

ELECTRONIC TAX RETURN FOR COMPANIES

Year of Assessment 2009

Salient changes

Presentation

The tax return and attachments retain the same format and presentation as in previous years. Only two new attachments have been introduced namely TRA54 (Investment Aid) and TRA55 (apportionment from the provision of accommodation – previously reflected in TRA62). Other changes were effected in the presentation of some TRAs and two pages of the tax return.

The removal of the tax account allocations on the various attachments and on pages 3 to 5 was initially considered. However, such removal would have led to the elimination of some core functionality including:

1. the derivation of the current year tax account allocations in the upper part of page 6; and
2. a substantial number of validations.

The workbook now accepts provisional allocations in the case of trading income and provides space for the necessary adjustments required to have proper tax account allocations in the final tax accounting exercise.

Warnings

Validations are also present on data inputted or upon results attained. However, a number of validations present in last year's return have been converted to warnings specifying the reason in the attachment or the return page and also indicated in green in the Index Sheet. Such warnings may relate to attachments that are expected to be filled but are left blank.

For example the following warning is displayed in the Index Sheet if rental income is disclosed in the TIFD and the relative attachment is left blank.

TRA 11



ITA - Income from Rent(s) [Warning(s) present in TRA]

Note that the workbook can still be exported despite the presence of warnings **displayed in green** as in the example above.

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Otherwise the usual colour coding structure, by now familiar, is used.

TRA not used	TRA 11		ITA - Income from Rent(s)
Error(s) on TRA	TRA 11		ITA - Income from Rent(s)
TRA complete	TRA 11		ITA - Income from Rent(s)

Warnings are also displayed in **blue** on the relative attachment or return page. In the case of rental income followed in the example above a message is displayed in TRA 11.

Rents [Article 4(1)(e) ITA]	Allocated			
	Final Tax Account	Immovable Property Account	Maltese Taxed Account	Foreign Income Account
Gross Rents received / receivable				
Grossed up element for Flat rate foreign tax credit				
Gross Rents	0	0		0
Less direct expenses [Details required]				
NTOM licence				
Interest(s)				
Rent, ground rent or similar burden				
20% further deduction				
Net Income from Rents after deducting direct expenses				
Rental income reported in TIFD!	0	0		0

A number of warnings just state **Check!** indicating that adjacent values need to be checked for mismatches with calculated amounts. Other warnings display a message and do not necessarily mean that the data input or result is incorrect. They may just highlight deviations from the general rule mainly resulting from legislative exceptions.

For example a warning is present in TRA 62 stating **Check! Profits available on MTA and FIA!** (Cell F69). Such a warning indicates that further amounts carried forward in the second tier allocation in the immovable property account can be absorbed from chargeable income after tax still available in the Maltese Taxed Account or the Foreign Income Account. Such a warning may necessitate a review of amounts in the second tier allocation for the year as there may be more income after tax available on the Maltese Taxed Account. On the other hand the warning may be ignored if say the company had income on the Foreign Income Account and it has not yet opted to convert under the new regime.

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The Index Sheet should always be checked for the presence of warnings before submission. It is highly recommended that all TRAs or pages of the tax return with the presence of warnings are thoroughly checked and, if necessary, rectified. All due attention must be given to Checks displayed next to values entered in TRAs or the return itself. Many values inputted are transcribed to other sheets of the workbook and incorrect figures may lead to a wrong tax computation and calculation. **Always ensure that the workbook is exported after all warnings have been checked and any necessary corrections have been effected.**

NOTE THAT THE PRESENCE OF WARNINGS DOES NOT PRECLUDE THE EXPORT OF THE WORKBOOK.

Warnings are present in the following attachments and tax return pages:

TRA 04	ITA - Balancing statement
TRA 05	ITA - Capital allowances
TRA 06	BPA [Article 7] - Investment Allowance
TRA 07	BPA [Article 8] - Accelerated Depreciation
TRA 08	ITA - Dividend(s)
TRA 09	ITA - Interest(s)
TRA 10	ITA - Discounts or premiums
TRA 11	ITA - Income from Rent(s)
TRA 12	ITA - Income from Ground Rent(s)
TRA 13	ITA - Income from Royalties, etc.
TRA 14	ITA - Other income
TRA 18	Total Exempt Income
TRA 19	ITA - Loss SURRENDERED to group company/companies
TRA 20	ITA - Group loss CLAIMED - current year
TRA 25	BPA - Regulation 4 (Reduced Rates of Income Tax)
TRA 29	BPA - Regulation 5 (Investment Tax Credit)
TRA 30	Relief of double taxation
TRA 53	ITA - Art 5A -Transfer of Immovable Property subject to 12% FWT
TRA 54	MEA - LN 68 of 2008 – Investment Aid Regulations
TRA 55	Apportionment of Accommodation Income [LN 79 of 2008]
TRA 59	ITA - LN 93 OF 2007 – Deductions (Euro related expenditure) Rules, 2007
TRA 60	Profit adjustment [supplementing page 3 of the tax return]
TRA 62	Allocation to the Immovable Property Account
TRA 63	Allocation to the Maltese Taxed Account AND Foreign Income Account
Page 2	Company Details continued
Page 3	Adjustment of profits for tax purposes
Page 4	Computation of Chargeable income
Page 5	Self-Assessment Computation
Page 6	Record of Retained Profits and Distributions
Page 7	Details of Company Set-up

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Modifications

The workbook has been modified to address:

1. problems encountered last year, mainly due to IPA allocations;
2. suggestions made by practitioners (for example more space for the inclusion of shareholders on page 7 of the return); and
3. to reflect this year's legislative changes (for example, Investment Aid under the Malta Enterprise Act).

The eight pages to the tax return remained substantially the same, the main alterations referring to Pages 6 and 7.

Page 6

The upper part of page 6 has been slightly modified to include three new fields [98a to 98c) that may be used to effect adjustments between the taxed accounts. It allows transfers FROM the Maltese Taxed Account and/or the Foreign Income Account (always negative values) to the Immovable Property Account.

NOTE THAT THE TRANSFER CONTEMPLATED IN CELLS 98a to 98c IS ONLY INTENDED TO MAKE ADJUSTMENTS FROM THE MALTESE TAXED ACCOUNT AND THE FOREIGN INCOME ACCOUNT ALLOCATIONS TO THE FIRST TIER ALLOCATION OF THE IMMOVABLE PROPERTY ACCOUNT.

This new presentation allows trading income to be allocated to one account (for example to the MTA only instead of the IPA and MTA) for tax computation and calculation purposes (pages 4 and 5). Indirectly this eases the problem of capital allowances allocation to the appropriate taxed account especially where an apportionment for the provision of accommodation (or related management services) under LN 79 of 2008 is required.

Net dividends from the Final Taxed Account are also now considered (new field 119a - automated) under the appropriate heading in the lower part of page 6. This value is also used to validate dividends paid to shareholders on page 7.

Page 7

This page of the income tax return incorporates two new macros, similar to those present in the Balance Sheet and Income statement. Additional rows have been added in the Shareholders' part of page 7 upon various requests to this end. The macros are used to restrict the print area as required.

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Other changes have been effected on the part requiring information about shareholders:

1. Shareholder Refund Registration Number – this number is generated in respect of each shareholder upon registration for Refund under the new regime. This number is required to link to the shareholder registration and subsequent claim for refund.
2. Dividends paid – this year's presentation includes net dividends from the Final Tax Account. It also includes gross distributions from the other taxed accounts presented individually. Tax at source attaching to dividends is not requested.

Tax Return Attachments (TRAs)

A number of TRAs have been modified to conform to this year's presentation.

TRAs 04 to 07

These attachments retain the same format. The only change relates to the bottom part descriptions for allocation purposes presented as follows:

Exempt Income [TRA18]	Tax computation [page 4 of tax return]		
	IPA	MTA	FIA

The columnar presentation is still retained. It has to be borne in mind that certain capital allowances are not necessarily reflected in the tax computation. This is the case of exempt income against which certain capital allowances are deductible that is outside the tax computation of page 4.

The distribution of capital allowances to the other three taxed accounts is only required for the final tax accounting exercise. Some leeway has been provided in this year's presentation of the workbook to address those instances where the sources of trading income, such as hotels, need to be apportioned between taxed accounts. In such cases the aggregate income may be reported under one account on pages 3 to 5 of the tax return. Likewise capital allowances, derived in the appropriate attachment, may be included under one account heading. As stated earlier, space is provided on page 6 to effect the necessary adjustments for the purpose of the tax accounting exercise.

NOTE THAT CAPITAL ALLOWANCES ARE ONLY DEDUCTIBLE AGAINST THE SOURCE OF INCOME GENERATED BY THE EMPLOYMENT OF THE ASSETS FOR WHICH THE ALLOWANCES ARE CLAIMED.

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A new input cell (J40) has been introduced in TRA 06 requiring the amount of Investment Allowances to be allocated to the Final Tax Account.

TRAs 08 to 14

These attachments retain the same presentation. The only change effected relates to eased export validations, converted to warnings, where the use of the relative attachment does not conform to amounts reported under the appropriate TIFD descriptions. For example, a warning is displayed where dividend income has been reported in TIFD code 5111 and TRA08 is left blank or alternatively where TRA 08 is filled in and no dividend income is reported in the Income statement.

Rows 30 to 33 in TRA 08 have been reworded as follows:

Allocated				
Exempt Dividends [TRA 18]	Tax computation [page 4 of tax return]			Untaxed A/c [page 3 of the tax return]
	Immovable Property Account	Maltese Taxed Account	Foreign Income A/c	

TRAs 15 and 17

TRA 15 now includes allocation to the Final Tax Account and new space for inserting foreign tax paid where Article 12(1)(u) applies (disposal of a participating holding).

The dropdown lists for tax account allocation in TRA 17 now includes the Final Tax Account.

TRA 18

A number of sources included here now require the user to choose the appropriate tax account from the dropdown list provided. It has to be appreciated that not all exempt income ends up in the Final Tax Account. For example certain grants under the BPA/BPR must be allocated to the Incentives and Benefits Reserve. Similarly the exemption attaching to the income of a cooperative society, which exemption does not extend to the members, stands to be allocated to the untaxed account.

The income allocated to the different taxed accounts or non-distributable reserve is summarized in the bottom part.

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The attachment now provides specific space for reporting:

1. Capital gains on disposal of a participating holding;
2. The income of a cooperative society; and
3. The income from shipping activities of a licensed shipping organization.

TRAs 25 and 26

Following various requests the dropdown lists for tax rates in the Movement of Reserves part of both attachments, have been removed to be inputted by user. The problem arose with merged companies where income was taxed at different rates for the same year.

TRA 35

Now includes the Investment Aid tax credit (see TRA 54 below).

TRA 54

This is a new attachment catering for the Investment Aid Regulations under the Malta Enterprise Act (LN 68 of 2008).

TRA 55

This attachment requires the workings for the apportionment of Income from the provision of Accommodation and Management Services related thereto (LN 79 of 2008). These working(s) have been removed from TRA 62 (see below) in conformity with this year's presentation.

TRA 61

This attachment retains the same format except that three rows are now provided on the bottom part allowing the reallocation of amounts to the other taxed accounts. For example, in the case of a Collective Investment Scheme, any amounts ending up in this account can be deducted to be reflected in the Maltese Taxed Account or the Foreign Income Account.

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TRA 62

The first tier allocation has been simplified and is no longer itemized in accordance with the provisions of LN 79 of 2008. Instead, the amount to be allocated to this part is automatically derived from field 99a of page 6. The question in row 6 of the attachment triggers the necessity of filling (or otherwise) TRA 55 deriving the apportionment of income from the provision of accommodation. Self-explanatory warnings (in blue) are present in this part.

Immovable Property Account [LN 79 of 2008]		
Part 1 - Profits allocated to the Immovable Property Account [First allocation of Chargeable Income AFTER TAX in terms of Sub-Regulation 5(4)]	Current Year Allocation (AFTER TAX)	
Has there been an apportionment of income from the provision of accommodation or management services related thereto? [sub-Reg 5(b) (ii) and 5 (d) of LN 79 of 2008] Check allocation(s) [Movement in Reserves] for the year!	Yes	TRA 55 required!
Sub Total [First part of the allocation for the current year - Regulation 5(4)]	5,907	Page 6 (field 99a)

The second tier allocation to the Immovable Property Account remains the same. The validation at the bottom part has been converted to a warning as described above.