



## **Recent Amendments to the VAT Act**

## RECENT AMENDMENTS TO THE VAT ACT

**During 2007 a number of amendments to the VAT legislation and regulations have been published. As some of these changes may affect you directly, you are advised to read carefully these notes to help you comply with the new requirements.**

### 1) Article 48 (5) – *Records to be Kept*

- ➔ The new amendment makes it possible for the VAT Department not only to request records\* from any person, including a third party, but also to remove these records and make copies thereof.
- ➔ When a person is required to produce records by the VAT Department by means of a notice in writing, and fails to produce these records, without any reasonable excuse within thirty days from receipt of such a notice, then that person shall not be allowed to produce such records at any later stage after the issue of the provisional assessments or assessments or before the Board of Appeals or in any Court of law. Furthermore, placing reliance on a third party (e.g. an accountant) to perform a task shall not relieve a person of his responsibility and shall not be considered a reasonable excuse for the purposes of the VAT Act.

\* *Records* include documents, accounting and other business records including data in electronic format as provided in the Eleventh Schedule to the VAT Act.

*This amendment came into force on 16<sup>th</sup> March 2007.*

<b>Do you know that ?</b>	Any person who fails to produce business records when requested by the VAT Department shall be guilty of an offence and shall upon conviction be liable to a fine of not less than Lm300 and not exceeding Lm1500 and to a further fine of not less than Lm2 and not exceeding Lm10 for every day that the default continues after the lapse of the time fixed by the Court
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### 2) Legal Notice 123 of 2007 – VAT (Amendment of Eight Schedule) Regulations

- ➔ The following services are to be considered taxable supplies chargeable at a reduced rate of 5%:
  - ❖ Minor repairing of bicycles; shoes and leather goods; clothing and household linen (including mending and alteration),
  - ❖ Domestic care services such as home help and care of the young, elderly, sick or disabled.

*This amendment came into force on 27<sup>th</sup> April 2007.*

### 3) Article 52 (2) – Production of Documents by Persons Transporting Goods in the course of an Economic Activity

- Any person who transports goods in the course of an economic activity, on his own behalf or on behalf of or to third parties, shall be in possession at any time of an identification document and a tax invoice or a delivery note or a transport document showing a description of all the goods being transported, the value of the goods, the unit quantity, the date of the delivery, the destination address, the name and address and value added tax registration number of the supplier and the name and address and value added tax registration number of the person to whom the supply is made. In the course of an inspection of the means which is transporting the goods, a copy of the aforementioned documents shall upon demand be produced to the Commissioner or to any other officer authorized by the Commissioner.

### 4) Article 53 (a) – Inspections

- Apart from the powers to enter and inspect any premises where an economic activity is carried on or suspected to be carried on or where any goods, assets, books, records or documents relating to such activity are kept or suspected to be kept, the Commissioner, for the purpose of ensuring compliance, also has the power to stop, enter and inspect any means which is transporting goods or any means for the transport of goods, to direct the delivery of the said means to another location and to open the said goods to verify the quantity and value of goods with invoices, books, records or documents relating to such goods to determine whether or not VAT has been accounted for under the provisions of the VAT Act.

*These amendments came into force on 3<sup>rd</sup> August 2007.*

<b>Do you know that ?</b>	<p>A person who fails to produce the documents as required in accordance with the provisions of sub-article 52(2) or whose goods are not found to be in agreement with the said document, shall be guilty of an offence and shall upon conviction be liable to a fine of not less than Lm300 and not exceeding Lm1500, to a further fine equal to ten times the endangered tax or to imprisonment of not more than six months or to both such fines and imprisonment.</p> <p>Furthermore any person who obstructs, molests or assaults, in the course of their official duties, VAT Inspectors or any other officials so authorized by the VAT Commissioner, and, any person who fails to allow entry to VAT Inspectors or any other officials so authorized by the VAT Commissioner, into any premises that the VAT Commissioner is by law empowered to enter, shall be guilty of an offence and shall upon conviction be liable to a fine of not less than Lm200 and not exceeding Lm1000 or to imprisonment of not more than six months, or to both such fine and imprisonment</p>
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## 5) Article 56 (4) – Disclosure of Information for the Purposes of the VAT Act

- The Minister of Finance may direct the VAT Commissioner to furnish to the Commissioner of Inland Revenue, to the competent authority designated under the ECO Contribution Act and the Comptroller of Customs, information obtained for any of the purposes of the VAT Act.

*The amendment to include the latter two entities came into force on 16<sup>th</sup> March 2007.*

## 6) Article 63 (5) – Security for Tax due on Supplies

- Where it appears that it is necessary for the protection of Government revenue, the Commissioner of VAT may, under conditions approved by the Minister, require a taxable person to give, as a condition for that person to supply goods or services, such security or further security for the payment of any tax that is or may become due by that person. The amount and manner for such a security may be determined by the Commissioner of VAT.

*This amendment came into force on 16<sup>th</sup> March 2007.*

<b>Do you know that ?</b>	Any person who fails to make the required security for the amount and in the manner established by the Commissioner of VAT and makes supplies of goods or services, shall be guilty of an offence and shall upon conviction be liable to a fine of not less than Lm300 and not exceeding Lm1500 and to a further fine of not less than Lm2 and not exceeding Lm10 for every day that the default continues after the lapse of the time fixed by the Court.
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## Disclaimer

*These notes are published by the VAT Department for information purposes and as guidance for further clarification. As a result they are not legally binding and have no legal force. Further details may be obtained by contacting the VAT Department, by sending an e.mail to [vat@gov.mt](mailto:vat@gov.mt) or by visiting our website at <http://www.vat.gov.mt>*