

VAT GENERAL INFORMATION FOR BUSINESSES

SMALL UNDERTAKINGS REGISTERED AS EXEMPT PERSONS

If you are a person whose turnover is below the established entry threshold for your type of business activity (shown below), then you may apply to register under article 11 of the VAT Act in order to be exempted from charging VAT when you supply taxable goods or taxable services.

A person registered under article 11 would not be able to claim deduction of any input VAT that he incurs in his economic activity. He will also have an identification number without an MT prefix. Once he is registered under article 11, a person can remain so registered as long as his turnover does not exceed the “entry” threshold shown in the table below.

TABLE OF THRESHOLDS FOR SMALL UNDERTAKINGS

Category		Entry Threshold €	Exit Threshold €
A	Economic activities consisting principally in the supply of goods	35000	28000
B	Economic activities consisting principally in the supply of services with a relatively low value added	24000	19000
C	Other economic activities	20000	17000

Where a person registered under article 11 supplies both goods and services, the applicable entry and exit thresholds shall be determined in accordance with the principal nature of the supply, but the amount of turnover will be considered as the total value of all the supplies.

If you opt to register under article 10, you will have to charge VAT on your supplies of taxable goods or taxable services and you may also claim a deduction of input tax incurred by you on purchases and expenses for business use. You will have a VAT identification number which has an MT prefix. However if you are registered under article 10, you cannot opt out of this registration and register under article 11 during the first 36 full calendar months from the date of that registration. You also cannot opt out if your annual turnover exceeds the “exit” threshold in the table above.

The identification number with a MT prefix enables you to pay Maltese VAT on Intra-Community Acquisitions of goods or Intra-Community Services that you purchase from a registered person in another member state. Therefore if you are registered under article 11 as an exempt taxable person and you make Intra-Community acquisitions of goods or obtain Intra-Community Services on which you are liable to pay VAT in Malta, then you need to register also under article 12 to

obtain a valid identification number for this purpose and qualify for such arrangement. You are obliged to register under article 12 if the total value of such purchases exceeds the threshold of 10,000 Euros since the start of the calendar year. If you need further information you may read the notes entitled **Intra-Community Acquisitions by “exempt” taxable persons and non-taxable legal persons.**

In the context of this write up, “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). “Intra-Community Services” are services that are provided from a person established in one member state to person established in another member state.

You are also required to keep proper records and documents of your business activities including, if any, all Intra-Community Acquisitions. 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.**

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 CfR Department or consult documents available in the special section for Tax Professionals at the CfR's website.

(Updated 13 October 2018)