

VAT GENERAL INFORMATION FOR BUSINESSES

IMPORTERS AND PERSONS MAKING INTRA-COMMUNITY ACQUISITIONS

These notes are intended for persons who are registered for VAT in Malta and whose economic activity is either exempt with credit or taxable at the standard rate or at a reduced rate of tax (i.e. registered under article 10). If you are registered as an exempt person because your turnover falls below the established turnover threshold please read the notes for **Small undertakings registered as exempt persons**.

If you are importing goods from a third country (a country outside the European Union (EU)) or if you purchase goods from a person established in another member state of the EU then read these notes to know your obligations under the amended VAT legislation.

In the context of this write up, an “Import” refers only to an importation in Malta of goods transported from a person established in a third country. “Intra-Community Acquisition of goods” refer to acquisitions of goods made by a person registered in one member state (in this case Malta) from a person in another member state, where the goods have been dispatched or transported to that member state (in this case Malta).

Importer

If you make Imports please note that the place of supply of your imports is in Malta. Imports have to be released from Customs and payment of VAT in Malta is due at the point of entry. You may claim the input VAT incurred on your imports as a deduction from your output VAT provided that such imports are made in the furtherance of your economic activity. You will have to report the value of your imports and input VAT paid in the applicable boxes of your periodical VAT return.

Persons making Intra-Community Acquisitions of Goods

If you make Intra-Community Acquisitions of goods, these acquisitions are taxable in Malta. However as within the European Union there is no border control, there will be no customs formalities and VAT is not paid at the point of entry. **VAT is then paid when the goods are sold.**

When you make an intra-Community Acquisition of goods, the supplier does not charge you foreign VAT on the supply on the condition that:

(a) You provide the person in the other member state with a valid Maltese VAT identification number. This identification number will start with the prefix MT. Your supplier will check the validity of your VAT identification number either through internet (http://europa.eu.int/comm/taxation_customs?vies/en/vieshome.htm) or by phoning the Central Liaison Office at the VAT Administration in his member state; and

(b) Your supplier in the other member state can prove that the goods he is supplying to you are to be dispatched or transported to Malta.

However if any of the above two conditions is not met your supplier will charge you foreign VAT on the supply which you will not be able to claim back as an input tax deduction in Malta.

If you have goods for your business in another member state and you transfer these goods to Malta from the other member state, the transfer is to be considered as a “deemed” Intra-Community Acquisition in Malta and you must account for VAT on this acquisition the same way you do for other Intra-Community Acquisitions as explained below.

The total value of “deemed” Intra-Community Acquisitions and all other Intra-Community Acquisitions made by you from registered persons in other member states shall be reported in the next due VAT return through the reverse charge mechanism.

This means that you first have to declare the total value of Intra-Community Acquisitions of goods and the VAT due on such acquisitions at the Maltese applicable rate. This is to be reported as output VAT (ie as a payment due to the VAT department). If all such acquisitions are made for business use and you have a full right to deduct VAT then you may claim back all the tax as input VAT deduction in the appropriate box on the same VAT return. The resultant tax payable would be Zero. However partial attribution applies if part of such acquisitions is not for business use or is for exempt without credit supplies, resulting in a balance of output VAT to be paid to the VAT department. The notes on how to complete a VAT return contain a full explanation of how these acquisitions are to be accounted for.

You are advised that your suppliers in each member state have to report the total supplies made to you against your VAT identification number to the tax administration in their respective member states. The data will then be captured in a system called VAT Information Exchange System (VIES) that is shared on-line by all member states for control purposes. The VAT Department in Malta checks the acquisitions reported on the VIES system with the returns of local taxpayers to ascertain that all such acquisitions are reported and VAT accounted for locally. Penalties and interest are imposed on defaulters and the department reserves the right to take further legal action against defaulters.

It is to be pointed out that if you contract a foreign haulage contractor to transport your goods from another member state to Malta or to provide ancillary services connected with such a transport and you provide him with a valid VAT identification number, you will not be charged VAT by the foreign haulage contractor and you have to account for such VAT in Malta under the reverse charge rule (i.e. by declaring it as a service for which you have to account for VAT in your next VAT return and claim back the input VAT if you have a full right of deduction). Further details may be obtained from the notes regarding **Suppliers of Services**.

You are also required to keep proper records and documents of your business activities including all Intra-Community Acquisitions of goods. Further details on records and documents to be kept are to be found in the notes regarding **Records and documents to be kept by a business concern**.

If you make an Intra-Community Acquisition of goods from a supplier in a member state other than Malta and you make an Intra-Community Supply of these same goods to a person who has a valid VAT identification number in a second member state other than Malta but the goods are directly dispatched or transported to this person by your supplier, you may be interested to read the notes regarding **Triangulation**.

If you also happen to make regular or occasional Intra-Community Supplies then you are advised to read the notes regarding **Exporters and Persons making Intra-Community Supplies**.

Please be advised that if you supply goods to clients in another member state on which you charge VAT, these are not to be considered as exempt Intra-Community Supplies and will have to be reported in your VAT return as normal domestic supplies.

You are also entitled to claim back credit of input VAT incurred in Malta for business use. Certain restrictions apply regarding blocked input VAT on certain goods and services.

If in the course of your business you happen to incur VAT in another member state and which are therefore not allowable as a deduction in Malta, you may claim a VAT refund of the incurred tax under a Refund Scheme operated in the other member state under certain conditions.

Disclaimer:

Please be advised that the information in these notes is provided as guidance. The notes are simply guidelines and not legal documents providing legally binding rulings. If you require more precise information on how to implement VAT legislation in specific special situations, kindly contact the VAT Department or consult documents available in the special section for Tax Professionals at the VAT Department's website .

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