

# Income tax exemption for artistic royalties

Taxalert

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***On 14 November 2011 the Minister of Finance, the Economy and Investment has announced in the 2012 Budget speech that Malta is introducing an outright exemption from income tax on income received from certain copyrights on books, film scripts, music and art.***

***This exemption is similar to the current exemption applicable in respect of income from patents on certain qualifying inventions, which applies in respect of income received on or after 1 January 2010.***

## Exemption in respect of income from certain copyrights

The Legal Notice detailing how the exemption will work is expected shortly, however it is anticipated that it will come into force in 2012. The Legal Notice is also expected to set out what constitutes a qualifying copyright, and define, inter alia, what will qualify as 'art' for the purpose of the exemption.

By way of guidance, the Maltese Copyright Act, Chapter 415 of the Laws of Malta, currently defines 'artistic work' as including, irrespective of artistic quality, any of the following:

- paintings, drawings, etchings, lithographs, woodcuts, engravings and prints;
- maps, plans, diagrams and three-dimensional works relative to geography, science or topography, but excluding semiconductor product topographies;
- works of sculpture;
- photographs not comprised in an audiovisual work;
- works of architecture in the form of buildings or models; and
- works of artistic craftsmanship, including pictorial woven tissues and articles of applied handicraft and industrial art.

It is not clear to what extent the Legal Notice will follow this definition, however, in many respects this measure presents a major opportunity for Malta, which is likely to better consolidate itself as a jurisdiction of choice for the location of intellectual property.

Malta's competitiveness in an international context is further consolidated with the access to a considerable number of double tax treaties and the European Union Directives, which could limit or reduce taxation in other States in an internationalised context.

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