

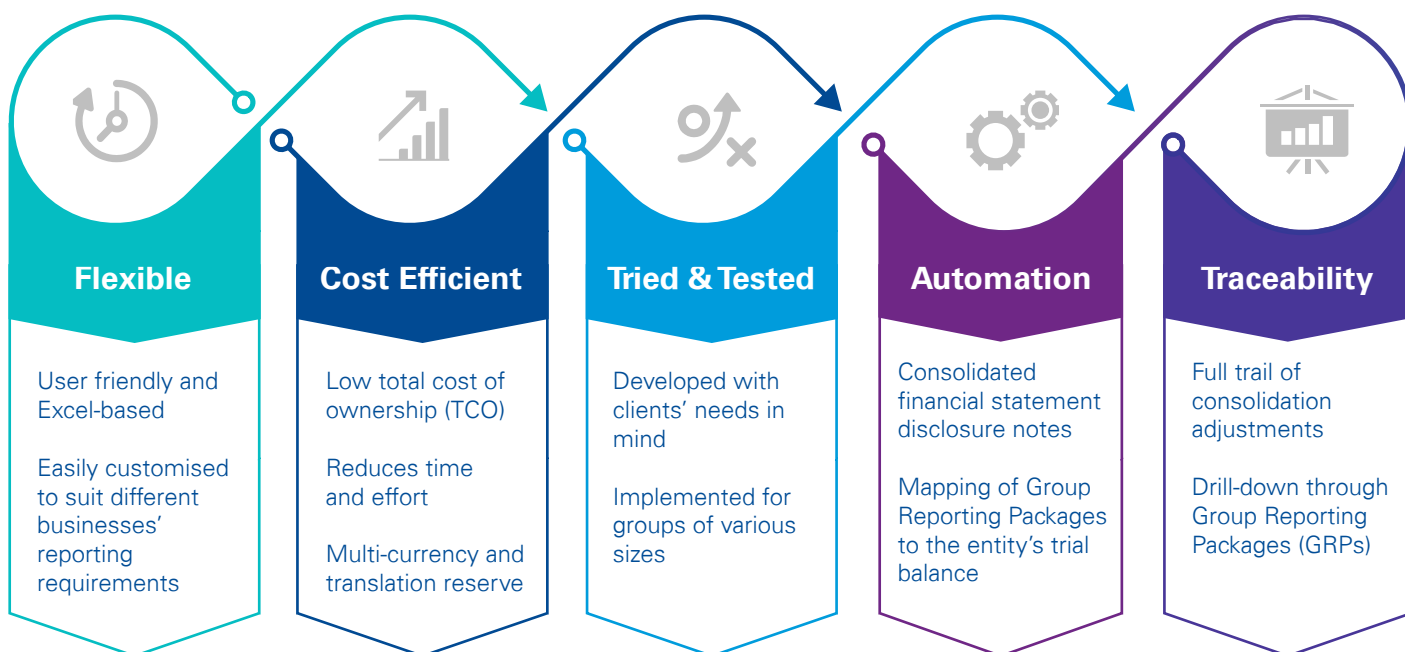
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All data provided within this magazine is accurate as at the date of writing.

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PRESIDENT'S ADDRESS

FABIO AXISA

WE ARE APPROACHING THE END OF A LONG WINTER SEASON, FROM A CLIMATE PERSPECTIVE: THOUGH FROM A WORK PERSPECTIVE OUR PROFESSION SEEMS TO BE IN FULL BUSY SEASON SWING. I AM VERY FREQUENTLY TOLD THAT OUR PROFESSION IS NO LONGER CHARACTERISED BY A BUSY SEASON AND A SHOULDER SEASON, BUT THAT IT HAS BECOME ONE BUSY SEASON THROUGHOUT. IT MUST BE EVIDENCE THAT AS A PROFESSION WE HAVE DONE EXTREMELY WELL OVER THE YEARS AND THAT WE HAVE BEEN EXTREMELY SUCCESSFUL. THIS MIGHT ALSO BE AN INDICATOR THAT WE REQUIRE MORE RESOURCES AND MORE QUALIFIED ACCOUNTANTS WITHIN OUR SECTOR.

The Institute continues to work closely with the University of Malta and with institutions like ACCA to ensure that the qualification routes typically utilised in Malta support the profession in achievement of its objectives in terms of quality and quantity of resources. We have established a communication channel with the Ministry of Education to reach out to all secondary schools and post-secondary institutes with a view to enhancing and rendering more vibrant the profile of, and curriculum covered by, the subject of accountancy. As a profession we must attract the best talent and much more talent. In the area of education the Institute will continue to invest time and energy as this remains one of our key strategic pillars for the sake of the future of the profession. We will

also embark on the preparation of material on what the profession entails, such that this material is used through the initiatives referred to above.

The Institute is also in contact with the Ministry of Foreign Affairs to seek ways of sourcing, in a more flexible manner, accountancy resources from specific non-EU jurisdictions. We are exploring the paths or corridors from specific countries with a view to securing more resources within the profession. The Institute will continue working in this direction to assist members in understanding and resolving particular Visa and work permit issues, in respect of recruiting specific individuals from particular countries. Getting right the supply of accountants within the market remains an important target to the Institute.



The Outcome of the Moneyval Process

Without any doubt, the outcome of the Moneyval process is of fundamental importance to our country, to our economy and to our profession. I sincerely hope that we have done, or are in the process of doing, our utmost as a country to overcome the short-term challenge on the political front at FATF level. But this goes beyond the short-term and will constitute a challenge for many years. On the technical side many things have improved but I am not sure all the immediate outcomes have been addressed in a perfectly comprehensive manner; for instance we think we need to do more as a country in the area of prosecutions and confiscations.

We all know that we are in this state in view of the misbehaviour from an AML/CFT point of view of specific entities and individuals within the national landscape, and the Institute does find it quite unfair that professions like ours are sometimes blamed for the status. Unfortunately this was the stance at a handful of meetings which I attended. I do not accept and will not accept this stance. Some of us – I would like to believe the absolute minority – have misbehaved from an AML/CFT point of view and regulatory action is necessary in this respect; but the majority of the profession have embraced the compliance culture required to uphold the reputation of our jurisdiction.

We are the largest profession within the financial services sector and we do have a duty to contribute to its success. In my view, we can and should do more as a profession to continue raising the bar to ensure that we contribute effectively to a jurisdiction which should be known internationally for a robust approach in respect of AML/CFT purposes.

As accountants we need to be rigorous in our identification and verification processes undertaken in the context of customer due diligence. We need to have in place rigorous and effective customer risk assessment procedures with appropriate documentation which can be made easily available to regulators. There is no room for half way measures in this respect. We need to ensure that we have assessed and documented comprehensively the purpose

and intended nature of the relationship with our clients. Concepts like source of wealth, expected source and origin of funds, and anticipated level and nature of the activity to be undertaken throughout the relationship must be front of mind when engaging with clients. Our profession needs to identify in an appropriate manner all politically exposed persons associated with clients and apply mandatory enhanced measures in all instances without exception.

Record keeping procedures must be of the highest quality possible to be able to retrieve information in an efficient and effective manner. Accountants need to have in place processes through which they monitor business relationships with customers on an ongoing basis. These processes should comprise scrutiny of transactions effected throughout the relationship to ensure that such transactions are consistent with the accountant's knowledge of the customer and also ensuring that the documents held by accountants in respect of clients are up to date. When knowledge or suspicion of ML/FT arise, accountants need to submit suspicious transaction reports immediately. Transactions involving high risk jurisdictions, transactions involving relatively significant amounts and transactions which do not have any apparent economic rationale should be identified and monitored. It is extremely important the substance of our clients' and employers' business is intimately understood

by accountants, applying intellectual curiosity and scepticism.

Let us hope that our continued efforts as a profession will be rewarded over time.

The CSP Framework

The CSP (Company Services Providers) reform has just been released by the MFSA on 16 March and the reform implies that any warranted accountant or accountancy firm carrying out CSP services, performing such services by way of business, will be subjected to a market entry or licensing requirement. Notwithstanding a consultation process, to which we contributed in an active and decisive manner, the Institute was never consulted on the definition or interpretation of "by way of business", which concept will determine which accountants will be subjected to market entry requirements and which will not. It is a pity that initiatives like this are implemented, after a number of months of hard work by all sides, and that the consultation process on such a key concept was not effective. We will continue making our views heard on this and other matters.

Admittedly all under threshold accountants or accountancy firms, as defined by the proposed rule book, that generate only a certain level of fees from CSP services, will be subjected to a lighter market entry requirement and a lighter regulatory framework.

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However the details of such approaches are not fully known despite our insistence over the months that we should be aware of all such details prior to implementation. We had recommended the introduction of the under threshold such that under threshold accountants and accountancy firms are not subjected to market entry and regulatory requirements in view of the precise fact that these are under threshold and pose less risk to the system.

Of course, it is the prerogative of the MFSA to implement the frameworks deemed fit and considered necessary to achieve Moneyval related objectives. And we respect that. But in the Institute's views a few cardinal principles regarding our profession have not been factored in. A warranted accountant is already subjected to market entry requirements and is regulated through the processes of the Accountancy Board. A large portion of CSP services is provided by accountants as a natural extension of their profession, taking cognisance of their qualification and training programmes. From an AML/CFT perspective, all accountants are subject persons and hence subject to the oversight processes of the FIAU.

We strongly believe that once the problem perceived is one relating to AML/CFT issues not handled properly by certain CSPs in the market place, those type of CSPs giving rise to such risks ought to have been specifically identified, assessed and targeted through a dedicated regulatory effort

and process. Imposing the third regulator on our profession is not the solution to the issue. I firmly believe the majority of accountants and accountancy firms pose contained risks to the system in terms of AML/CFT considering the seriousness of such professionals and the rigorousness of their procedures. We will continue monitoring this reform and continue making representations to achieve a fair outcome.

COVID-19 Developments

I lost count as to which wave we are going through. But what a wave! Health and safety remain the key objectives and I urge all members once again to act prudently and take care of their health.

I have received many emails and calls indicating that the accountancy profession should be amongst those that get some priority throughout the vaccination programme in view of the interaction with clients and colleagues. Admittedly, our profession entails human contact and members involved in providing assurance services, financial advisory services, tax compliance and advisory services, amongst others, necessitate human interaction with clients.

We are in contact with the Ministry of Health to convey our message that the profession should be considered within the vaccination plans and to try making the case that our profession should be among those with a certain degree of priority. But please don't hold your breath and keep on taking all necessary precautions.

Disciplinary Matters

I would like to re-iterate that our Investigations Committee has addressed all cases involving disciplinary matters that have recently impacted the profession and that have been identified through the media. Unsurprisingly some individuals being investigated have resigned demonstrating the attachment to their membership of the Institute! This is a procedural area requiring modifications and we will be proposing changes such that the name of any member resigning whilst being investigated will be published in our journal and publicised on our website. On the other cases, the Disciplinary Committee, an independent organ set up under our rules and regulations, will now operate independently and deal with these matters. I look forward to the outcome of these proceedings, though as President I cannot be seen to be involved and will not be involved in the proceedings of the Disciplinary Committee.

Going Forward

I would like to believe that in the next few weeks we will plan our Institute's events over the coming six-month period ranging from an EGM to approve changes to the Institute's statute and regulatory framework, the New Members' Award Ceremony, the summer social event, the biennial conference, the AGM including Council election and another Members' Award Ceremony. Let us hope for the best. It is a pleasure working hard for our members and our Institute – always with courage, fortitude and determination.

LOCAL APPOINTMENTS

At Grant Thornton, PwC, RSM and Zampa Debattista

Russel Camilleri has been appointed Associate Director in the Accounts and Tax department at Grant Thornton. Mr Camilleri leads the firm's team of accounting professionals where he applies his expertise in accounting, VAT and taxation matters, whilst also assisting the firm's international clients. In line with the growth of the firm and the career opportunities it provides to its employees, Michael G. Mifsud was appointed Associate Director within People and Culture.



PwC Malta is proud to celebrate the appointment of Ian Curmi and Christopher Cardona as Assurance partners. These admissions have taken effect on 1st January 2021.

Mr Curmi and Mr Cardona bring years of professional experience and expertise between them gained from delivering projects all over the world.

Both Ian and Christopher are active members of the MIA Gaming and Financial Services Committees, respectively.

As of 1st January 2021 RSM Malta, announced the appointment of George Gregory as Managing Partner and Roberta West Falzon as Director within the Audit and Assurance team.

For the term 2019 -2021, George is also a member of the MIA Anti-Money Laundering Committee whilst Roberta is a member of the MIA Financial Reporting Committee.



The appointment of Kris Bartolo as Partner within Zampa Debattista reiterates the firm's commitment towards the fundamental core values of quality and best practice. Mr Bartolo has served within the firm's senior management structures for the past years. He is also a visiting lecturer of audit and assurance and financial reporting within various educational bodies in Malta. This will ensure the firm's continued contribution towards the profession by raising the bar, especially in these challenging times.

Kris is also a representative on the MIA Young Members Group.

MIA NEWS

JANUARY – MARCH 2021

TOPICAL ISSUES AFFECTING BANKS & PRACTITIONERS

On Monday 1st February, the MIA in collaboration with the Malta Bankers Association (MBA), held a joint webinar to bridge the gap between banks and MIA members, when acting as Corporate Services Providers (CSPs).

The exclusive event for MIA and MBA members, was moderated by MIA's President, Fabio Axisa and The Malta Bankers' Association Secretary General, Mr Karol Gabaretta.

MBA speakers representing different banks in Malta, elaborated on the issues encountered by the banks when practitioners introduce customers and request to open a bank account. The representatives were; Dr Therisa Borg, Mr Martin Xerri and Mr Kenneth Farrugia from Bank of Valletta, Mr Simon Micallef, from APS Bank, Ms Maruska Buttigieg Gili, from BNF Bank, Mr Ray Formosa, from Lombard Bank,

and Ms Suzanne Stafrace, from HSBC Bank.

The aspect which resonated the most, was that banks do not always manage to obtain the sufficient clarification on the nature of the services of the client being onboarded. This lengthens the process of onboarding a client foreign to the bank and may require further due diligence before accepting the client and confirming that it is in line with the bank's risk appetite.

The expectation by banks when one is introducing a new client, was simplified into two important areas: 'Information' and 'Trust'. Information is required to ensure that clarity on the background of the client being onboarded is shared with full transparency by the practitioner. Meanwhile, trust comes into play within the continuous relationship that a practitioner shall create with

the bank in order to ensure a consistent communication trail. This is crucial when changes to the structure of the client concerned occur and are concurrently required to be shared with the bank.

The exchange of experiences gave members of both organisations a better understanding of key issues and offered general guidance on the procedures adopted by the financial services sector in relation to bank account opening. It also provided a clearer indication of the type of business and characteristics of structures banks are willing to accept, on a sector basis.

Both organisations agreed to collaborate on more events to continue to strengthen the relationship between their respective members.

GETTING TO GRIPS WITH DAC6

On 5th February, the Malta Institute of Accountants, the Institute of Financial Services Practitioners, and the Malta Institute of Taxation held an online seminar targeted at practitioners who are already familiar with the guidelines issued by the CfR. The seminar discussed the basis of DAC6, the hallmarks that trigger the need for a report, and the reporting itself. Further details can be found on pages 16-17.

MIA MET WITH MINISTER FOR EDUCATION ON 26TH JANUARY, 2021

In a meeting with Education Minister Justyne Caruana, the Institute presented initiatives that support potential professional accountants. MIA President Fabio Axisa, CEO Maria Cauchi Delia, and Education

Officer Analise Sammut, called for specific measures to attract students to the accountancy path.

Globally, demand for professional accountants is not being met,

and this trend is acutely felt in Malta as those completing their qualifications are expected to 'hit the ground running' once they start working.

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In the meeting, MIA pointed out that accountants today need to be more knowledgeable and possess a broader skillset than in the past.

The Institute argued for a multi-pronged approach to support accountancy education and discussed a long-term plan targeting different levels and institutions in the education system to guide students

towards the profession.

As the jobs market changes, the Institute hopes to be able to assist educators in presenting a more realistic and engaging view of a career in accountancy.

Minister Caruana commended the MIA for its forward-looking proposals and encouraged further initiatives.

The Institute thanked the Minister and assured her of close cooperation benefitting students and the profession.



MIA COMMITTEES AND FOCUS GROUPS A TASTER OF WHAT WE HAVE BEEN UP TO

Audit and Assurance Committee

The Committee is managing an ongoing project conducted by practising auditors to ensure that available MIA Publications remain relevant and up-to-date. In the last months, two publications in relation to Guidance on verification of profits and GAAS Applicability were updated and made accessible to all MIA members through miamalta.org/e-library.



Digital Committee

The need for members to embrace the digital challenges of the accounting profession is regularly discussed in MIA Digital Committee meetings. One of the various projects being currently undertaken by the said Committee, is an online event regarding Cyber Security. Refer to the list of upcoming CPES on page 12.

Financial Reporting Committee

Representatives from this Committee have given their contribution in the preparation of a guidance document regarding Fiscal Unit Consolidations, which the MIA will be issuing to its members. This Guidance document will set out best practice by the MIA and addresses:

- consolidation procedures;
- considerations relevant to the recognition, measurement, presentation, and disclosure of income tax charges (income) and balances in the fiscal unit's consolidated financial statements ("FUCFS");
- the scope of the FUCFS; and
- the contents of the auditor's report.

The document has been the subject of a lengthy due process with the involvement of this Committee as well as the **MIA's Audit and Assurance Committee and Direct Taxation Committee**.

Small and Medium Practitioners (SMP) Advisory Group

Representatives from the SMP Advisory Group contributed in discussions held by the Institute with its members, in response to the Consultation Document on the Updated CSP Rules, issued by the Malta Financial Services Authority ("MFSA") on 1st December 2020. The document with the feedback on the subject matter, provided by the MIA to the MFSA, is accessible to all MIA members through miamalta.org/e-library.

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APRIL - JUNE 2021

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APRIL

- 06/04/2021 | The Accounting Profession in the Digital World
- 08/04/2021 | Advanced VAT Course - 3 Sessions
- 09/04/2021 | The UK as a Third Country - Where Does That Leave Us?
- 13/04/2021 | Input VAT Recovery
- 14/04/2021 | The Responsibilities of Becoming a Director
- 16/04/2021 | DAC6: EU Mandatory Disclosure Rules – A New Level of Transparency
- 19/04/2021 | The New FIAU Implementing Procedures Part 2 for Company Service Providers
- 21/04/2021 | Payroll, HR & The Legal Aspect - 2 Sessions
- 28/04/2021 | The Notional Interest Deduction - A Practical Overview
- 30/04/2021 | Business Valuation Throughout the Corporate Life Cycle

MAY

- 06/05/2021 | Compiling of a VAT Return
- 07/05/2021 | Indirect Taxation: An Introduction to Customs Duty and Overview of VAT
- 11/05/2021 | Application of the Revenue Standard to Specific Situations
- 14/05/2021 | Application of the Leases Standard to Specific Situations
- 18/05/2021 | Role of Valuations when Obtaining Financing and Monitoring Credit Facilities
- 19/05/2021 | Modernising VAT: The New E-Commerce Package 2021
- 20/05/2021 | The Personal Tax Return 2021
- 26/05/2021 | Getting the Knack of Project Management
- 27/05/2021 | The use of Electronic Signatures & MBR's New System Training for Accountants

JUNE

- 02/06/2021 | The Varied VAT Rates and Input VAT Eligibility
- 03/06/2021 | Valuation of Unlisted Complex Financial Instruments
- 09/06/2021 | Business Law & Human Rights
- 10/06/2021 | VAT & Gaming
- 15/06/2021 | VAT Updates 2020/2021 -Getting up to Speed
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NEWS ROUNDUP

JANUARY – MARCH 2021

Expert panel to examine financial services fines

Finance Minister Clyde Caruana announced that the government is setting up a task force to review the operations of the Financial Intelligence Analysis Unit and the Malta Financial Services Authority (“MFSA”), following complaints about penalties imposed on companies. The Minister said experts will assess the scale of sanctions and the process of inspections to make sure they do not cripple businesses.

Opposition spokesperson for finance Mario de Marco said that fines by watchdogs should be proportionate to the turnover generated by the companies.

Updates in Consolidated Group rules

The Commissioner for Revenue (“CfR”) announced amendments to the Consolidated Group (Income Tax) rules. Paragraphs (xiv) and (xv) have been updated to include further technical clarifications regarding Rule 6(2).

Paragraph (xviii) has been replaced to include clarifications regarding Rule 11 - Consolidated audited accounts. Annex 1 has also been added to outline items that may be excluded from the notes to the consolidated audited accounts.

The updated guidelines may be found on the CfR website.

Revised procedure for share transfers

Documents related to share transfers that require registration by the International and Corporate Tax Unit, must be sent to the ICTU before handing them in to the Registry of Companies of the Malta Business Registry.

The CfR notified that, as from 1st February 2020, the procedure applies also in the case of transfers/changes in respect of which there is a valid determination issued in terms of Article 47 of the Duty on Documents and Transfers Act (DDT 10).

Proposed anti-money laundering agency discarded

Plans for a new agency to combat financial crimes have been abandoned, a spokesperson for the Finance Ministry confirmed. Former Finance Minister Edward Scicluna had declared his intention to set up a specialised agency to fight high-level money laundering in 2019.

The spokesperson for the Ministry, now led by Clyde Caruana, said that the government is satisfied by the work of the existing authorities in this area and that there is no need to create a new agency.

MFSA fines reached decade high last year

The MFSA issued 19 administrative penalties in 2020, amounting to €975,462 in fines. Information tabled in parliament by Finance Minister Clyde Caruana showed that in the ten years between 2011 and 2020, the watchdog served €2.8 million worth of fines.

2020 registered the highest total followed by 2017 (€686,774) and 2011 (€347,816). The MFSA issued no administrative penalties in 2013 and 2015.

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GETTING TO GRIPS WITH DAC6



INTERPRETING THE REQUIREMENTS OF THE EU DIRECTIVE ON ADMINISTRATIVE CO-OPERATION AS AMENDED BY COUNCIL DIRECTIVE 2018/822 ('DAC6' OR 'THE DIRECTIVE') IS NOT A STRAIGHTFORWARD EXERCISE, INCLUDING THE DECISION ON WHETHER AN ARRANGEMENT SHOULD BE CONSIDERED REPORTABLE OR NOT.

What is DAC6 all about?

DAC6 requires 'intermediaries', and in some circumstances taxpayers, to provide tax authorities with information on certain cross-border arrangements ('CBAs'). The main purpose of DAC6 is to strengthen tax transparency and the fight against aggressive tax planning.

DAC6 has been implemented into Maltese legislation by virtue of legal notice L.N. 342 of 2019 which amended S.L. 123.127, entitled the Cooperation with Other Jurisdictions on Tax Matters Regulations (the 'Cooperation Regulations'), with effect from 1 July 2020 but has retrospective application to any CBAs which date back to 25 June 2018.

DAC6 imposes mandatory disclosure requirements with respect to certain arrangements with an EU cross-border element where the arrangement is considered to fall under one of the 'hallmarks' set out in the Directive and in certain instances where the main benefit or one of the main benefits of the arrangement is a tax advantage.

The Commission Recommendation of 6 December 2012 on aggressive tax planning (2012/772/EU) provides that *'an arrangement means any transaction, scheme, action, operation, agreement, grant, understanding, promise, undertaking or event. An arrangement may comprise more than one step or part.'*

DAC6 covers all EU taxes except: VAT; customs duties; excise duties covered by other Union legislation on administrative cooperation between Member States; compulsory social security contributions, fees such as for certificates and other documents issued by a public authority; and dues of a contractual nature, such as consideration for public utilities.

The hallmarks

In terms of the Cooperation Regulations, a hallmark is defined as a characteristic or feature of a CBA that presents an indication of a potential risk of tax avoidance. The hallmarks are listed in Annex IV of the Cooperation Regulations consisting of the five categories below:

- A: Generic hallmarks linked to the main benefit test
- B: Specific hallmarks linked to the main benefit test
- C: Specific hallmarks related to cross-border transactions
- D: Specific hallmarks concerning automatic exchange of information and beneficial ownership
- E: Specific hallmarks concerning transfer pricing

Certain hallmarks may be considered in determining whether an arrangement is a reportable CBA only if the Main Benefit Test ('MBT') is satisfied.

That MBT will be satisfied if it can be established that the main benefit or one of the main benefits which, having regard to all relevant facts and circumstances, a person may reasonably expect to derive from an arrangement, is the obtaining of a tax advantage.

Who is responsible for reporting?

An intermediary is responsible for reporting a reportable CBA. In the absence of an intermediary, or where all intermediaries involved in the CBA have waived their reporting obligations in terms of legal professional privilege, the relevant taxpayer would take over such responsibility.

The Cooperation Regulations set out that an intermediary is:

- a person that designs, markets, organises or makes available for implementation or manages the implementation of a reportable CBA. The Revenue's ('CfR') Guidelines refer to this type of intermediary as the 'primary intermediary'; or
- a person that, having regard to the relevant facts and circumstances and based on available information and the relevant expertise and understanding required to provide such services, knows or could be reasonably expected to know that they have undertaken to provide, directly or by means of other persons, aid, assistance or advice with respect to designing, marketing, organising, making available for implementation or managing the implementation of a reportable CBA. The CfR Guidelines refer to this type of intermediary as the 'secondary intermediary'.

An intermediary may therefore include an accountant or tax advisor (the intermediary may be an individual or a legal person) providing the assistance referred to above. Reference should be made to the CfR Guidelines for further guidance on the types of intermediaries and the responsibilities of such intermediaries in the context of the Cooperation Regulations.

In Malta, the Cooperation Regulations provide a right to certain intermediaries to a waiver from disclosing DAC6 information when their profession is referred to in article 3 of the Professional Secrecy Act. Accountants and auditors are amongst those listed in the article. The waiver can be claimed through a written notification to any other intermediary involved or, in the absence of an intermediary, a relevant taxpayer, of such waiver within 7 working days from the triggering event. Notification must include certain prescribed details. The right to the waiver vis-à-vis a reportable CBA ceases to apply if notification is not sent as aforesaid.

The reporting deadlines and the process

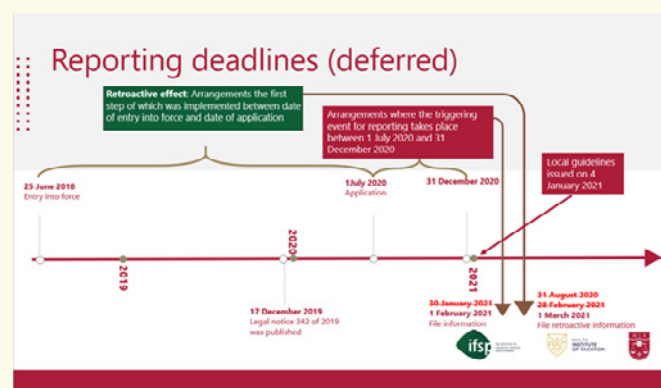
Disclosures shall be made within 30 days from the date of the triggering event, this being the earlier of the dates when the reportable CBA;

- is made available for implementation;
- is ready for implementation; or
- starts being implemented with a first step.

Where the triggering event fell between 1st July 2020 and 31st December 2020, the reporting deadline was 1st February 2021. For those reportable CBAs which had their first step of implementation made between 25th June 2018 and 30th June 2020, the deadline fell on 1st March 2021. For both pre-2021 periods, non-disclosing intermediaries had up to 12th January 2021 to notify of their waiver.

Reporting entities/individuals need to register with the CfR through its online portal. Once registered, information is to be filed electronically by uploading either an XML data file or the completed personalised DAC6 Excel Sheet downloadable from the said portal. Reporting entities/individuals can delegate the filing of the disclosure report to their appointed tax practitioner.

Failure to report on a timely basis or in a complete manner will incur penalties capped at €20,000.



Considering that practice and interpretation is still evolving across EU member states and locally, questions are continuously being tackled and discussed with the CfR. Another event on DAC6 is set to be held by the MIA on 16th April, 2021. Refer to page 12 for more details.

This article has been jointly created by representatives of the Malta Institute of Accountants, the Institute of Financial Services Practitioners, and the Malta Institute of Taxation as a brief reflection of the areas tackled during the webinar, which was jointly organised by the three Institutes on 5th February 2021. Presented in the form of a panel discussion with panel members Mr Andre Zarb, Dr Rachel Zarb Cousin and Mr Mirko Rapa, moderated by Mr Nick Captur.

This material is intended for educational purposes only and readers shall not, in any way consider this as advice and hence should not be relied upon as such.

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MyBalances: consolidates compliance information across Income Tax, VAT and FSS. It provides a snapshot of the taxpayers' tax balances, including penalties and interests, missing returns and documents and pending refunds. One can also:

- generate the tax compliance certificate,
- pay any amounts due and
- create an instalment plan (individual taxpayers).

The service is currently available to tax representatives and access can be obtained by submitting a CFR02 with category ITA16.



Submission of Personal Income Tax

Return: This service allows citizens and tax representatives to submit Personal Income Tax Returns online. It simplifies the return filing by pre-filling information available to the CfR such as employment income, FSS tax deducted, private independent school fees' deduction and others. The system also calculates the tax due and any tax credits, and instantly generates a preview of the Income Tax statement. The service also allows end-users to generate a copy of the return, pay any balances due or provide the required direct credit payment details for refund payments.



MyAccount: This facility allows taxpayers or their tax representatives to enable:

- Electronic communication between the CfR office and taxpayers and
- Direct credit payment details for refunds via bank transfer.

This service is available to all citizens and sole-trader businesses or to users who have been granted ITA1 or VAT1 or ITA16 categories in taxation access manager portal.



Submission of CFR02 (Authority Forms):

This service allows tax representatives to obtain instant access to the services authorised by their clients. Access to this service is available to all tax representatives' authorised users. This service also allows tax representatives to view submitted CFR02s, save draft CFR02s and print copies for taxpayer endorsement.



Registration for VAT and FSS:

This facility is available to all tax representatives. It has in-built controls to ensure accurate and correct submissions. VAT and PE number are received upon successful registration.



Modification of VAT and FSS

Registration Information: This allows for the:

- de-activating a VAT Number or PE Number,
- re-activating a VAT Number or PE Number,
- change VAT Register Type,
- change, add or remove an economic activity,
- change of VAT mailing or business address,
- change of VAT Employment Type,
- change, add or remove a branch.

Tax representatives can get access to these services by submitting CFR02, categories VAT1 (for VAT), ITA2 (for FSS).



Payments Online: The CfR system supports two types of electronic payment channels: payments through the Government Payment Gateway (Card Payments) and the Internet Banking facilities of several local banks. Electronic payments are enabled using the payment reference found on CfR documents (e.g., tax statements, tax return) or within the respective CfR online services such as for Provisional tax and Company tax.



Electronic Non-Filer Statement: This allows citizens and tax representatives to view an electronic version of the non-filer statement, which is generated by the CfR system. This statement is based on information reported by several information providers and in-built calculations. One can also pay online any amount due or modify the statement by submitting an online Income Tax Return – a service mentioned earlier.



Submission of Corporate Income Tax Return: The tax return is a spreadsheet which is personalised with information available by the CfR and can be completed offline before uploading it in the CfR system. Access to this service is obtained through the submission of CFR02 category ITA1.



View Provisional Tax (PT) Claims and Submission of PT Reduction Forms: Tax representatives can view taxpayers' PT Claims and submit Provisional Tax (PT) reduction forms online. Service is available to users who have been granted ITA1 category.



Submission of FS7 and FS3 documents: This service allows the electronic submission of employers' end of year documents, which is mandatory for employers with more than nine employees. This service supports two different types of submissions: the FSS e-filing spreadsheet or FSS data files upload, generated by employers' payroll systems. In both cases, FSS data is validated in real-time providing an error list or acknowledging the correct submission. Employers or other general users can obtain access to this service through form CFR03. Tax representatives can obtain access to this service through form CFR02.



Submission of online FS5s: On submission of an FS5, a payment reference number is generated, allowing employers to proceed with the online payment, without the need of an e-ID. FS5s with zero values can only be submitted by e-ID authenticated and authorised users.



Submission of VAT Return, Declaration or Notice of Payment: This facility allows the online submission of VAT Returns, Register B's VAT Declaration, or Register C's VAT declaration, or notice of payment. Through this service one can also pay any amounts due online. The online return submission gives a 7-day extension both for the payment and the document. A utility function to calculate the VAT on declared sales or services is available. To assist in record-keeping, the acknowledgment includes a copy of the return or declaration.



Submission of Recapitulative/Call-off-stock Statement: This allows businesses to submit the quarterly or monthly Recapitulative/Call-off-stock Statement electronically. Submission can be made either through an online form or uploading a data file. This service is applicable to those businesses involved in EU intra-community supplies. Tax representatives can have access to this service through the submission of CFR02, category VAT01.



Electronic cross-border VAT refund system: This service allows businesses to claim VAT incurred on qualifying expenditure in another EU Member State electronically. Also, it allows the monitoring of progress for each submitted application. Tax representatives can request access to this service through the submission of CFR02, category VAT2.



Mini One Stop Shop (MOSS) related services: These are specialised VAT electronic services targeted at businesses that supply telecommunications, broadcasting, or other electronically supplied services to EU citizens. These services enable these businesses to be included in the MOSS\VOES Scheme and submit the respective quarterly MOSS returns and payments.



Electronic Tax Residence Certificate: Allows tax representatives to generate electronic tax residence certificates. This is available to users who have been granted ITA1 category.

Other services beyond the ones listed here are available. For further information refer to the CfR office portal. For issues experienced whilst using the system kindly contact ictservices.cfr@gov.mt.



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Marvin Zammit is the Project Manager on the Taxation System within the Programme Management Department at MITA. He has more than 20 years experience within the taxation domain.

THE ACCOUNTANT INTERVIEW: NATIONAL FOREIGN DIRECT INVESTMENT SCREENING OFFICE

THE NATIONAL FOREIGN DIRECT INVESTMENT SCREENING OFFICE ESTABLISHED IN APRIL 2020 EVALUATES AND SCREENS PROJECT PROPOSALS TO ENSURE THAT DIRECT INVESTMENTS FROM OUTSIDE THE EU DO NOT CREATE ISSUES OF SECURITY AND GOOD ORDER TO MALTA AND TO THE EU IN GENERAL.

THE ACCOUNTANT MET WITH SCREENING OFFICE CHAIRPERSON MR MARIO GALEA (MG) AND CHIEF OPERATIONS OFFICER MS BETHANY MAGRO (BM) TO GET A CLOSER LOOK AT THE NEW MECHANISM AND WHAT IT MEANS FOR CSPs.

What is the main function of the NFDISO?

MG: The purpose of the Screening Office is to facilitate investment and yet protect the interests of Malta and the EU. The Act LX 2020 came into force in October last year and stems from European Regulation 2019/452, establishing a framework for the screening of foreign direct investments in member states. So our role is to assess projects for any potential risks.

We take a wide approach to security and our priority is to safeguard public order in its broader sense. The NFDI Office's interest is not only to protect strategic assets such as data or technology, but we are careful to examine the impacts of proposed investments on the wider social wellbeing of citizens.

How do you set out to achieve this in practice?

BM: The Screening Office evaluates proposed economic projects by non-EU investors, including takeovers and transfer of shares, to establish whether they expose national and EU interests to any form of risk. If they do not, the investment is cleared for progression.

If we identify risk potential, the screening process is triggered: The Office requests detailed information and conducts due diligence before sharing the file with the other EU partners for cross-checking. This also means that the Office is simultaneously screening investments made in other member states and raises concerns if a project in another country poses risks to Malta. The final decision on projects undergoing screening in Malta lies with the National Office. Once the investment is reviewed by the Commission and other Member States the Office may either give final approval or set out mitigating measures on the project.

Does the screening process extend to CSPs too?

MG: Technically, it is the company directors that are responsible for the investment projects, but screening depends on the particular case and it may involve other persons associated with the project, including CSPs. Certain mitigation measures, for example, could affect CSPs directly.

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The Malta Foreign Direct Investment Screening Office, set up to implement the provisions of Act No. LX of 2020, would like to notify and remind foreign direct investors and their service providers, that the Office is receiving notification forms in line with the provisions of the Act.

This notification form is to be filed **where, *inter alia*:**

- a) there is an ultimate beneficial owner, whether existing or new, as defined in the Act;
- b) the activity is one as described in the Schedule to the Act;
- c) there is a foreign direct investment as defined in the Act.

Where the conditions specified in (a) to (c) above subsist cumulatively, foreign investors and all people involved in the foreign direct investment are obliged, prior to carrying out the investment, to notify the Office by submitting the notification form found on our website: <http://www.nfdismalta.com/>.

It is of utmost importance to abide by your obligations as established in the Act as failure to do so will lead to the serious consequences contemplated in the Act.

The National FDI Screening Office

The Watercourse, Triq L-Imdina,

Zone 2, Central Business District,

Birkirkara

T: 99964277/ 99213344

In which cases is the notification required?

BM: There are three main conditions under which a notification is required: when the UBO is a Non EU national; when the investment is critical as provided for in the Act and the Regulation ; and when the economic activity is a foreign direct investment that has long lasting links with Malta. All three criteria must be satisfied before a notification is submitted.

Do CSPs need to file information with the Screening Office if they would have already registered with the Malta Business Registry?

MG: The Office is empowered by law to obtain information from other government institutions, but we typically exercise that prerogative only in cases where regulators are involved. CSPs are encouraged to apply for Office approval before registering the project with the MBR, if the conditions for screening exist. Nonetheless, approval shall be obtained before any investment is undertaken in Malta.

Has the Office referred any applications for screening so far?

BM: The Office received over 900 applications for pre evaluation since its launch and 10 projects were subject to the EU screening mechanism. In other cases, the Office issued an approval against a set of conditions to monitor the investment for a period of time.

How long does the process take in general?

MG: No two cases are the same, but evaluations normally take a couple of days at most. Screening depends on the nature of the project and the variables involved – due diligence on investors from poorly regulated countries, for example, will move at a slower pace.

As a general estimate, the entire notification process takes about three weeks. But again, this depends on the time taken for CSPs to gather the information we request, the due diligence and feedback from the EU. Initially, there were no timelines established on the screening mechanism, but that has changed, and it is now the National Offices that determine deadlines for other countries.

How does the Office enforce the legislation?

BM: There are provisions in the Act for the imposition of fines, which are rather hefty. The Office is also in the process of establishing a Compliance and Monitoring Unit which will perform checks on companies to ensure that they are observing the terms of the approval. It is the responsibility of the parties involved in the investment to observe the provisions and to submit complete and correct information.

Does the process apply equally to public calls for procurement?

MG: Public procurement is technically outside the remit of the Act, but the Office may intervene in cases of long lasting projects that involve non-EU UBOs.

How will CSPs know whether an investment requires notification?

BM: We are available to guide CSPs with their applications, and professionals are always welcome to check with the Office whether a particular project requires notification.

MG: The Office was not set up to increase bureaucracy, but to support the investment process. It is in the interest of CSPs that projects are thoroughly evaluated for risks. Stakeholders, including CSPs, have responded positively to the efforts of the Office; ultimately, we are all pulling the same rope to ensure business transparency and protection of the country's reputation.



Bethany Magro holds a business management degree and is presently finishing a master's degree with the University of Bath. She currently holds the post of Chief Operations Officer at the National FDI Screening Office.



Mario Galea is a graduate in management with an MBA from the University of Malta. He held the posts of CEO at INDIS (MIP) and Malta Enterprise and presently holds the post of Chairman, Identity Malta.



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GETTING DOWN TO E-BUSINESS, A CONTRIBUTION BY NSO MALTA

Author: Jennifer Mifsud

The COVID-19 experience is radically transforming our interactions.

The brick and mortar idea was suddenly thrown out of the window and we have had to re-think the way we run our everyday lives, the way we interact, the way we learn, the way we teach, the way we work and the way we do business. Even payments saw a drastic change. Transactions have evolved from cash to plastic to totally digital. When closure of non-essential retail outlets was put in effect, the essentiality of online presence suddenly took the spotlight.



The latest official figures about ICT usage in households issued by the National Statistics Office show that, in 2020, there were almost 350,000 internet users aged 16-74 years, the equivalent of nine out of ten persons in this age group. More than 60 per cent of these purchased goods and/or services online during the three months immediately preceding the survey.

In 2020, a high level of internet use was also registered among enterprises with 10 or more employees, across most of the economic activities. Since 2011, approximately 97 per cent of local enterprises have been using the internet. This is at par with EU27 levels where, every year since 2015, the share of enterprises using the internet was nearing saturation levels. More than a third of enterprises had a contracted download speed for fixed line internet connection of between 100 and 500 Mbit/s. This was the most commonly used connection speed.

Websites are one of the most basic e-business platforms. The majority of the enterprises

surveyed by the NSO in 2020 (83 per cent) had a website. The most common features on company websites were the description of goods and services accompanied by price lists, and links or references to the enterprise's social media profiles. Data from the same survey held in 2019 showed that more than 86 per cent of the enterprises using the internet also made use of social media, with social networks such as Facebook being the most popular ones. Other functionalities on company websites included personalised content for repeat visitors, online ordering/booking and tracking/status of orders placed.

Company websites were most prevalent among enterprises operating in the real estate, professional, administrative and other service activities sectors. These were followed by wholesale and retail trade (84 per cent) and accommodation and food service activities, and transport and communication (83 per cent). These three sectors also comprised the largest share of enterprises that conducted sales through e-commerce.



The ICT usage and e-Commerce in Enterprises Survey measures two types of e-Commerce: web-sales and Electronic Data Interchange (EDI)-type sales. The former are sales made through web shops, web forms on websites, or web applications. EDI-type sales are automated, computer-to-computer sales in an agreed/standard format which do not require the manual inputting of individual messages.



A FIRST GLANCE AT THE BREXIT DEAL - VAT AND CUSTOMS

Authors: Edward Apap and Mirko Gulic

ON 1 JANUARY 2021, THE UNITED KINGDOM LEFT THE EU, WITH A TRADE DEAL IN PLACE. WHILE THE TRADE AND COOPERATION AGREEMENT ('TCA') BETWEEN THE EU AND THE UK GOVERNS THEIR FUTURE RELATIONSHIP, IT ALSO IMPACTS EU BUSINESSES THAT DEAL WITH THE UK - NOT LEAST WHEN IT COMES TO VAT AND CUSTOMS CONSIDERATIONS.

The TCA is predominantly a trade agreement and, while it helps mitigate certain duties and tariffs from a customs perspective, for VAT purposes the UK is still a third (i.e. non-EU) country.

Consequently, the VAT obligations and implications for transactions involving the UK are expected to change significantly.

When it comes to goods coming into the EU, a distinction should be made between goods departing from (or going to) Northern Ireland ('NI') and those departing from (or going to) the rest of the UK (i.e. to / from Great Britain ('GB')).

Given the sensitive nature of the Ireland ('IE') / NI relationship and the reluctance to (re-)introduce any borders between the two territories, for the purposes of transactions in goods, the IE/NI border has been effectively pushed into the Irish Sea for customs and VAT purposes.

Goods moving to / from Northern Ireland

For VAT and customs purposes, NI is to be treated as a territory within the EU when dealing in goods. Consequently, Brexit should not have any major impact on any movement of goods between NI and the EU.

What will change however is the VAT identification number of entities established in NI. Such entities should now be identified with a VAT Identification number containing an 'XI' prefix.

Goods moving to / from Great Britain Customs considerations

As from 1 January 2021, goods departing GB to Malta (or vice-versa,) are to be accompanied by the usual customs documentation as though they were arriving from (or departing to) any other third country.

However, with the TCA in place, goods that are declared to be originating in the UK can be imported into Malta (or goods being exported from Malta to GB) without any customs duties.

For this to be the case however, it is important that such goods are accompanied by a 'Statement of Origin'. This is to be issued by the exporter confirming that the goods have indeed originated in the UK (or in the EU).

This exemption only applies to goods that meet the prescribed rules of origin and, as a result, products that do not comply

with these rules, may still be subject to customs duties upon import.

VAT considerations

The movement of goods between the EU and GB, is to be treated as though such goods are coming into the EU from (or departing to) any other non-EU country.

Therefore, for goods coming into Malta from outside of the EU (including GB), importation VAT (unless specifically exempt) should be paid in order to release these goods into free circulation. Such import VAT may be recoverable in a business' VAT Return.

In principle and other than for importation VAT financing considerations, a taxable person moving goods to/from GB should continue to remain in a VAT neutral position after Brexit.

Considerations for services

As from 1 January 2021, there is no longer free movement of services or mutual recognition of qualifications between the UK and the EU.

However, while this may add bureaucratic barriers for services provided between the two sides, Brexit should not have a major impact on the determination of the place of supply of a service for VAT purposes (although the place of supply of services for certain B2C supplies will be impacted).



Mirko is a Senior Manager at PwC specialising in VAT. He has extensive experience in indirect taxation advising on all aspects of VAT to various industries. Mirko is also a member of the MIA Indirect Taxation Committee.

If a Maltese taxable person is providing:

★ Services to a taxable person established in the UK which fall under the general place of supply rules; or

★ Electronically supplied services to an end-customer established in the UK;

the place of supply shall still be in the UK. However, the reverse charge or MOSS mechanism cannot be assumed to continue to apply and the Maltese supplier may need to consider UK VAT compliance obligations.

Furthermore, since the input tax related to the provision of certain exempt without credit services provided to customers established outside the Community may be recovered, certain businesses dealing with UK customers may benefit from additional input tax recovery opportunities.

Certain provisions regarding VAT declarations and refunds

The TCA allows for an effective transition period in relation to certain submissions concerning transactions involving the UK that took place in 2020, including requests for refunds under the 8th Directive for UK VAT incurred by an EU taxable person. Such refund claims, however, needed to be submitted by 31 March 2021.



Edward is a Manager within the PwC VAT team. He has been heavily involved in various tax advisory projects relating primarily to indirect taxation. He has also delivered training as part of the PwC Middle East VAT team.

INTANGIBLE ASSETS UNDER **IFRS** AND **GAPSME**

Author: Paul Zammit

FINANCIAL REPORTING PREPARERS NEED TO BE AWARE OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND GAPSME WHEN COMPANIES OWN INTANGIBLE ASSETS. IN RESPECT OF INTANGIBLE ASSETS, IFRS FINANCIAL STATEMENTS ARE GOVERNED BY IAS 38 'INTANGIBLE ASSETS' WHILST GAPSME FINANCIAL STATEMENTS ARE REGULATED BY SECTION 11 OF THE LEGISLATION, NAMELY 'INTANGIBLE ASSETS OTHER THAN GOODWILL'.

The principles to follow when recognising intangible assets are the same, irrespective of the accounting framework adopted. In fact, both frameworks define intangible assets in the same way:

“An intangible asset is an identifiable non-monetary asset without physical substance”.

This means that a number of criteria need to be met for an expenditure event to result in the recognition of the item of expenditure in question as an intangible asset:

- The item is identifiable.
- The item of expenditure is non-monetary, rather than monetary.
- The entity controls the item.
- The entity will probably enjoy future economic benefits from the item.
- The entity can reliably measure the item.
- The item lacks physical substance.
- The item is within scope of IAS 38 (GAPSME does not specify which assets are in scope, but the same principles apply under both accounting frameworks).

A challenging area is the treatment of research and development expenditure. Preparers are challenged when deciding whether to recognise an expense or an intangible asset. The accounting treatment is identical under IFRS and GAPSME. All research expenditure is expensed, whereas development costs are capitalised (that is, recognised as intangible assets) only from the point in time when six criteria are met. These criteria are listed under both IFRS and GAPSME,

and are commonly referred to as the 'PIRATE' criteria:

1. **P**robability of generating future economic benefits.
2. **I**ntention to complete the intangible asset.
3. **R**esources available (technical, financial etc).
4. **A**bility to use or sell the intangible asset.
5. **T**echnical feasibility of completing the intangible asset.
6. **E**stimate of development expenditure attributable to the intangible asset can be measured reliably.

Whereas the accounting framework can be disregarded when it comes to recognition, the opposite is true in terms of measurement. When recognising an intangible asset, an entity needs to choose which model it shall apply.

IFRS offers a choice between the cost model and the revaluation model – although the latter is available only if the intangible asset is being traded on an active market. It is quite rare that intangible assets are traded on an active market, but cryptocurrency is a significant exception to this. Under the cost model, intangible assets are amortised over their useful life. On the other hand, under the revaluation model, intangible assets are revaluated on a regular basis, and subsequently amortised (and possibly also impaired).



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GAPSME, on the other hand, does not offer a choice. GAPSME requires the use of the cost model and requires amortisation of intangible assets over the estimated useful life. GAPSME explicitly prohibits the revaluation of intangible assets. Intangible assets are also subject to impairment under GAPSME.

There is another difference between IFRS and GAPSME. IFRS acknowledges that certain intangible assets have an indefinite useful life. Such assets are not amortised but need to be tested annually for impairment. GAPSME mandates that intangible assets must be amortised over a suitable number of years. GAPSME provides further that, in exceptional cases where the useful life attributable to development costs cannot be reliably estimated, these are to be written off over not more than 10 years. IFRS does not have this specific provision, due to the fact that it offers an indefinite life route for such assets.

IFRS requires an annual impairment test when intangible assets have an indefinite useful life. This requirement also applies to intangibles not yet ready for use. Under GAPSME, all intangible assets are subject to impairment only in the existence of an impairment indicator.

It is relevant, in the current COVID-19 reality, to mention that all assets within the scope of IAS 36 'Impairment Of Assets' – or, in the case of GAPSME, Section 12 'Impairment Of Assets' – are considered to be subject to an impairment test since COVID-19 is considered to be an impairment indicator. This however applies, generally speaking, only for financial year-ends happening on or after March 2020, since for earlier periods, COVID-19 is considered a post-balance sheet event.

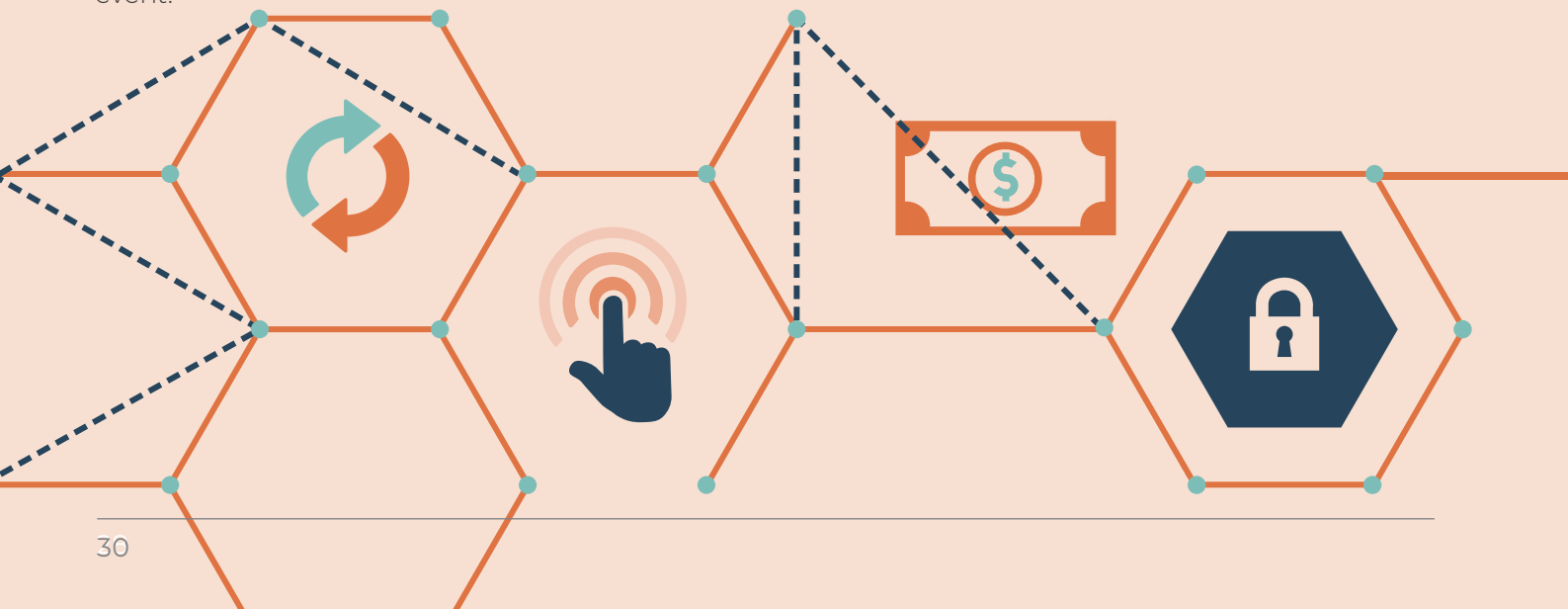
A suitable point to address relates to the treatment of GAPSME companies with cryptocurrencies held for the long term – which are classified as intangible assets. **Should these be measured under the cost model under GAPSME (and be amortised) or not? And if they should be amortised, what should the period of amortisation be?** As required by GAPSME Section 3.19, the reasonable approach in this case would be to depart from GAPSME for a more true and fair view. This approach makes more sense to show such assets at their fair value at the end of the year without being amortised.

A final clarification relates to goodwill. It is out of scope of both GAPSME Section 11 as well as IAS 38.

However, its nature resembles that of an intangible asset. Goodwill is recognised upon a business combination under both IFRS and GAPSME, and only if the purchase consideration exceeds the fair value of assets and liabilities taken over. However, GAPSME requires amortisation of goodwill whereas IFRS prohibits it. Under GAPSME, goodwill is amortised straight-line, over a maximum of 20 years.



Paul Zammit, an IFRS specialist at Zampa Debattista, provides advisory and training services in relation to complex financial reporting matters.



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HOW DO YOU KNOW YOU ARE DOING A **GOOD JOB** AS A **LEADER**?

Author: Elaine Dutton

YOU ARE AT THE TOP OF YOUR ORGANISATION – HOW DO YOU KNOW YOU ARE DOING A GOOD JOB AS A LEADER? IT IS A REALITY THAT THE HIGHER UP YOU GO IN YOUR CAREER, THERE ARE OFTEN LESS PEOPLE READY TO GIVE YOU HONEST AND OBJECTIVE FEEDBACK. ASIDE FROM YOUR SENIORITY, WHICH POTENTIALLY WARDS OFF OTHERS TO KEEP OPINIONS POLITELY TO THEMSELVES, THE CULTURE OF THE ORGANISATION MIGHT NOT BE CONDUCTIVE FOR SUCH FEEDBACK TO BE SHARED.

This is where a 360-degree feedback process could come in helpful. In the same way that a GPS tracker needs multiple points to zone onto an exact location, a 360-degree appraisal uses those around you to provide the 'coordinates' of your leadership acumen.

The size of the organisation and the type of role performed typically dictates the number of people involved in the feedback process.

Typically, this ranges from 3 to 6 individuals who work with you in different capacities - shareholders, fellow directors / partners, subordinates, junior employees, even ex-employees if relevant.

There are a number of ways how a 360-degree appraisal can take place. An efficient method would be for the reviewers to answer a series of questions in a survey format. An example of such questions would be – “Our CEO/Director shows respect and listens to views different from his/her own” or “Our CEO/Director communicates the vision in an engaging manner”. These questions would tap different aspects of leadership. Whilst this method is efficient and results could be summarised statistically, it does have disadvantages. A key issue is that results vary depending on what was asked and how it was asked. Questions to such surveys have to be carefully selected to reflect the complex and diverse aspects of leadership, being careful that the wording is not ambiguous and the survey not too long. Surveys are also notorious for

lacking depth and the results might leave you with more questions than answers.

Crucially, any 360-degree process relies heavily on anonymity.

Very few employees would be ready to be open and candid about their opinion of their senior leaders, especially if there was the possibility for their identity to be disclosed. Whilst online surveys can be anonymous, employees may distrust the process – e.g. who would be receiving the results? Why was I picked to give the feedback? What happens if I do not reply?

A way to mitigate these difficulties is by appointing an independent HR professional to coordinate the 360-degree feedback process. The survey method can still be used but with an expert on board, you can ensure that the right questions are asked.

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Respondents would also have their mind at rest that replies are received by a party external to the organisation who would take care of collating all data and presenting them to the business leader/s as one complete report.

The survey method for 360-degree feedback would offer top management fruitful insight, however, many comment that this still does not address the issue of depth. This is where an interview format for 360-degree feedback is ideal.

After careful selection of the main questions to guide the 'interview', the independent professional would sit with each person selected for the exercise and gather all impressions and feedback. The advantage is that the employees providing the feedback can go in as much detail as they like

without being confined to the way the question was asked. People tend to provide more information verbally than if they had to write it in a tidy box in a survey – particularly if the person sitting at the other end is a trained professional who knows how to listen, gather feedback, ask the right follow-up questions and can guarantee anonymity to the interviewee. Such interviews typically run for 30-45 minutes and the amount of data collected can be voluminous. However, trained professionals know how to disentangle pieces of feedback and group them in themes in a manner that is insightful to the business leader/s being reviewed. The juice of all these interviews is written in a report that is composed of the overall impressions gathered by the professional supported by the feedback of those involved in the exercise.

Carried out well, a 360-degree feedback process is a powerful exercise that can provide valuable insight to business leaders on the way those around them perceive their leadership skills. Sadly, numerous companies adopt a 360-review process among their workforce yet fail to involve the more senior members of the organisation.

As a business leader, it is in your interest to ensure that your organisation has a culture of open feedback and this can only take place if you and the other members of your top management team are involved in the same 360-degree feedback exercise. This gives the message that those leading the organisation welcome feedback and are interested to know how they are perceived in order to improve and have a path for their own personal and professional development.



This article has been authored by Elaine Dutton, CSB Group's Head of Human Resources and Employment Advisory Services.





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ADOPTING ANALYTICS FOR THE SME

Author: Damian Heath

DECISION SUPPORT SYSTEMS WERE, UNTIL RECENTLY, ONLY AVAILABLE TO LARGE ENTERPRISES. THE COMPLEXITIES AND COSTS ASSOCIATED WITH BUSINESS INTELLIGENCE OR ANALYTICS SOLUTIONS MADE THEM PROHIBITIVE FOR OTHER COMPANIES.

Smaller businesses had to rely on standard reporting built into their operational applications or, at best, employees had to export data and indulge in complex data mash-ups within the limitations of solutions like Excel. Reporting resources and time, be it directly from end users or vendors building the capabilities into the applications, focused on provisioning mandatory reporting for financial or industry regulators. A business would largely survive on the skill and instinct of the management due to lack of data-driven insights, limiting growth to the bandwidth and skills of that leadership.

Improvements in business applications, databases and technologies such as the cloud, memory database performance, and IoT offer the means to build out the value of reporting and decision support. To realise such value, business owners and their advisors have to assess how and what data should be captured and to what standards and quality.

A professional services company needs to understand their performance by the service areas provided, their type of clients and projects. Retailers, for example, will want to understand performance against product categories, brands and stores.

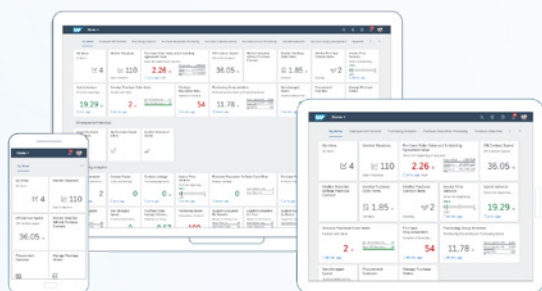
The initial step in any analytics journey is to define these dimensions and measures, and then more importantly design how to capture them accurately and consistently within the processes and transactions of your business. This is an often-forgotten challenge in Business Intelligence and Analytics; the solution cannot be built in isolation from the core business and processes. Captured “measures” such as revenue, direct costs and overheads, must be linked with business dimensions in a structured way. For instance, a retailer recording sales by outlet would store this dimension with a structured “identifier”, so the data can be specific and historically consistent.

While legacy ERP, General Ledger, or similar transactional systems allow capturing of quality structured data in a consistent manner, historical transactional systems often pose a further challenge to restructure and transpose that data due to the finite resources available to “on-premise” systems. Data is traditionally optimised to support transactional processing, allowing it to be added, deleted, or updated at a granular level, but it fails to support timely aggregations or other on-the-fly calculations. Hence,

traditional BI solutions lay separate to the business execution transactional systems, and often represent a delayed picture of the business.

This challenge is, to some extent, addressed by vendors who transition their platforms to the cloud. Numerous clients running their business on common cloud infrastructure and solution vendors that seek to differentiate themselves, have seen cloud-based business solutions blend analytics into their functionality to solve common problems. This is enabled by virtue of a more powerful infrastructure at the disposal of the cloud vendors, relative to what had previously been available to the client and their “on-premise” solutions.

In such ways, decision support becomes ingrained within the operation. This is further supported by modern browser user interfaces, exploiting HTML5 type technologies and thereby embedding data, information and KPIs into the very tiles and buttons from where transaction execution of functionality and / or a deeper review of the data is provided.



This aggregation of transactional data and analytical data into one source also brings another tangible benefit as analysis goes “real-time”. A retailer’s POS, Inventory and Finances stay aligned, provisioning up to the minute assessments on how a new store layout is performing, and against previous benchmarks. Success can be rolled out to other stores within the day, failures rolled back.

Add or “mash” into your financial data,

external data sources such as loyalty programs and in-store footfall counters and you can assess the success of your different channels and their cross-adoption, or what your conversion rate is from people entering a store to those making a purchase (a basket). The cloud also allows you to bring into the analytics domain 3rd party data, whether assessing seasonality / implications on sales or tracing social media sentiment across your brands.

Like retail, every industry has its own KPIs, data and key questions to assess. The process, however, remains the same.

You first need to assess how you want to understand your business, what data you need to capture and retain to conduct this assessment. How do you maintain quality and consistency of that data? Where will you put that data and how will you structure it to make it accessible? How can you deliver such data to the right people so that they can investigate, gain value and make the right decisions for your business? All this may have implications across your whole IT landscape. How do you establish the correct architecture, not only to support execution within the business as it is now, but to help anticipate changes and build the business you want tomorrow?



Damian Heath is the Director and Lead for Deloitte Malta’s Enterprise Technology and Performance function, with over 20 years of international experience.

MEET THE MIA TEAM

MARIA MIFSUD FARRUGIA

I AM... a Certified Public Accountant, a fellow member of the ACCA and a member of MIA. Apart from my professional career I am a mother and a wife. I believe in striking a good work-life balance which is quite challenging given my frenetic lifestyle. I consider myself to be results-driven, self-motivated, and multitasking (the latter is mandatory!). I always strive to adapt to the challenges both at the workplace and in my personal life.

MY ROLE AT MIA IS... that of Financial Controller. The past four years at MIA have been interesting and challenging at the same time, in an ever-dynamic environment. My role covers various areas including financial reporting, financial and performance management, payroll, statutory reporting, contract laws and improving the organisation efficiencies. I also act as the MIA Data Protection Officer, the main responsibility is to ensure that the organisation processes personal data in compliance with data protection rules.

I AM MOTIVATED... to always do my best and improve myself by undertaking new opportunities whilst achieving professional recognition. I am also motivated by being part of a team in an organisation that promotes a positive and healthy environment and ensures job satisfaction among its employees.

TO ME, THE ACCOUNTING PROFESSION... is a massive part of my life! I was always interested in the accounting and business world. I believe that accountants are more than just bean counters, we are front liners in the business world that work as close partners with senior management.

MY LIFE MOTTO... is live day by day. One of my favorite quotes is 'Life is like a box of chocolates you never know what you are going to get'.



IN MY FREE TIME... I enjoy and love spending quality time with my two kids and husband. I love travelling, exploring new places and cultures. I unwind by keeping fit. Although I must acknowledge that lately I have fallen behind with both passions.

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“RUNNING AND SPORTS IN GENERAL HELPS TO TRAIN ONE’S MIND.”

Author: Simon Spiteri

THE ACCOUNTANT CATCHES UP WITH PROFESSIONAL ACCOUNTANT AND AVID RUNNER SIMON SPITERI.



What is your training routine?

A typical training week involves 130 to 140km of running. Besides running, my training routine also involves bi-weekly core workouts and cross-training which usually consists of cycling in winter and swimming in the summer months. The training is usually split over 10 sessions from Monday to Sunday, comprising two ‘quality’/ ‘hard’ workouts during the week and a long run of approximately 20-25km on Sunday morning.

What was your greatest success so far?

Running is about breaking mental barriers. Breaking the four-minute barrier in the 1500m was for me a big mental barrier which made me become a stronger athlete both mentally

and physically. I had been chasing this goal for several years, so when I finally managed to make it amongst the ten fastest times registered by a Maltese athlete in such an event, it became a personal success and a memorable experience which I look back on with satisfaction.

What’s your biggest challenge?

Early sessions in the morning especially when it is cold outside.

What’s your greatest desire for this year?

COVID-19 has restricted racing, especially abroad so the focus right now is on building a solid base of training so that when international races resume, I will be in the best shape to perform.

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Should the travel restrictions be eased in the second half of 2021, my goals are to qualify for the 'Championships of the Small States of Europe' in San Marino, and the 'World Mountain & Trail Running Championships' in Thailand.

What is your long-term goal in the sport?

The 'Games of the Small States of Europe' in 2023, which are being held on home soil. I still have vivid memories of watching the 2003 GSSE games from the stands when they were held in Malta. From that day onwards, the GSSE games became a personal obsession and a dream in my running career. Unfortunately, due to some personal setbacks I have never had the opportunity to qualify for these games, but the 2023 edition is a great motivator to realise my goal of representing Malta.



How do you strike work-life balance to juggle your career as an accountant whilst keeping your commitment to the sport?

Balance is important in whatever you do. Sometimes it can be quite difficult to balance work, training and a social life. I try to wake up early in the morning and get my training done before work so I can be more flexible in the evenings, where I can either catch up with work or spend time with my girlfriend and family.

Flexibility is also key to finding the right balance between life and work. In that aspect, I must say that I get a lot of support from my current employer (Epic Communications Ltd). Flexible working hours allow me to juggle my training plan, sometimes starting work early in order to put in a long session in the evening or the other way round.

Is it a widely practiced sport in Malta? Is it growing in popularity?

After football, I believe that athletics and running in general are the most practised sports in Malta. In recent years we have seen an increase in running not only as a competitive sport but also as a way to a healthy lifestyle. If one takes the Malta Marathon as an example, which is the most popular running event on the island, in 2020, we had over 1,700 Maltese runners taking part in either the half marathon or the full marathon. If one looks just 10 years back, in 2010, we had 50% of the 2020 runners taking part in the two events.

Although I believe we are still behind other European countries, a shift in mentality amongst the Maltese can be observed as more people are taking up sport as a way of life to keep fit and healthy. If one drives down to Ta' Qali or Sliema promenade on a Sunday morning one would see a good number of people walking, running, cycling or practicing other types of sport.

Do you see a parallel between sport and your profession?

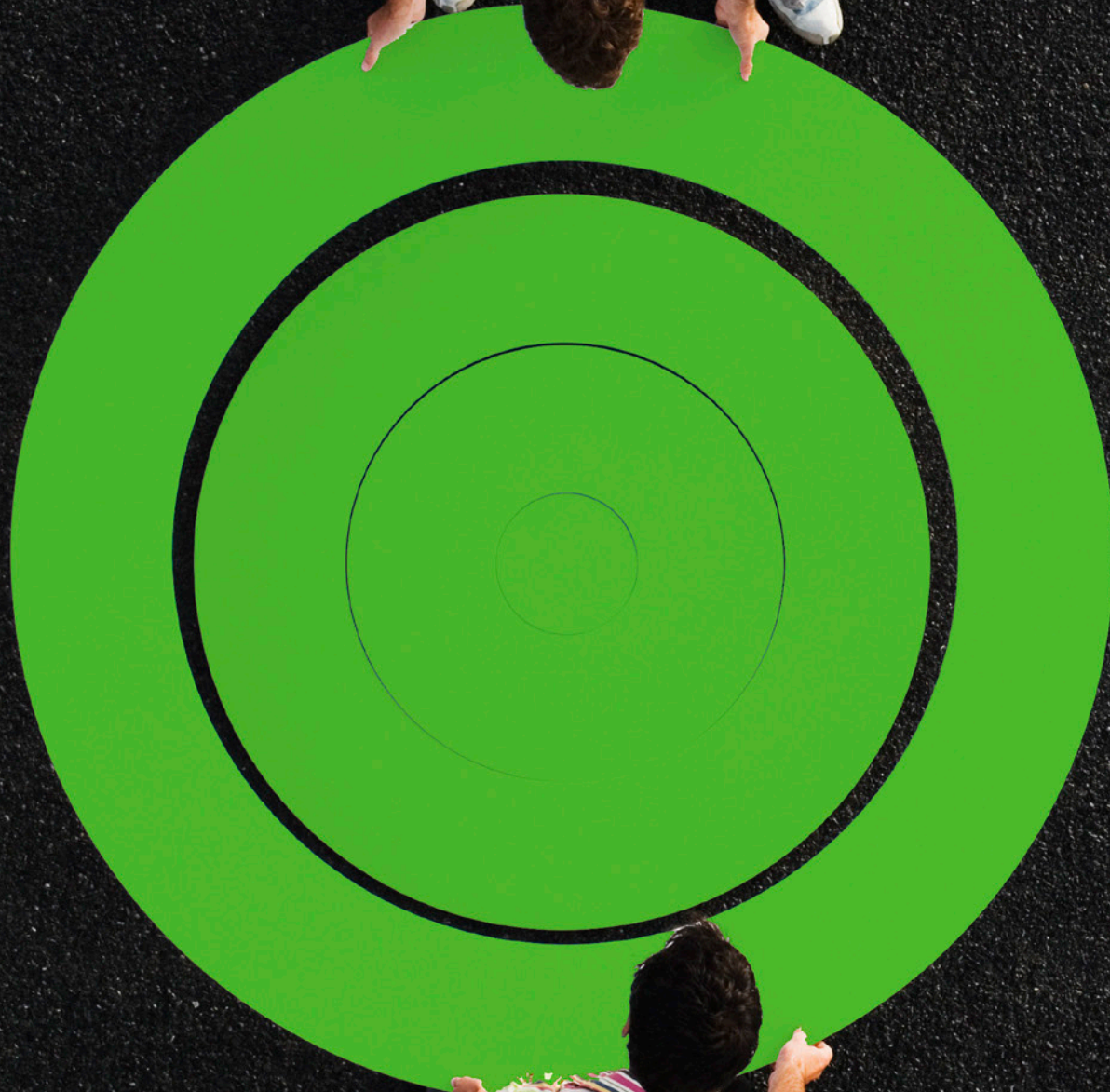
Yes, running helped me not just become physically fit but also mentally stronger. I believe that running and sports in general helps to train one's mind. Two aspects that I apply in my profession, and which running has helped, are tenacity and self-confidence. I believe that running helps me cope with failure or rather, difficulties, and to refuse to give up when obstacles crop up in my daily work.



One secret running tip that you think everyone should know...

Double knot your shoe laces and pass it underneath the lace cage, and you will never have to stop to tie your laces whilst running.

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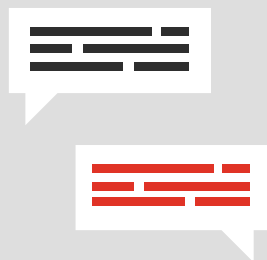
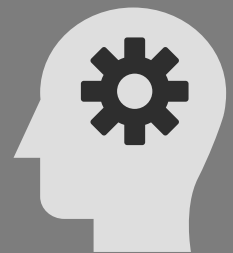
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