



MALTA INSTITUTE OF TAXATION

PRESS RELEASE

The Malta Institute of Taxation is broadly in agreement with the principles underlying the reforms made to the system of taxation by Act IX of 1999, since it welcomes all measures aimed at regulating the levying of tax and its collection. The Institute particularly welcomes the measures whereby a substantial portion of the taxpayers have been relieved from the necessity of filing annual returns.

The Malta Institute of Taxation regrets, however, that it was not consulted at any stage during the preparation of this major legislation. It is also not understood why no White Paper was issued concerning changes in the system which had been part and parcel of the collection for the tax for the past fifty years. The few references to the proposed changes in the last Budget were surely not sufficient to satisfy this requirement.

The Institute also notes with alarm certain draconian measures which have been introduced. The worst aspect of this matter is perhaps not the measures themselves, but the manner in which they have been sprung on the taxpaying public and their advisers. Suffice it to say that a law enacted on the 6th July is intended to start biting on the 31st August. The Institute deplores this undue haste in the introduction of revolutionary taxation measures. Equally deplorable is the lack of proper publicity. The M.I.T. would refer to certain equally strong measures adopted by the authorities in the past with the same purpose of ascertaining that tax is paid, and paid promptly, which measures however failed to achieve their aim, because they had likewise been sprung on an unsuspecting public and not explained.

The Institute fervently hopes that the Revenue will not now seek to apply with the utmost vigour all the draconian powers it has assumed. Perhaps, a code could be formulated showing how the new measures will be applied. This should go beyond the mere letter of the law and explain how the taxpayer will be expected over the next few years to align himself with his new obligations. An immediate, intolerant and rigid application of the new measures will arouse un-necessary ferment. Perhaps one should also note that it often happens that, after this ferment has died down, the new measures simply become a dead letter.

The Institute of Taxation agrees that returns should be filed on time and that the tax should also be paid on time. There are various circumstances, however, where





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this cannot be reasonably done : only a few cases need be mentioned, say double taxation relief with "difficult" countries such as Libya, funds locked up abroad, cases of serious and prolonged illness, long term projects approved several years ago (with Government blessing) which tie up cash flows, international consolidations, and branch accounts where liability depends on Head Office arrangements of multi-national firms.

While the Institute welcomes the powers which the Revenue now have to remit penalties for the late filing of returns where reasonable and acceptable excuses are brought forward by the taxpayer, it is not understood why the matter of interest has not been dealt with on the same basis. Surely if a taxpayer has a reasonable cause to delay the delivery of the return, the same reason is sufficient to enable him to delay payment. If he cannot file his return, the same reason is sufficient to enable him to delay payment. Even the VAT legislation is less rigid in this regard.

The Institute likewise deplores the fact that various dates which trigger action under the new arrangements, be they of a technical assessment nature, or of an administrative collection nature, are now not fixed, but may, or will be prescribed afresh each year by legal notice. This is surely a guaranteed measure for the creation of confusion and pitfalls for all concerned.

The Institute would also like to refer to perhaps the major obstacle to the success of the new scheme. It is clearly intended to turn over a new leaf, to start afresh and to look to the future. The taxpaying public, however, is insistently demanding to know what will happen to the past. It seems to be too much to expect everybody to be right on the dot on all tax matters for the future when the same taxpayers :

- a. are saddled with uncollectable and undue arrears of some LM160 millions;
- b. refunds due are not paid for several years (now apparently some LM14 million);
- c. have a vast number of objections that remain pending;
- d. have assessments years in arrears;
- e. send letters to the department which are never answered;
- f. feel that nobody in the department seems willing to assume the responsibility of decision making;



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The list of shortcomings is endless. The Institute fears that taxpayers will not be very willing to accept the new regime when all indications are that the past, their past, is going to be left to take care of itself.

The Institute refrains from making a detailed critique of the technical merits of the new measures. We would have liked to do so at the appropriate time, and our input could perhaps have helped to make for a more acceptable reform. Regrettably, however, this opportunity has been denied us.