2009 the Ministry of Finance, the Economy and Investment announced a Scheme that gave the opportunity to taxpayers who have fallen behind in the payment of their tax balances to regularize their position without incurring the full amount of additional tax and interest to which they may have become subject.

Although the response was very encouraging, there were a number of persons who were unable to participate in this scheme because the tax returns were not prepared in time or because there was an insufficiency of funds. For this reason the Minister has launched Phase 2 of the scheme.

The scheme has retained its original intention, i.e. to:

1. encourage the submission of outstanding income tax returns;
2. settle tax balances due;
3. offer an opportunity for those who want to adjust their income on a voluntary basis.

In addition, Phase 2:

1. offers an alternative method of payment over a longer period of time, depending on the balance due;
2. extends the scheme to employers who have outstanding submissions of FS3 and FS7 documents and outstanding FSS and social security payments in respect of their employees for the calendar years 1998 to 2009;
3. includes the year of assessment 2009.

PENDING INCOME TAX BALANCES

The scheme applies to all taxpayers (i.e. companies and individuals) and applies to both the “old” assessment system (up to year of assessment 1998) as well as the “new” self assessment system (years of assessment 1999 to 2009).

Taxpayers will be given the opportunity to reach an agreement on the old system only, the new system only or both.

In case of the old system, a taxpayer with pending tax balances will need to pay 75% of the amount due if payment is made in full by 31 October 2010. If the taxpayer chooses to pay on the basis of an installment plan (IP) the amount that must be paid will be 80% of the amount due. 30% of the balance (i.e. 30% of the 80%) will have to be paid by 31 October 2010. The rest will be paid by installments.

In case of the new system, taxpayers will benefit from an 85% reduction in additional tax and interests if they pay the remaining 15% of the penalties and the whole amount of tax due in full by 31 October 2010. Thus, a taxpayer who owes €1,200 (made up of €800 pure tax, €300 additional tax and €100 interest) will need to pay €800 + €45 + €15 by 31 October 2010, i.e. €860 instead of €1,200. If the taxpayer chooses to pay on the basis of an IP, the reduction in additional taxes and interest will be 75%. 30% of the reduced total will have to be paid as a down payment by 31 October 2010. The remaining payments will be made over a number of months, as indicated by the Department.

To benefit from the scheme, taxpayers must satisfy all the following conditions:

- submit all outstanding tax returns for the years of assessment 1999 to 2009 by 31 August 2010. Following the submission of these returns IRD will immediately process the relative tax statements and send a letter indicating the amount that needs to be settled. Please note that this condition is relevant only with respect to the years of assessment 1999 to 2009. Tax returns up to the year of assessment 1998 should NOT be submitted;
- pay the amount of tax and (reduced) penalties by the date/s indicated in the agreement;
- sign the agreement according to the option selected and send it back to the Department together with the relative payment;
- the said agreement, when signed and submitted, will cover all years of assessment of the old system and/or all years of assessment of the new system, depending on the type of agreements entered into;
- the agreement, when signed and submitted, will be considered to be a withdrawal by the taxpayer of any pending claims (including BSC and Court of Appeal cases).

To be able to provide the members of the Institute with blank electronic tax returns in time it is important that company authorisations for electronic filing (IR WEB 02) and lists of companies with missing returns indicating the year of assessment, reach the department as early as possible, but not later than 31 July 2010.

PENDING FSS AND SSC PAYMENTS

As stated above, phase 2 of the scheme is being extended to employers who have pending FSS and SSC payments in respect of their employees for any year from 1998 to 2009.

Employers will benefit from a 90% reduction in penalties if they pay the remaining 10% of the penalties and the whole amount of FSS and SSC payments due in full by 31 October 2010. If an employer chooses to pay on the basis of an IP, the reduction in penalties will be 80%. 30% of the reduced total will have to be paid as a down payment by 31 October 2010. The remaining payments will be made over a number of months as indicated by the Department.

If, for example, an employer has an outstanding balance of €1,000 in FSS and SSC payments and a penalty of €100, and opts to pay on the basis of an IP, the employer will need to pay

30% of €1,020 (€1,000 + 20% of €100) by 31 October 2010 and the remainder over the following months according to the agreement.

To benefit from the scheme, employers must satisfy all the following conditions:

- submit all outstanding FS3s and FS7s for the years 1998 to 2009 by 31 August 2010. Following the submission of these forms IRD will immediately process the relative documents and send a letter indicating the amount that needs to be settled;
- pay the amounts and (reduced) penalties by the date/s indicated in the agreement;
- sign the agreement according to the option selected and send it back to the Department together with the relative payment;
- the said agreement, when signed and submitted, will cover all years from 1998 to 2009;

I would appreciate your bringing this letter to the attention of all members of the Institute.

Best regards,

C. Conti
Commissioner of Inland Revenue