

Payment of temporary tax for the tax year 2017 and final tax for the tax year 2016

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Filing of temporary tax return for 2017

As per the Assessment and Collection of Taxes Law, every company or individual (who derives income other than from emoluments) must file before 31 July 2017 an estimate of the taxable profit for (corporate) income tax purposes and the resulting tax liability for the year 2017.

Even though according to the law, the due date for both the submission of the return and payment of the first instalment is 31 July 2017, as long as the return is submitted and the 1st instalment is paid before 31 August 2017, there should neither be a monetary charge nor any interest for late payment of tax.

1. The temporary tax on such income is payable in two equal instalments as follows:

- 31 July 2017;
- 31 December 2017.

If the tax is not paid before the end of the month following the month the instalment is due (i.e. 31 August 2017 and 31 January

2018, respectively), interest is payable at the rate in force which is currently 3,5% per annum. Interest is calculated on the basis of complete months.

2. Furthermore, failing to pay the due tax by 31 July and 31 December will result to a monetary charge of 5% on the tax due per each instalment (in addition to the 3,5% per annum interest). However, in practice the imposition of the 5% monetary charge will be made only if the tax is not paid by the end of the following month to which it relates (i.e. 31 August 2017 and 31 January 2018 respectively for each instalment).

3. The estimate of chargeable income may be revised (upwards or downwards) at any time before 31 December 2017. If the estimate is revised upwards, interest is payable on the difference between the revised amount payable for each instalment due and the amount initially declared and paid. The interest is calculated for each complete month for the period the instalment was due (e.g. if a revised return is filed in September, the interest will be imposed only for the 1st instalment for one complete month). No monetary charge is

imposed on the revised estimates on the proviso that the incremental tax liability is paid on the date the temporary tax is revised.

If the estimate is revised downwards, the lowest amount that can be declared as temporary tax should equal the amount of the previous payments made.

4. If the estimated chargeable income (as finally revised) is less than 75% of the actual chargeable income as this will be declared on the submitted tax return for the year, then there will be an additional tax of 10% on the difference between actual tax payable and the temporary tax paid.

5. Any difference between the actual tax payable and the temporary tax paid for year 2017 is payable by 1 August 2018. Any repayment of tax for the tax year 2017 is refundable together with interest at the rate in force (currently at 3,5% per annum) as from 1 January 2018. In case of late submission of the tax return, interest on the refundable amount shall accrue after 3 months from the date at which the tax return was actually submitted.

6. If a company has neither any chargeable income nor any tax payable, there should be no penalties for the taxpayer for not submitting a temporary tax return and it will be assumed that the temporary tax return has been filed with nil amounts. This includes the situation whereby a company has income subject to tax but no resulting tax liability due to the availability of losses brought forward.

7. Temporary tax returns are still due for filing in case of companies with no taxable income due to the availability of foreign tax credit. Every company or individual that derives income which is taxable under the (corporate) income tax rules, but has no tax liability due to foreign tax credit that is claimed (as a result of a double taxation convention or unilaterally), must file a temporary tax return indicating nil temporary tax payments. Such temporary tax return shall indicate the expected chargeable profit, the (corporate) income tax on such profit, and the tax credit attributable to that profit.

8. The Tax Department, instead of sending hard copies of the temporary tax forms, is sending electronically via

emails to the taxpayers the link to the website of the tax department, at which they can find the temporary tax forms for completion.

Payment of 2016 final tax and repercussions of late payment of tax for Companies and Self Employed individuals preparing audited financial statements.

1. Any difference between the actual income tax payable for the year 2016 and the temporary tax paid during that year is payable by 1 August 2017. As explained above, in cases where temporary tax paid was less than 75% of the actual tax liability, a 10% additional tax is imposed on the outstanding balance. If payment is not made by 31 August 2017, interest will accrue at the applicable rate in force (currently 3,5% per annum) as from 1 August 2017 on the basis of completed months.

2. Furthermore, failure to pay the outstanding balance in respect of the 2016 income tax by 31 August 2017 will result to a fixed monetary charge of 5% on the tax due. In addition, any outstanding tax (as this is declared on the income tax return) is subject to an additional tax of 5% in case it is not paid within 30 days after the filing deadline (i.e. failure to pay by 30 April 2018 for tax year 2016 this 5% additional tax will be imposed on 1 May 2018). Such additional tax is subject to interest based on the rate in force (currently at 3,5% per annum) for each complete month the 5% additional tax remains outstanding.

Payment of 2016 final tax and repercussions of late payment of tax for Self Employed individuals not preparing Audited accounts.

Self Employed Individuals who file an electronic tax return:

1. Self Employed individuals not preparing audited financial statements who file an electronic tax return, must submit their personal tax return by 30 September 2017 and pay their 2016 final tax by 30 of June 2017.

2. If the payment is not made by 30 June, 2017, a monetary charge at the

rate of 5% is imposed on 1 August 2017.

3. Also additional tax is imposed at the rate of 5% on 1 November 2017 in case the tax is not paid within 30 days after the filing deadline.

4. Such additional tax is subject to interest based on the rate in force (currently at 3,5% per annum) for each complete month the 5% additional tax remains outstanding.

Self Employed Individuals who file a manual return:

1. Self Employed individuals not preparing audited financial statements who file a manual tax return, must submit their personal tax return by 30 June 2017 and pay their 2016 final tax by 30 of June 2017.

2. If the payment is not made by 30 of June 2017, a monetary charge at the rate of 5% is imposed on 1 August 2017.

3. Also additional tax is imposed at the rate of 5% on 1 August 2017 in case the tax is not paid within 30 days after the filing deadline.

4. Such additional tax is subject to interest based on the rate in force (currently at 3,5% per annum) for each complete month the 5% additional tax remains outstanding.

Special tax on the bank deposits:

In accordance with the new amended legislation, the bank levy will be imposed on deposits as at the end of the previous calendar quarter at the rate of 0.0375%. Thus the levy which will be paid on 31 March 2017 will be based on the deposits as at 31 December 2016, the levy which will be paid on 30 June 2017 will be based on deposits as at 31 March 2017, the levy payable on 30 September 2017 will be based on deposits as at 30 June 2017 and the levy payable on 31 December 2017 will be based on deposits as at 30 September 2017.

If payment is not made by the end of the next month from the date is due, interest will accrue at the applicable rate in force (currently 3,5% per annum) as from the 1st of the month following the date of the due payment on the basis of completed months.

Final remarks

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