



Government initiative on reduction in interest and penalties

This Taxalert sets out some brief notes in respect of Legal Notice 456 of 2011 dealing with the reduction in interest and administrative penalties incurred under the Value Added Tax Act 1994, the Customs and Excise Duty Act and the Value Added Tax Act 1998 (the "Acts").

The initiative is intended to:

- 1) encourage the submission of outstanding VAT returns;
- 2) settle tax balances due; and
- 3) assist businesses to regularise their VAT positions.

This initiative is only applicable in respect of outstanding interest and administrative penalties under the Acts, and does not entitle any person to claim refunds relative to interest or administrative penalties that have already been settled.

General conditions

Persons registered under articles 11 and/or 12 of the Value Added Tax Act 1998 are eligible for the scheme if they submit all pending declarations and pay €10 in respect of each default by 15 January 2012.

A person registered under article 10 of the Value Added Tax Act 1998 qualifies for the scheme if he:

- has arrears of tax, interest and administrative penalties due in terms of the Acts and settles these in line with the below;
- furnishes, by not later than 15 January 2012, all VAT returns which were not submitted and which were due to be furnished by 15 October 2011;
- submits on time all returns due from 15 November 2011 together with full payment;
- withdraws, by 15 January 2012, any pending appeals.

The scheme provides for a reduction in the total amount of interest and administrative penalties due.

When such amount is however more than the aggregate of the tax, interest and administrative penalties ("total outstanding balance"), the reduction would instead apply in respect of the total outstanding balance.

The percentage reduction is determined by the time/date by which the resulting tax and reduced amount of interest and administrative penalties are settled in line with one of the options set out below:

Option	1	2	3	4
Percentage of amount due to be paid by 15 March 2012	100%	30%	30%	30%
Balance settled in equal monthly instalments by	N/A	15 May 2012	15 Aug 2012	15 Feb 2013
Percentage reduction in interest & penalties	80%	70%	60%	50%

Once the scheme has been taken up, all interest and administrative penalties arising during the relevant timeframes set out above are waived in their entirety, provided that in the meantime all returns falling due are submitted on time, together with the respective payment.

The Commissioner may withdraw the scheme if:

- 1) Two instalments are missed;
- 2) Reductions could lead to any unjustified gain or the avoidance of a Court judgment or order;
- 3) If the person has been convicted or is in proceedings in relation to a VAT offence.

The Commissioner has the right to offset the amounts reduced against any interest on refunds due by the Commissioner within six years.



Procedure

The Commissioner of VAT should be informing all registered persons of:

- 1) Any pending declarations and returns
- 2) Accrued amount of interest and administrative penalties qualifying under the scheme together with settlement options and relative reductions.

Other Developments

With effect from 1 January 2012, interest and administrative penalties shall not continue to accrue on any amount of tax due in any tax period under the Customs and Excise Tax Act and the Value Added Tax Act 1994.

The notes are designed to keep readers abreast with financial and tax developments. They are not intended to be a definitive or comprehensive analysis of the subject and should not be acted upon without prior consultation with the Partners and/or Senior Consultants of the firm. For further details please do not hesitate to contact:

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