



MALTA INSTITUTE OF TAXATION

Euro Seminar
Parliamentary Secretary for Finance promises more meaningful consultation
with Malta Institute of Taxation
13th May 2004

At a seminar organised by the Malta Institute of Taxation (M.I.T.) on the Euro, the newly appointed Parliamentary Secretary in the Office of the Prime Minister and Minister for Finance, Mr Tonio Fenech, promised that there would be more meaningful consultation in the future with the M.I.T. regarding the formulation and implementation of tax policies.

Mr Fenech welcomed this first opportunity to address the members of the Institute which has been steadily engaged in preparing its members for integration in the mainstream European profession of tax advisers. He explained that the Government's main tax policy at this stage is aimed at helping to create jobs. Consequently, Government was slowly shifting the fiscal burden from the taxation of incomes to the taxation of consumption.

Mr Fenech's address was preceded by an introductory speech from Mr Edwin A Vella, President of the M.I.T. Mr Vella referred to Malta's entry into the E.U., and pointed out that one of the Institute's main objectives had always been to obtain and diffuse knowledge about taxation in Europe. The Institute had wholeheartedly participated in the national movement for integration into the E.U. Its members had nothing to fear from membership, and had shown that Maltese tax practitioners were more than fully up to the high standards set by Europe.

Mr Vella lamented Government's refusal to help the M.I.T. with its expenses linked with membership of the *Confederation Fiscale Europeenne*, on the grounds that an application had been filed late. Mr Vella pointed out that membership of the C.F.E. has resulted in Maltese tax advisers being listed on its Register of European Tax Advisers, which was available worldwide on the internet. This will surely enhance our international reputation and the possibilities of foreign investment.

Mr Vella also discussed the pending pensions reform and explained that M.I.T. had already made preliminary suggestions on this matter. He pointed out that pension scheme arrangements were tax driven, and pleaded for liberal fiscal provisions to help pension schemes take their place in Malta's social security structure. Mr Vella finally referred to consultations with the Government on future tax policy, and asked that the excellent relations existing between the Institute and the tax departments be taken a step further.





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Mr Fenech's address focused on the Government's need to reduce the current fiscal deficit. Mr Fenech pointed out that this had to be done for sound economic reasons and not just in obedience to the Maastricht rules. This had to be achieved within the context of sound social and fiscal structures.

Mr Fenech indicated that Government was committed to the eradication of tax evasion and of unacceptable tax planning and tax avoidance. He also pointed out that errant taxpayers could no longer expect the administration to introduce more schemes such as the recent investment registration scheme. These had to be considered as things of the past and everybody now had to face up to his responsibilities.

The seminar was also addressed by Dr Arthur Galea Salomone and Dr Sarah Aquilina. Dr Galea Salamone addressed the Seminar on the duties and obligations now imposed on tax advisers by the Anti Money Laundering E.U. directives and domestic legislation. He explained how the term 'Money Laundering' had been diluted to cover several activities that had not been encompassed within its original meaning. The category of persons affected by the rules, therefore, had been broadened to cover nearly everybody who at some time or other came in touch with large amounts of capital, especially cash.

Dr Galea Salomone reviewed the obligatory process of identification of clients and beneficiaries, and of reporting imposed by the rules, and explained some of the grey areas connected with these matters. At least, there was now one reporting authority operating under the aegis of the Malta Financial Services Authority. Dr Galea Salomone also reviewed the administrative arrangements which organisations were now required to have in place including the identification of an official responsible for reporting.

Dr Sarah Aquilina reviewed the consequences of the removal of the proviso to article 2 of the VAT law. This had essentially granted exemptions from VAT to the operation of international trading companies (ITCs). Following the recasting of VAT all over Europe, new and very detailed provisions were now made for this aspect of international commerce. Dr Aquilina reviewed in depth the provisions now in force, particularly those connected with the triangular movement of goods and services, which lay at the basis of ITC operations.

At the close of the Seminar, the President of the Institute advised that the next Euro Tax Seminar was scheduled for early autumn.

