Voluntary Disclosure in Malta

In terms of Malta’s self-assessment system an individual is free to disclose any additional income omitted from prior tax returns by adjusting such returns through the filing of a prescribed form known as an adjustment form.

Benefits of voluntary disclosure
As a result of such voluntary disclosure, the full extent of any penalties and interest due would be triggered. However, in such a case, Maltese legislation allows for a reduction of the additional tax penalty (as separate and distinct from unpaid tax and the interest due thereon) applicable on the endangered tax (it’s the difference between the tax declared to be chargeable by the taxpayer and the tax actually chargeable). The additional tax penalty of 1.5% per month (limited to 60 times the applicable rate in terms of the respective endangered tax) would be reduced as follows:

- When a person voluntary discloses an omission after he is notified that an enquiry would be held in relation to his tax declarations but before an assessment is made, the rate of additional tax would be reduced to 0.75% per month of the endangered tax.

Period for Voluntary Disclosure
The adjustment form can be submitted even following the end of the prescription period which varies between five to eight years from the end of the year in which a return of income or a further return for that year is furnished (depending on whether pre- or post-1998) and subject to standard rules of prescription (e.g. no prescription in case of fraud).

Investment Registration Scheme
The above system is complemented by one-off voluntary disclosure schemes, one of which is currently applicable to Maltese resident taxpayers holding eligible assets without having declared the relevant income and/or capital gains for the purposes of the relevant laws, including for the purposes of the Income Tax Acts and the Duty on Documents and Transfers Act. Such taxpayers may now regularize their position in terms of this scheme.

Features of the Current Scheme
Registration of eligible assets will protect the taxpayer by generally providing an exemption from tax in relation to the following:
Any income derived from a qualifying asset at any time before the date on which that asset is registered;

Where a qualifying asset was derived from undeclared income, then registration will exempt the income represented by the eligible asset.

**Eligible Assets**

Eligible assets under this scheme include any of the following assets:

- Deposits held with a credit institution;
- Immovable property situated in or outside Malta;
- Securities including shares, stock in the capital or any other instrument acknowledging an ownership interest in a company registered or incorporated in a reputable jurisdiction;
- Debentures, bonds and any other instrument acknowledging indebtedness issued by a company registered in a reputable jurisdiction;
- Securities issued by central, regional or local governments, states or subdivisions of a state or any supranational organizations;
- Units in a collective investment scheme, life and annuity long term insurance policies, whether index-linked or not issued by a scheme or insurer licensed in Malta or abroad;
- Shareholder loans or other advances extended to a company registered in a reputable jurisdiction;
- Precious metal bullion; and
- Warrants, options, futures and other derivatives as well as any other financial instruments entered into in Malta and, or abroad for investment purposes.

**Applying for the Scheme**

Taxpayers may regularize their position by:

- Registering the eligible assets with appointed registration agents by 30 November 2014;
- Completing and submitting all declarations required;
- Providing the original documentary evidence required (depending on the type of eligible asset); and
- Paying a registration fee.

**Cross border advice with utmost discretion**

KPMG’s network enables us to provide international solutions, calling on our in-house specialists in Malta, with knowledge of the local tax law. We offer our clients the opportunity to have throughout the process a single contact person at KPMG in Switzerland who is familiar with the client’s individual situation and coordinates the process with the utmost discretion. Upon request KPMG’s specialists work in Malta with anonymized data until the voluntary disclosure is actually submitted. Alternatively we can arrange direct contact with our tax specialists in Malta.

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**www.kpmg.ch/voluntary-disclosures**

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