



# MALTA INSTITUTE OF TAXATION

## TAXATION OF FRINGE BENEFITS 1<sup>st</sup> November, 2000

### Comments by Malta Institute of Taxation

#### 1 Applicability

The term "certain other persons" needs to be more specific. It is here understood that self employed persons are excluded.

Obviously, the benefits received by family of director or employee will be taxed on director/ employee only if not already taxed on such family member him/her self.

The term "controlling position" also need to be more specific, otherwise one would be creating a gray area thereby giving rising to objections.

The position of non resident directors who make use of a locally registered company's assets whilst in Malta, eg. Accommodation, motor vehicles and boats.

Will these now become taxable.

#### 2 Group of companies

The term "group of companies" need clear definition

#### 3 Software

Considering that most employers are now computerised, and since the new system will become operative as from 1<sup>st</sup> January, it is hoped that the specifics needed to amend the current software will be published immediately after the budget speech and not half way through the year 2001. In this way employers can make arrangements for the amendment of their software.

#### 4 Motor Vehicles Value

We recommend that the list prices of motor vehicles be made easily available to the taxpayer, preferably by publishing in the government gazette.





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From the slides we understand that the allowable value for wear and tear will be increased to Lm5000 ( against the present Lm3000). Also we understand that the method of wear and tear will be amended to 20% straight line with no initial allowance.

Having forfeited the capital allowances for years 1 and 2 ( page 12 , 3<sup>rd</sup> slide) will these capital allowances be taken into consideration when computing balancing charges and allowances.

Can an employer change from method 1 to 2 in the fifth year ( refer page 13 slide 1)

## **5 Personal Use**

The definition of this term needs to be made clear. Guidelines need also to be published as to the use of motor vehicles from a CAR POOL.

## **6 Leased Cars**

The maximum allowable expense of Lm1000 in respect of leased cars will be detrimental to the leasing industry itself as well as to companies who are now opting for this method for acquiring the use of motor vehicles. The smaller companies will be hurt the most.

## **7 Provision of free accommodation**

The valuation of such property at market value will involve the company is yearly valuation of property in order to determine whether higher than cost or not. Obviously such valuations will involve costs.

Also, in view that such valuation will always remain subjective, perhaps a fixed rate of annual accretion on original cost would be more simple and cost effective for all.

## **8 Loans**

The term "material interest" needs to be clarified.(refer page 18 slide 1)

