Issue 3 of 2024

THE ACCOUNTANT

SCAN CODE FOR
DIGITAL MAGAZINE

miamalta.org


KPMG
“ESG is more than regulations. It’s about developing resilience in a changing world.”
Rachel Decelis
Associate Director, Environmental, Social & Governance (ESG) Lead
Scan the QR code to find out more about our ESG services.
www.kpmg.com/mt
© 2024 KPMG, a Maltese civil partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
The KPMG name and logo are trademarks used under licence by the independent member firms of the KPMG global organisation.

THE ACCOUNTANT
ISSUE 3 | 2024

THE ACCOUNTANT magazine
is issued quarterly.

Published by

THE MALTA INSTITUTE OF ACCOUNTANTS

EDITOR
Maria Cauchi Delia

DESIGNER
Daniela Cutajar

ADVERTISING INQUIRIES
theaccountant@miamalta.org

All correspondence, articles for publication and enquiries are to be addressed to:

The Editor
MIA Professional Limited
Level 1, Tower Business Centre
Tower Street, Swatar
BKR 4013, Malta.

If you would like to be featured in this publication, please visit www.bit.ly/GetRecognised for more information.

The Accountant can also be found online at
www.miamalta.org/the-accountant

President's Address

Mark Bugeja

As the summer months draw to a close and we enter the final stretch of the year, we find ourselves in one of the busiest periods for the MIA. The Annual General Meeting and other several major events on the calendar keep the work of the Institute in full swing. Amidst this activity, we must also reflect on the key trends that continue to shape the accountancy profession, bringing both challenges and opportunities to the fore.

One of the most pressing developments in recent years has been the increased reliance on digitalisation and technology. Automation, artificial intelligence (AI) and data analytics are now integral to our work, transforming traditional accounting practices and allowing us to offer more strategic insights. This shift is not without its difficulties, as it requires continuous upskilling to ensure that our members are equipped with the necessary tools and expertise. While these advancements can significantly streamline processes, they also demand that we maintain a balance between technological adoption and the human element of professional judgement and ethics, which remains irreplaceable. And this is the biggest challenge of our times.

AI will definitely bring about major solutions in the future, but the reality on the ground is that the industry, much like the Institute itself, has been grappling with the strain of having to do more with fewer resources. This is particularly evident in firms and within our own organisation. While I have been involved in the Institute for a number of years, throughout my first year as a President, I have witnessed the significant amount of work that is being carried out by a relatively small team, and while this is a testament to the dedication and professionalism of our colleagues, it also underlines the need for more comprehensive support. Addressing this issue is crucial if we are to continue providing the quality service expected of us, and it is an ongoing priority for the MIA.

Every week, we are on the receiving end of new Directives, standards, policies or guidelines for which an extremely detailed understanding and response is expected. With our limited resources, we strive to do our best to consult, engage with our membership base and then give detailed feedback which reflects the genuine need of the accountancy profession, while also keeping an eye on the wider interests of the financial services industry and the Maltese economy as a whole.

We have also expanded our role on an international level. As globalisation continues to impact all sectors, we are increasingly engaging with international standard-setters, accountancy bodies, and accountancy lobby groups, such as IFAC, Accountancy Europe, EFRAG and others. We have also actively participated at major events held around the globe in the presence of leaders in our industry and beyond.

These interactions have been instrumental in giving us visibility into the changes that lie ahead and in helping us align with global best practices. They also allow us to gain insights, through extensive networking, into how other countries are tackling similar challenges, from regulatory reforms to sustainability reporting.

Moreover, these international efforts have strengthened our position and influence within the broader accountancy community. The MIA's active participation in global discussions is key not only to ensure that our members are prepared for future developments but also to secure our voice in shaping these changes. The global accountancy profession is evolving, and it is essential that we remain an integral part of that transformation.

Although the requests for our feedback on various initiatives taken by Government and other organisations takes up a significant amount of time, we are also very active in putting forward proposals and recommendations to government officials, authorities, and regulators. With the 2025 Budget approaching, we have submitted our customary set of proposals to the Minister for Finance, with a particular focus on taxation. However, it is important to emphasise that our engagement is not limited to the annual budget exercise. We maintain an open line of communication throughout the year, offering our expertise and suggestions as necessary. This proactive approach ensures that we contribute to shaping policy and regulatory frameworks continuously, not just at key financial junctures. By maintaining ongoing dialogue, we aim to support the development of sound fiscal strategies that benefit both the profession and the broader economy.

We remain committed to supporting our members and the profession, ensuring that we are well-equipped to face the future with confidence. As part of this commitment, the MIA's calendar for the final quarter of the year is quite busy, including top-level Continuing Professional Education (CPE) sessions delivered by experts in their respective fields, and high-profile conferences, designed to help our members stay informed and ahead of the curve. These events will cover a wide range of topics, from the latest regulatory updates to emerging trends in the profession and beyond. I encourage all our readers to take full advantage of these opportunities by exploring the sessions most relevant to their areas of interest.

In an increasingly complex environment, staying up to date is not just a matter of professional development, but of ensuring that we are well-prepared to address the challenges that lie ahead. Whether you are looking to deepen your expertise or expand your knowledge into new areas, these sessions will provide a valuable platform for growth and collaboration.

I urge you to actively participate and make the most of the resources available to you, not only to support your own career but to contribute to the strength and progress of our profession.

Message from MIA CEO

Maria Cauchi Delia

It is my pleasure to welcome you to the third edition of The Accountant for this year and to share with you some of the latest developments which have been keeping us busy for the past months. Our work has been shaped by several significant discussions, as the steady flow of regulatory development continues to transform the accountancy profession as we know it.

In simple terms, the way accountants work today differs markedly from just a few years ago. At the Institute, we are continually adapting our strategy to ensure that enhancing the appeal of the profession remains central to all our initiatives. Simultaneously, we are witnessing a profound shift of what is expected by accountancy professionals, reflecting changing priorities in the world around us.

This transformation encompasses various aspects, but two key areas stand out: the increasing emphasis on sustainability as a major European priority and the intensified focus on combating money laundering.

The Corporate Sustainability Reporting Directive (CSRD) represents a major shift in the way organisations report on sustainability and non-financial matters. It is set to have far-reaching consequences for the accountancy profession, requiring new skills and knowledge to effectively manage the forthcoming reporting standards. This Directive is more than just a regulatory update. It reflects a growing demand by investors and consumers for accountability on environmental, social, and governance matters. The introduction of the Directive places sustainability reporting firmly at the core of corporate governance, and accountants will have a key role in its effective implementation. Consequently, we have been engaged in extensive discussions with both the Malta Financial Services Authority (MFSA) and the Accountancy Board on the implementation of this Directive and will continue working on providing feedback to regulators, training and issuing of guidelines, as necessary, in the coming months.

Sustainability has been a top priority for the MIA for some time, and we recognise its increasing importance in the accounting profession. As businesses adapt to the demands of the modern world, the role of accountants in guiding companies towards more sustainable practices will become ever more crucial. The integration of ESG factors into financial reporting is no longer optional for certain entities. Accountants must be equipped not only to fulfil these new reporting obligations but also to help their clients adapt to this new reality, ensuring that businesses remain compliant and competitive in a growing environmentally conscious marketplace.

In parallel, the rising importance of new Anti-Money-Laundering (AML) regulations cannot be understated. The financial services sector is undergoing significant changes in response to new AML frameworks, and the role of accountants is evolving in tandem. Accountants are increasingly expected to play a frontline role in identifying and preventing money laundering activities, ensuring that their clients operate within the bounds of the law. This is a critical responsibility that extends beyond compliance; it involves safeguarding the integrity of Malta's financial system. We have been working closely with regulators to ensure that our members are prepared for these challenges, and we remain committed to providing ongoing support and resources in this area.

Another issue which is expected to deeply affect the way we operate surrounds the ongoing debate over the audit exemption, which was first announced in Budget 2024. For months, this issue has been a major point of contention, demanding a thorough consultation process to ensure that all viewpoints are adequately considered. After extensive dialogue with members and stakeholders, we are pleased to report that we are nearing the final stages of this process. Earlier this summer, we held a consultation meeting that allowed members to voice their opinions directly. We followed this with comprehensive feedback to the Malta Tax and Customs Administration (MTCA) regarding their counterproposals. Given the potential impact and scope of the proposed changes, it was crucial that we involved as many of our members as possible in this consultation. While it has been a challenging process, we are close to achieving a consensus that balances the needs of all parties involved.

A key part of our strategy is to influence policy before new proposals are formally issued. To achieve this, we maintain continuous discussions with regulators and policymakers, both as representatives of the profession and as advocates for the wider business community. Our involvement in shaping policy reflects our understanding that the accounting profession does not operate in isolation but is an integral part of the broader economic framework. This is also why we have been involved in discussions with the Malta Financial Services Advisory Council (MFSAC) and with Identita', where we are actively engaged in collaborative efforts on identifying and addressing the resources and skills gap in the financial services sector.

Ensuring a steady pipeline of talent is essential to maintaining the strength and resilience of the accounting sector, and we are committed to continuing our work in this area.

The MIA has also been actively involved in discussions with regulators on a variety of topics, including the proposed amendments to the Companies Act and the Civil Code. Similarly, we engaged in discussions with the Office of the Commissioner for Voluntary Organisations on changes being proposed to the Voluntary Organisations Act.

In addition to our regulatory work, we have continued to invest heavily in education and training as part of our overarching objective of enhancing the attractiveness of our profession. At the MIA, we continue to insist that professional development is the cornerstone of a successful accounting profession. To this end, we have adopted a forward-looking approach, focusing on upskilling our members and equipping them with the knowledge they need to thrive in the new realities.

Finally, this year we are celebrating the 20th anniversary of the MIA-ACCA Joint Examination Scheme, a partnership that has been a source of pride for the MIA and an important milestone in the development of the accountancy profession in Malta. Over the past two decades, this collaboration has helped to raise the standard of accountancy qualifications in Malta, providing our members with internationally recognised qualifications that open doors to opportunities both locally and abroad. The ACCA partnership has played a critical role in shaping the careers of countless professionals, and we look forward to continuing this fruitful relationship in the years to come.

In conclusion, I would like to thank the contributors that once again spared valuable time to share their insight and experiences for this edition of The Accountant, which takes an in-depth look at issues associated with corporate governance, testament to the importance the MIA gives to this issue which is intrinsically linked with the reputation of our industry.

SUSTAINABILITY
CORNER

IFAC Publication: What to expect from sustainability assurance

The International Federation of Accountants (IFAC) has released a publication on **What to expect from Sustainability Assurance**.

The shift to mandatory sustainability reporting and assurance is underway, with policymakers and regulators already moving in that direction. The introduction of the new requirements requires companies to develop adequate governance structures, processes, systems and controls that will need testing through both internal assessment and external assurance. Preparers must therefore develop strong and reliable materiality assessments in line with the reporting obligations set by the **International Standard on Sustainability Assurance** (ISSA) and global ethics standards.

In view of this, accountancy professionals, market regulators, preparers, investors and all other stakeholders need to work together towards high-quality sustainability assurance.

IFRS Foundation's Inaugural Jurisdictional Guide

The IFRS Foundation and the International Sustainability Standards Board (ISSB) published the **Inaugural Jurisdictional Guide for the adoption or other use of the International Sustainability Standards Board (ISSB) Standards (the Guide)**.

The Guide's objective is to promote consistent and comparable climate and other sustainability-related disclosures for capital markets on a global scale. It includes a range of approaches that jurisdictions may take when introducing sustainability-related disclosure requirements in their legal and regulatory frameworks.

This Guide was welcomed by IFAC, who have collaborated with the IFRS Foundation on a component of this Guide, the **Regulatory Implementation Programme**.

IFAC's four challenges and opportunities for SMEs and SMPs

Small and medium-sized enterprises (SMEs) as well as small and medium practices (SMPs) play a pivotal role in the global economy and are a vital component of the sustainability transformation taking place in businesses across the globe.

The integration of sustainability reporting requires the involvement of multiple professions, with accountancy professionals being on top of the list in many aspects. In this context, IFAC identified the **four key challenges and opportunities in the context of SMEs and SMPs**. These are:

- Championing an integrated mindset, whereby organisations can incorporate sustainability into their strategy and daily operations, thus developing processes, systems and controls for sustainability-related information;
- Converging on a worldwide starting point for sustainability reporting to provide consistent, comparable, and decision-useful sustainability disclosures as well as reduced cost and complexity for organisations;
- Providing a global baseline for high quality assurance, ethics, and independence for sustainability assurance practitioners; and
- Helping SMEs to understand the business case for sustainability, through a capacity building process.

IFAC also developed a Small Business Sustainability Checklist that can be tailored by each business to take into consideration factors such as the respective industry sector, lifecycle, and products and services provided.

Note: These and other updates are available on the MIA website in **European and International Updates under Publications**.

EFRAG publishes the ESRS Set 1 XBRL Taxonomy

The European Financial Reporting Advisory Group (EFRAG) was tasked by the European Commission (EC) to develop the digital taxonomy for the European Sustainability Reporting Standards (ESRS) **adopted by the EC on 31st July 2023**. In this regard, EFRAG published its XBRL Taxonomy for ESRS Set 1.

In addition, it has published the eXtensible Business Reporting Language XBRL Taxonomy for Article 8 disclosures. Each Taxonomy is accompanied by an Explanatory note and Basis for Conclusions.

Further information is available in the **news section** of the EFRAG website.

NEWS ROUNDUP

Central Bank expects salaries to rise faster before year end

Wages in Malta are expected to rise significantly before the year is out, driven by past inflation and a tight labour market, before moderating in the following years as inflation eases. According to the Central Bank of Malta's latest forecasts, Malta's Gross Domestic Product is set to grow by 4.4% in 2024, with slower growth of 3.5% and 3.4% projected for 2025 and 2026. Growth during this period will be primarily fuelled by domestic demand, the Bank said, particularly private consumption and a gradual recovery in private investment. While net exports will contribute positively, the Bank forecasts that their impact will be smaller and decline over time. More information can be found on the **Central Bank of Malta website**.

FIAU to update goAML by end of year

At the end of December 2024, the Financial Intelligence Analysis Unit (FIAU) will upgrade its suspicious reporting system, goAML, to a more advanced version. The upgrade will feature an improved web portal interface, a new XML schema, and additional portal functionalities. While the current XML schema can still be used for submitting reports, subject persons are advised to ensure correct mapping of the reporting indicators. In this regard, the technical documentation in relation to the report indicators and XML schema have been finalised and made available by FIAU. The FIAU has also upgraded its test environment, which can now be used to test the web portal user interface and the XML schema. Additional information can be found on the **FIAU website**.

Malta's graduates most likely to find job after completing studies

In 2023, almost 96% of new graduates in Malta found employment, according to Eurostat, the European Union's (EU) statistical office. This result ranks Malta first among 22 EU countries, well above the EU average of 83.5% for recent graduates. The high employment rate indicates that students in Malta are more likely to secure jobs shortly after finishing their studies. After Malta, other EU countries with high employment rates for recent graduates include the Netherlands, Iceland, Germany, and Austria. On the other hand, the lowest rates were recorded in Italy (67.5%), Greece (72.3%), Romania (74.8%), Croatia (78.2%), and Spain (78.7%). Further information can be accessed through the **Eurostat website**.

Maltese economy grows by 4.4% in Quarter 2

Malta's economy grew by 4.4% in the second quarter of the year, in volume terms, according to the National Statistics Office. Services delivered the strongest contribution to this growth with an increase of 5%, with industry contributing 0.5%. The increase in service activities was mainly driven by growth in professional, scientific and technical activities (11.4%), real estate activities (13.1%), and financial services activities (8.6%). Unemployment remained stable at 3% at the end of July, with a higher rate (8.7%) for young people aged up to 24 years. Further information is available under **News Release 159/2024** and **News Release 160/2024** on the NSO website.

MIA diary

Summer Networking Event 2024

The much-anticipated Summer Networking Event brought together a lively crowd for a laid-back evening of connection and camaraderie. It was a fantastic chance for everyone to catch up with colleagues, meet the MIA team, and enjoy the warm atmosphere in a relaxed, informal setting. Wine, laughter and conversations flowed freely, making it a great occasion to strengthen ties within the accountancy profession and beyond. Once again, the MIA also welcomed key stakeholders from the Maltese financial services industry, adding extra value to those attending. With a mix of familiar faces and new connections, the evening was a perfect blend of fun and networking with great food and music in the background, reaffirming the Institute's dedication to fostering community and collaboration.

During the event, participants also had the opportunity to contribute to a great cause. Through the sale of raffle tickets, over €500 were raised for The Children in Need Foundation. The Institute is glad to be associated with this Foundation, which is carrying out wonderful projects to support the physical, mental, social and educational needs of disadvantaged children. This meaningful contribution highlights the collective effort to support a worthy cause. However, the commitment does not stop there: plans are already in place for more fundraising activities throughout the year to continue making a difference.

MIA Offices Refurbishment

This Summer, the MIA offices underwent a comprehensive refurbishment to enhance the environment for staff, members and visiting guests. This project aimed to create a more welcoming and vibrant atmosphere, and involved a complete repainting of the walls, the installation of contemporary wallpaper to add a modern touch, and an upgrade of the lighting to bring a brighter, more energised feel to the space. This refurbishment also offers a more comfortable and engaging setting for everyone who visits or works at the MIA office, while ensuring that the premises look more appealing.

Education

MIA joins forces with leading firms to promote profession at I Choose Fair

As part of its extensive efforts to promote the accountancy profession among young students, collectively branded under the #AccountsForYou campaign, the Malta Institute of Accountants (MIA) was once again present at the popular ‘I Choose Fair’, hosted by the Ministry for Education, Sport, Youth, Research and Innovation (MEYR).

Held in mid-July, this year’s event attracted hundreds of students under the age of 18, along with several parents, who sought guidance and inspiration at this critical juncture of their educational journey.

For the first time, the MIA joined forces with five major firms and set up a common stand at the Fair, with the objective of highlighting the opportunities offered by a career in accountancy.

The Institute’s participation, supported by representatives from Deloitte, KPMG, Mazars, PWC, and RSM, brought about

A panel discussion on the theme “Careers in Finance: Your journey towards unlimited opportunities”.

an engaging experience featuring games, competitions and word searches, which sparked enthusiasm and curiosity in the participating students. This interactive approach provided a vivid insight into the dynamic and rewarding nature of a career in the accounting sector, leaving a lasting impression on attendees.

During this fair, the Institute led a panel discussion on the theme *Careers in Finance: Your journey towards unlimited opportunities*. The discussion focused on the diverse roles and career growth opportunities within the financial services industry, and the transferability of skills of finance professionals, even beyond our shores.

As the representative of the profession, the MIA extends heartfelt gratitude to the participating firms for their cooperation and support. This collective effort demonstrates a shared commitment to nurturing future talent, which is essential for ensuring the continued growth and vitality of the accountancy profession in Malta.

Diversity in Board Governance
– the non-executive Board members and accountant's perspectives

A spate of international scandals in the late and early years of the 20th and 21st centuries respectively have significantly transformed the role of non-executive directors on entity Boards. High-profile cases like Enron, WorldCom and Lehman Brothers have strongly underscored the need for stronger governance, independence, ethics and accountability.

A well-functioning Board of Directors is critical for good corporate governance. Corporate Governance is a tool that enables focus on the system of rules, practices and processes used to direct and control an entity. If implemented well, this tool should enable the management and the Board to deal effectively with the challenges of running an entity, thereby providing various stakeholders, including investors and the general public, with the peace of mind that the entity's objectives are being pursued in a manner that is lawful, ethical, accountable and effective.

The Board's primary purpose is not to manage the entity or make executive decisions. Instead, it is tasked with providing thorough oversight and critically evaluating the management's proposals based on the available facts.

Experience has shown over-and-over again that Boards excel when they are made up of both executive and non-executive directors and when members bring a diversity of experiences and professional qualifications to the table. Let us be clear – the Company Law does not make a distinction between executive director or otherwise, or between qualified director or otherwise. Each director appointed to a Board has the same responsibilities and potential liabilities at law. This is an important factor that each director needs to keep in mind especially when he/she is under the misconception (indeed the fallacy) that this is only a 'part-time' appointment. For many years non-executive director positions were regarded by semi or retired accountants (and other professionals) as a good supplementary source of income with limited time commitments. They forget, in the process, that the responsibility at law is the same as that of any other Board member.

Non-executive Board members (NEDs) have a crucial role to play as indeed do independent non-executive Board members. The latter are considered to be not only independent of management but also free from any business or other relationship with the entity that could interfere with the exercise of their independent judgement. Their contribution is critical in both family-owned businesses and also entities that can have a direct impact on the public. According to the Cadbury Report, NEDs should bring an independent judgement to bear on issues of strategy, performance and resources, including key appointments and standards of conduct. They need to hold management to account and not simply take what is presented as a given.

NEDs in family businesses provide valuable oversight, expertise, and an objective perspective. Their external viewpoint helps balance the often close-knit and emotionally charged dynamics within family-run companies. By offering impartial advice, NEDs can prevent conflicts of interest and ensure that decisions are made in the best interest of the business rather than being swayed by familiar relationships. Additionally, NEDs with a wealth of expertise and experience from outside can help to fill certain internal voids due to lack of certain skills. Their involvement can also bolster the entity's reputation with external stakeholders, including investors, customers and regulators, by demonstrating a commitment to robust governance and professional conduct. NEDs can be particularly helpful should these family entities seek public investment.

NEDs in public entities and indeed entities that have a direct impact on the public are similarly important

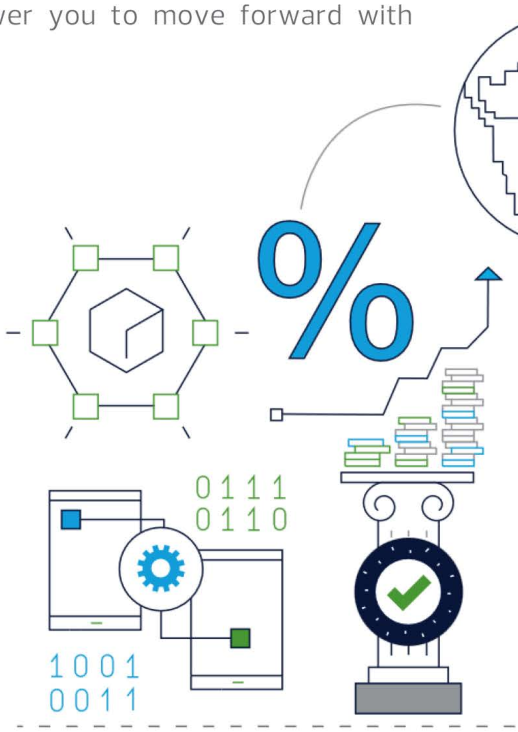
RSM Malta VAT Services

RSM

A LEADING PROVIDER OF ASSURANCE, TAX AND CONSULTING SERVICES

RSM is a powerful network of assurance, tax and consulting experts with offices all over the world. As an integrated team, we share skills, insight and resources, as well as a client-centric approach that's based on a deep understanding of your business. This is how we empower you to move forward with confidence and realise your full potential.

Companies with international operations face awareness and compliance challenges, in a complex and evolving global value-added tax (VAT) environment. As VAT regimes become increasingly demanding across the globe, complying with regulations becomes even more difficult, which can result in unidentified risks and opportunities, insufficient governance and business continuity issues.



OUR TEAM OF TAX PROFESSIONALS DELIVERS UNDERSTANDING, DEEP EXPERIENCE, TECHNICAL KNOWLEDGE AND MARKET INSIGHTS, WITH STATE-OF-THE-ART TECHNOLOGY, SUPPORTING THEIR CAPABILITIES.

- **Preparation of periodic VAT returns**
- **VAT planning for particular complex business transactions**
- **Cross-Border VAT assistance**
- **VAT review**
- **Assistance with VAT department investigations and advice thereon**

RSM Malta can ensure that correct and timely procedures for VAT are in place within your organisation, advising on areas of savings and changes to internal procedures for cost-efficiency and cash flow improvement. We will work closely with you to provide timely and cost-effective solutions to problems.

HEAR IT AS IT IS FROM OUR CLIENTS

"Your team demonstrated a deep understanding of our complex VAT issues, making us feel genuinely heard and supported. By thinking outside the box, they provided innovative solutions that exceeded our expectations. We couldn't be more impressed with their passion and dedication."

Experience the power of being understood. Experience RSM.

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

+356 2278 7000
www.rsm.com.mt

RSM Malta, Mdina Road, Żebbuġ, ZBG 9015, Malta

to bringing a degree of objectivity to the Board and management's deliberations. They play a valuable role in monitoring executive management and protecting public interest, when required.

Both entities and individuals should carefully consider Board appointments. The Board members of an entity need to support and reflect its core values. An entity should be careful not to appoint someone who may have the professional background required but who espouses values that are significantly different to those portrayed and upheld by the entity. Conversely, individuals should research the entity thoroughly before accepting appointments. This research should not be limited to the time required and the fee thereof, but should be much more thorough and indeed should also include a scrutiny of the existing fellow Board members. In Maltese we have a saying "*Ma' min rajtek xebbaħtek*". Associating with the wrong people can damage one's hard-earned reputation.

The focus on diversity and inclusion has intensified, with Boards being encouraged to incorporate a wider range of perspectives and expertise as well as age-groups. Board diversity can enhance decision-making and better reflect the entity's stakeholder base. It is better for Boards to consist of individuals with diverse talents, whether they be lawyers, accountants or professionals/technocrats from other backgrounds. When a wide array of expertise is present, the entity becomes richer in perspectives and solutions. Age is another factor that is being given more prominence nowadays. The preponderance is still in favour of the older age group as they are considered to have the years of experience that they can bring to bear. The relatively younger age-group however can bring a different dynamic to the Board, one based on better understanding and appreciation of the present times and the current tools/solutions available to deal with challenges.

Diversity at Board level may make it harder for the Chair of that Board to manage. But a strong appropriate governance framework that is clearly defined and diffused is the common structure that will bring Board members together and help them to sing from the same hymn sheet.

Accountants can play a vital role on Boards both as executive directors and NEDs, irrespective of whether they are independent or otherwise. Their strong analytical skills, deep understanding of financial information, fact-based approach, objectivity and scepticism makes them capable of well-reasoned decisions and judgements, devoid of emotional bias. Accountancy professionals bring a wealth of valuable skills to the boardrooms that can significantly enhance an entity's governance and strategic decision-making. On the other hand, their focus to detail and operations can be a double-edged sword and if not utilised judiciously can result in the accountant Board member looking at things from a management rather than a director perspective. Accountants are also very familiar with their code of ethics whose principles are equally applicable in a directorship environment. This helps accountants to facilitate the maintenance of a serious tone at the top, necessary for a strong and thriving governance framework. It also helps them to better appreciate the public interest which can be so very important in particular circumstances.

Effective communication is paramount for the success of any Board. Accountants who by nature tend to be more comfortable with numbers than with people must make the effort during their career development to develop communication, including presentation skills, whilst also be able to listen well to the diverse points of view. In their career accountants are likely to find themselves having to communicate with both internal and external stakeholders ranging from Boards, management teams, employees, shareholders, finance providers, unions, regulators and other third parties. Strong communication skills can be an important skill that the accountant can bring to the Board table. The ability to convey complex ideas in an understandable manner, negotiate conflicts, and build consensus is a very big advantage.

And then there is the million-dollar question – what about women accountants as Board members? Unfortunately, we are still living in an age where this 'women' question is asked. I hope that I will live long enough where such a question becomes a complete irrelevance. An important factor that is at times missed in this whole jungle of a debate (quotas, family time, children and more) is the different perspective a woman can bring to the forum because of her very nature. While men and women are equal, they are not the same, and the female perspective can contribute significantly to an entity's dynamics. We do see things from a different point of view – I do not know why, perhaps this is a matter of biology (!). In my professional life of more than 35 years I have participated in many, usually male dominated, fora. My experience has mostly been that I do see things differently and at times am instrumental to bringing into the discussion factors that would otherwise not have been considered at all.

Women should not be appointed merely to meet arbitrary quotas but should be recognised for the unique experiences and insights they can provide because they are female.

Thus diversity, whether gender based, age based, experience based or competency based, is a definite plus and the discerning shareholders will likely make it a requirement on their Boards if they want to maximise their returns in a sustainable manner.

Maria Micallef was the Managing Partner at RSM Malta until her retirement in December 2020. Maria specialised in business advisory services including mergers and acquisitions, corporate finance, valuations, and investment appraisals. She is a nonexecutive director on the Boards of HSBC Bank Malta plc and PG plc, and a visiting lecturer at the University of Malta. Maria served as President of the Malta Institute of Accountants during the period 2013 to 2015.

Enhancing Corporate Governance for Financial Stability and Investor Protection

The Organisation for Economic Co-operation and Development (OECD) defines corporate governance as “a set of relationships between a company’s management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.” Good corporate governance ensures that entities are managed efficiently, effectively, and responsibly. It fosters sustainable business practices, creates long-term value for stakeholders, and emphasises the importance of transparency and accountability.

Effective corporate governance is crucial for achieving the three main objectives of financial regulation: investor protection, market integrity, and financial stability. Recognising this, the Malta Financial Services Authority (MFSA) prioritises corporate governance as a key strategic and supervisory focus, as highlighted in its Strategic Statement (2023) and Supervisory Priorities (2024).

In Malta, corporate governance is primarily legislated through the Companies Act, in addition to sector-specific frameworks. The MFSA has also published various guidelines and manuals to clearly establish standards and expectations, particularly regarding the role of the board of a supervised entity.

In 2022, the MFSA introduced a **Corporate Governance Code** (the Code) applicable to all unlisted entities authorised by the MFSA across sectors. By outlining a set of principles complemented by supporting provisions, the Code provides best practices for financial services entities. It is divided into four sections: (i) the effective board, (ii) internal controls, (iii) stakeholder engagement, and (iv) corporate culture, Corporate Social Responsibility (CSR), and Environmental, Social, and Governance (ESG).

The Code addresses practical considerations and underscores the Board of Directors’ ultimate responsibility for an entity’s corporate governance arrangements. It asserts that boards should include a mix of Executive and Non-Executive Directors, with at least one Independent Non-Executive Director. Boards must ensure robust internal control mechanisms to identify, understand, manage, and disclose risks, establish the entity’s risk appetite, and consistently monitor, review, and report on risk management and internal control systems.

Regarding stakeholder engagement, the Code emphasises that the Board should serve the legitimate interests of the entity and be accountable to shareholders, encouraging active cooperation between the entity and its stakeholders. The Code also highlights the importance of integrating ESG standards and CSR principles into the entity’s strategy.

Beyond the Corporate Governance Code, the MFSA has released additional publications promoting best practices, such as “**The Corporate Governance Manual for Directors of Collective Investment Schemes**,” which addresses the unique needs of the funds sector and complements the main governance code.

Maintaining high standards of corporate governance in the financial services sector enhances Malta’s reputation as a financial services centre and, by extension, strengthens the economy. Going forward, the MFSA will continue its efforts in supervision and policy development, providing necessary guidance to maximise directors’ understanding of their roles and ensuring the adoption of best practices, thus fortifying entities’ corporate governance ethics.

*This article was written on 26th July 2024 and reflects updates up to that date.

Kenneth Farrugia, CEO of the MFSA, is a qualified accountant with extensive experience in both private and public sector audits. He served as Director of the FIAU, Malta’s AML/CFT Supervisor, from 2017 to 2023, implementing significant reforms and establishing new teams. Mr Farrugia represented the FIAU internationally and previously also worked within Malta’s Internal Audit and Investigations Department, including as Director General. He is also the current Chairman of the FIAU.


We Don’t Predict The Future
We Help You Shape It
Grant Thornton delivers data driven insights, right when you need them
Malta Property Landscape
A True Picture
Powered by Dhalia
Your Partner
In Shaping
Malta’s Future
Grant Thornton

The Roles and Duties of Directors and Company Secretaries

The roles and responsibilities of directors are outlined primarily in the Companies Act, Cap. 386 of the Laws of Malta ("CA"), with additional duties arising from the Civil Code, Cap. 16 of the Laws of Malta, and other specific laws related to taxation. Directors play an indispensable role in the management and governance of a company, guiding it towards its objectives while ensuring compliance with legal and regulatory requirements. They are expected to act with integrity, honesty, and professionalism, always performing their duties with the care and prudence of a bonus paterfamilias, as failure to do so, may result in both civil and criminal liabilities.

Directors' duties may be divided into general and administrative duties.

General duties include acting with loyalty and good faith, as required by Article 136A(1) of the CA, which prohibits conflicts of interest and mandates that directors prioritise the company's interests above their own. Directors must also exercise care, diligence, and skill in decision-making, meeting the standards of a reasonable person in similar circumstances, as per Article 1124A of the Civil Code.

Administrative duties involve compliance with operational aspects such as maintaining statutory registers, ensuring accurate record-keeping, and timely filing of documents with the Registrar of Companies (the "Registrar"). Directors are responsible for preparing and submitting financial statements, which are essential for the company's transparency and accountability. During a company's winding-up process, directors must ensure that this is conducted lawfully and fairly. Non-compliance with these obligations can lead to significant penalties and may even give rise to personal liability and disqualification from their role under Article 142 of the CA. Directors are also tasked with appointing key officers, including the company secretary.

The company secretary's role clearly extends beyond clerical tasks in the company's administration and governance. The CA mandates that every company must appoint a company secretary, who is responsible for ensuring adherence to legal and regulatory requirements. In fact, the CA includes the company secretary in the definition of an "official" of a company. Unlike directors, the company secretary does not manage the company. However, the person occupying such role provides critical advisory support to the board.

The company secretary's duties include maintaining the company's statutory registers and ensuring the timely filing of documents with the Registrar such as updates to the company's memorandum and articles of association, and annual returns. They also organise board and general meetings, prepare agendas, take minutes, and ensure that decisions are accurately recorded and carried out.

The company secretary's role often involves liaising with external stakeholders and regulators on behalf of the company. Failure to fulfil these duties may also result in personal liability, particularly if negligence leads to non-compliance with legal requirements, such as missed Value Added Tax or annual returns. The Malta Business Registry underscores the importance of the company secretary in maintaining corporate governance standards, highlighting the role's critical nature for the company's smooth operation.

Dr Abigail Caruana is a senior legal officer within the Legal and Enforcement Unit at the Malta Business Registry. She graduated Doctor of Laws from the University of Malta in 2017 and was awarded the Certificate in Trusts Law and Management. In 2018, she was admitted to the Bar to exercise the profession of advocate before the Maltese Courts and Tribunals. In 2023, she has furthered her studies by completing the course entitled A Practical Approach to Anti-Money-Laundering Legislation with the University of Malta.

Where you belong

At Baker Tilly, we don't just talk about belonging, we live it. Our core values of **collaboration**, **integrity**, **passion**, and **stewardship** shape our vibrant culture.

If you're ready to love what you do and make a real impact, join us in creating a sustainable, responsible impact for our people, clients, and communities.

The Company Secretary as a Key Advisor to the Board

As the business community ramps up its appreciation of the effective and critical role of strong corporate governance, the position of the company secretary has become increasingly important, serving as a cornerstone of effective governance and regulatory compliance. Traditionally viewed as a purely administrative function, the modern company secretary now acts as a key advisor to the board, ensuring directors are fully aware of their legal responsibilities and that the company adheres to best practices in governance. This shift reflects a growing recognition that sound governance is crucial for maintaining investor confidence, enhancing corporate reputation and mitigating risks associated with non-compliance.

Key Functions and Responsibilities

The company secretary's responsibilities extend far beyond administrative duties, playing a pivotal role in ensuring effective communication and transparency between the board and the company's shareholders. This function is essential in the current environment, where shareholders and institutional investors increasingly demand greater accountability and transparency from the companies in which they invest. A proactive and effective company secretary can significantly enhance a company's engagement with its shareholders, fostering trust and loyalty.

The company secretary is also instrumental in advising on corporate governance standards and practices. By ensuring that governance frameworks are robust and aligned with the latest regulations and expectations, the company secretary not only helps safeguard the company's legal standing but also its reputation and long-term sustainability. This comprehensive approach to governance makes the company secretary an indispensable figure in today's corporate world, where compliance, transparency and ethical conduct are more important than ever.

A company secretary is an essential part of any organisation, playing a crucial role despite not being a formal director. They are integral to the board, required to attend every meeting, and ensure that proper governance and compliance are upheld. They are also duty bound to report evidence of misdemeanour.

My message here is clear: the importance of this role should never be underestimated. This responsibility applies to both the individual fulfilling the position and the board selecting their company secretary. It is imperative that the person chosen is not only well-trained but also possesses the right skills and mindset to effectively manage the demands of the job.

Learning from the British Model

Reflecting on past experiences, it is evident that the practices we are now seeing in Malta have been part of the corporate fabric in other countries, such as the UK, for many years. My experience as a company secretary years ago in a British manufacturing firm highlighted how these governance systems, which are now becoming more prevalent in Malta, were already well-established. In the UK, it has been standard practice for decades for companies, even start-ups, to include a non-executive director on their boards. This approach has not only enhanced governance but also brought in fresh perspectives and external oversight, which are crucial for balanced decision-making.

The Growing Complexity of the Role
The duties and responsibilities of a company secretary have expanded significantly, now encompassing a broad range of functions that often require the use of third-party sources, such as legal consultants and advisory firms. This is particularly true regarding regulatory developments and requirements from the Malta Financial Services Authority, Malta Business Registry and other regulatory bodies. The complexity and scope of the role have evolved to such an extent that company secretaries must stay continuously updated on regulatory changes and industry standards to ensure full compliance. This ongoing need for expertise underscores the importance of selecting a company secretary who is not only well-trained but also adaptable and knowledgeable about current and emerging governance issues.

At present, I happen to hold the position of Chief Financial Officer (CFO) at a leading Maltese firm, while at the same time acting as its company secretary. Interestingly, these two seemingly different roles are increasingly intertwined in the modern corporate environment, as both positions are fundamentally concerned with governance, compliance and strategic management.

The CFO is primarily responsible for overseeing the financial health of a company, including financial planning, risk management and financial reporting. These responsibilities often overlap with those of a company secretary, who ensures that the company complies with legal and regulatory requirements and that the board's decisions are implemented correctly. Both roles require a deep understanding of the regulatory landscape, financial regulations and corporate governance principles, making them complementary functions that can, in some organisations, be effectively performed by the same person.

Combining these roles can lead to greater efficiency and streamlined decision-making processes. When one individual oversees both financial and governance aspects, financial strategies can be more seamlessly aligned with governance requirements. This dual role can also enhance the organisation's ability to manage risks, as the individual would have a holistic view of both the financial health and compliance status of the company.

However, it is crucial to ensure that the person performing these dual roles has the necessary expertise and capacity to handle the broad range of responsibilities effectively, as the workload and complexity can be significant. In smaller companies, where resource allocation may be more constrained, having one individual perform both roles can be practical and beneficial, provided that governance standards are maintained and there is a clear separation of duties to avoid potential conflicts of interest. Support from third parties is always beneficial.

Progress in Maltese Corporate Governance
On a positive note, there has been significant progress in appointing the right individuals for the role of company secretary within Maltese companies. This improvement reflects a broader cultural shift we have witnessed in recent years, especially following the challenges of the post-grey-listing period. There is now a greater emphasis on robust corporate governance, which includes having a well-structured board, ensuring regular and meaningful meetings, appointing non-executive directors to offer an external perspective, promoting gender balance, and more. These changes demonstrate a commitment to enhancing the overall effectiveness and integrity of corporate governance within Maltese firms.

In an era where transparency, accountability and ethical conduct are paramount, the company secretary stands as a guardian of corporate integrity, vital to the success and sustainability of any organisation. As companies navigate the complexities of modern business, the company secretary's role will continue to grow in importance, ensuring that organisations not only comply with legal requirements but also uphold the highest standards of governance.

Stephen L. Muscat is Chief Financial Officer and Company Secretary at Liquigas Malta Limited. He also serves as Chairman of the PAIB Group at the Malta Institute of Accountants and is an Honorary Treasurer of the Malta Employers Association.

The Tax Audit Process
Insights and Best Practices

Tax audits/ tax investigations carried out by the Maltese tax authorities are becoming more sophisticated and far reaching. This article delves into the intricacies of tax investigations, exploring their purpose, process, and implications.

Tax compliance and enforcement
The principle is that the primary objective of a tax audit is to detect and deter tax evasion and fraud. Tax authorities conduct these investigations to ensure that taxpayers accurately report their income, deductions and credits.

Types of tax audits
Tax audits can be broadly categorised into two types: civil and criminal.

1. *Civil Tax Investigations*: These are typically conducted when there is a suspicion of errors or discrepancies in a taxpayer's returns. The aim is to correct these errors and recover any unpaid taxes, along with interest and penalties. Civil investigations can range from desk audits to more complex field audits.

2. *Criminal Tax Investigations*: These are more serious and are initiated when there is evidence of deliberate tax evasion or fraud. Criminal investigations can lead to severe penalties, including fines and imprisonment. They sometimes involve collaboration between tax authorities and law enforcement agencies.

What process is involved in a tax enquiry?
The process of a tax audit generally follows several key steps:

1. *Selection*: The Verification and Audit Directorate (the tax investigative arm of the Malta Tax and Customs Administration [MTCA]) audits processed returns and typically uses various methods to select cases for investigation.

2. *Notification*: Once a case is selected, taxpayers are notified in writing that an audit will be conducted on their tax declarations and, where relevant, on any related parties – this means that where the taxpayer is a company, such a tax investigation may potentially also extend to directors and shareholders. The notification would typically outline the scope of the investigation and the case officers handling the enquiry process, the information required to be submitted, the taxpayers' right to appoint a representative and the expected timeline within which the tax investigation is to be carried out and concluded.

3. *Information Gathering*: The taxpayer is expected to collaborate and provide relevant documents and information as may be requested, such as bank statements, receipts and financial records. The Verification and Audit Directorate may also conduct interviews and visit business premises if necessary.

4. *Analysis*: The gathered information is thoroughly analysed to identify any discrepancies or evidence of non-compliance.

5. *Tax Dispute Resolution*: Based on the findings, the Verification and Audit Directorate will determine the appropriate action. In civil cases, this may involve adjusting the tax return and imposing penalties. In criminal cases, it could lead to prosecution.

A tax investigation may be completed within months, but sometimes may also take a number of years - the duration thereof would highly depend on the type of tax audit and the complexity of the case in question.

How far back can the tax authorities investigate?
An income tax assessment may be issued not later than five years from the end of the year in which the tax return or further return for that year is filed. This means that the filing of an adjustment form (to the tax return) will automatically extend or re-open the assessment period for that year in question.

Our cybersecurity specialists can assist you with DORA compliance by bridging the gap between the risk, compliance, and IT functions. Our team brings proven experience in the cybersecurity field. We have a team of experienced and dedicated information security specialists who can put together a comprehensive service offering tailor-made to your requirements.

With DORA coming into force on **17th January 2025**, this is the opportune time to dedicate all efforts to achieving DORA readiness.

forvismazars.com/mt

forv/s mazars

The above prescription period will not apply where a taxpayer would have made incomplete disclosure of material facts or wilful disclosure of incorrect or misleading information in the income tax return/s.

With respect to VAT assessments, the prescription period is limited to six years from the end of the relevant tax period or the filing date of the said tax return (whichever date is the later).

What are the potential consequences following a tax audit for a taxpayer?
Being subject to a tax audit can have significant implications for individuals and businesses including:

1. *Financial Penalties*: Taxpayers found to be non-compliant may face substantial financial penalties, including interest on unpaid taxes – such charges accrue at varying rates depending on the type of default, timing of settlement and the year/s in which the default arises.

2. *Reputational Damage*: A tax audit can harm an individual's or business' reputation, especially if it results in criminal charges or public disclosure.

3. *Legal Consequences*: In cases of serious fraud or evasion, taxpayers may face legal consequences, including imprisonment.

4. *Operational Disruption*: The investigation process can be time-consuming and disruptive, diverting resources and attention away from regular business operations.

The ultimate implications very much depend on the success of the dispute resolution proceedings.

How can a taxpayer minimise his risk assessment score?
While it is not always possible to avoid a tax investigation, there are certain steps taxpayers can take to be as prepared as possible if such an investigation were to arise, such as:

1. *Accurate reporting*: Ensure that all income, deductions, and credits are accurately reported on tax returns.

2. *Keep proper and sufficient records*: Keep detailed and organised financial records in accordance with the law to support the information reported on tax returns. Any records, documents, accounts and electronic data which, for no reasonable excuse, are not provided to the Verification and Audit Directorate during the course of the tax enquiry process, shall not be produced before the Administrative Review Tribunal or in any court of law.

3. *Document retention policy*: Ensure that proper and sufficient records of income and expenditure are kept for the minimum prescribed retention periods (as mandated in different legislations).

4. *Seek professional advice*: Consult with tax professionals to ensure compliance with tax laws and regulations and perform regular tax health checks.

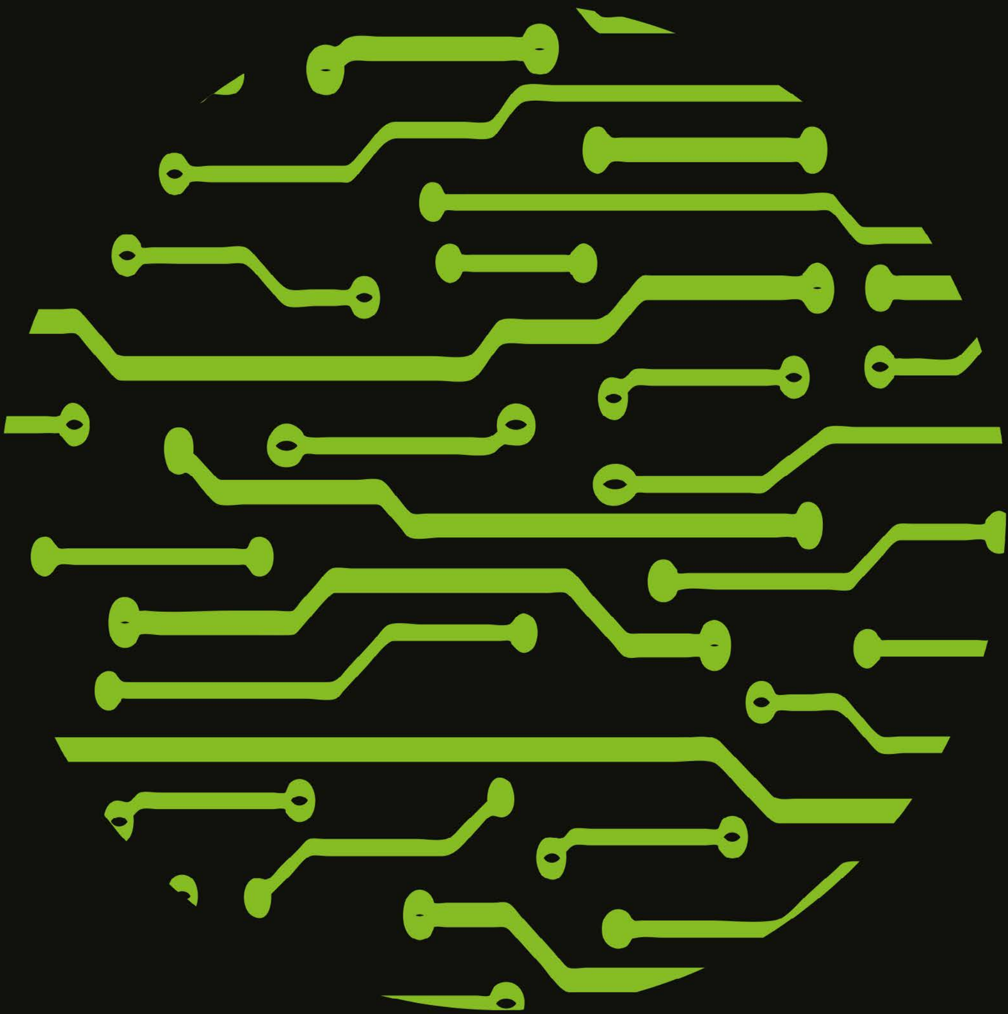
5. *Cooperate with the objective of coming to a solution:* Whilst a tax investigation inherently involves an element of negotiation, at the same time both ends need to be reasonable.

Conclusion
Whilst tax audits can be daunting, understanding the process and implications can help taxpayers navigate them more effectively. By adhering to best practices, individuals and businesses can be better prepared if and when one has to face such an investigation.

Roberta Gulic Hammett is a Senior Manager within the Tax Service Line at PwC Malta. She has over fourteen years' experience in the field of Tax Dispute Resolutions, has been involved in various tax due diligences, and various tax technical matters. Roberta also lectures students in preparation for the Advance Diploma in International Taxation and participates in several tax conferences.

Bernard Attard is a Tax partner at PwC Malta. Bernard's experience over the years includes being involved in various tax and related assignments both internationally and locally for clients in a wide variety of industries and sectors. In 2007, Bernard was seconded to the International Tax Structuring Group in Berlin. Bernard addresses various technical seminars and conferences and lectures in Tax Law at the University of Malta and is also a member of the Tax Committee of the Institute of Financial Services Practitioners of Malta.

Deloitte.



Strengthen your operational resilience

Ready to conquer DORA? Stay ahead with Deloitte as your trusted advisor.

www.deloitte.com/mt/cyber

MTCA UPDATES

The "Mutual Agreement Procedure" – What it is and the role of the Competent Authority

The Mutual Agreement Procedure (MAP) provides an avenue for the resolution of international tax disputes whenever a person considers that actions of one or both Contracting States' Tax Authorities result or will result in taxation in his regard that is not in accordance with the provisions of a tax treaty or convention. Taxpayers may request MAP assistance under the terms of the relevant Double Taxation Treaty (in conjunction with the relevant articles of the Multilateral Instrument (MLI), where applicable), the EU Arbitration Convention, or the European Union (Tax Dispute Resolution Mechanisms) Regulations (DRM).

Whilst the MAP article and procedures related thereto within the above-mentioned instruments may differ slightly, the basic tenet is that reflected within Article 25 of the Organisation for Economic Co-operation and Development (OECD) Model Tax Convention. This article can be found in practically all of Malta's Double Taxation Treaty network. The MAP article provides a mechanism, independent from the ordinary legal remedies available under domestic law, through which the competent authorities of the Contracting States may resolve differences or difficulties regarding the interpretation or application of the Convention on a mutually agreed basis.

For this purpose, MAP allows the competent authorities designated from the governments of the Contracting States to interact with each other with the intent to resolve such international tax disputes. In Malta's case, the Commissioner for Tax and Customs (CfTC) is the appointed authorised representative of the Minister responsible for finance in relation to Competent Authority duties[1].

The Competent Authority plays a pivotal role in MAP proceedings in that interaction with counterparts of the other Contracting States is required to endeavor to resolve such tax disputes with a view of restoring a situation whereby the applicable tax treatment is in line with the provisions of the applicable tax treaty or Convention. It is pertinent to note that the role of the Competent Authority is discharged and carried out independently from the audit function within MTCA.

Whilst the different legal instruments under which the dispute has been submitted would have their own nuances, in general, within MAP proceedings, the Malta Competent Authority would undertake the following obligations:

- Take a view on the acceptance or otherwise of the MAP request. Generally, a MAP request is considered well-founded and justified where (a) there are reasonable grounds to seek access to MAP, i.e.; there is a question in dispute; (b) there is a timely notification of the action that resulted, or will result, in taxation not in accordance with the convention or treaty (generally within a period of 3 years); and (c) the request is accompanied by the minimum information required. The action that resulted or will result in taxation not in accordance with the provision of the double taxation convention or treaty must be more than a mere possibility;
- Initiating the MAP process by assessing whether it is possible to resolve the case without the involvement of the other Competent Authority. In the absence of unilateral resolution, the Competent Authority shall endeavor to resolve the case by mutual agreement with the Competent Authority of the other Contracting State within a period of 2 years. It is to be noted that the negotiation of a MAP case is a government-to-government process, and the taxpayer does not have a legal or other right to attend those negotiations; and
- Beyond specific MAP requests, the Competent Authority is entrusted to resolve by mutual agreement any difficulties in relation to the interpretation or application of the convention or treaty.

1 The CfTC has in turn delegated this function to an official that is employed within, or is in service of, the Malta Tax and Customs Administration. Contact details for submitting a request for MAP assistance can be found in the relevant section of the Malta Tax & Customs Administration ("MTCA") - **Competent Authority Details** (gov.mt).

Access to MAP is provided with regard to any of the following subjects:

1. transfer pricing adjustments;
2. attribution of profits of a permanent establishment;
3. dual residence of individuals and persons other than individuals;
4. withholding tax levied beyond what is permitted by the applicable Convention;
5. whether the conditions for the application of a treaty anti-abuse provision have been met or whether the application of a domestic law anti-abuse provision is in conflict with the provisions of a treaty; and
6. any other case in which a person considers that the taxation is not in accordance with the applicable Convention.

As referred to above, access to MAP is available regardless of whether domestic remedies or judicial and administrative remedies have been initiated by the taxpayer. However, the interaction between domestic law remedies and the MAP is a complex area and is generally governed by a Contracting State's domestic law and/or administrative procedures (i.e. a tax treaty will generally not itself contain any provisions on this point). This may thus give rise to uncertainty, particularly in light of the different approaches adopted in different jurisdictions. In this respect, whilst observing the general principle that the choice of remedies remains with the taxpayer, it is often advisable not to pursue domestic legal remedies and MAP at the same time. In any case, if domestic legal remedies are available to the taxpayer, Competent Authorities will generally require an agreement to suspend the domestic legal remedies or delay the MAP:

- If first the MAP is pursued and an agreement has been reached, the taxpayer may reject the MAP and pursue the suspended domestic remedies.
- If first the domestic legal remedies are pursued and exhausted, most countries consider it impossible to override a domestic decision through a MAP, particularly- where a final decision is issued by a tribunal or a court.

MAP negotiations amongst Competent Authorities are typically intended to take place within a two-year period in line with the general internationally recognised standards in this area. Assuming a successful conclusion of MAP negotiations, resolution takes place through the formal exchanging of letters amongst Competent Authorities, following which the Malta Competent Authority will communicate the terms of the resolution to the taxpayer. At this point, the taxpayer will be invited to consider whether to accept the resolution. The CfTC can thereafter proceed to give effect to the resolution either by informing the taxpayer to proceed to submit a "Further Return" or by issuing a formal assessment that implements the MAP agreement (depending on the case).

It is to be noted that whilst Competent Authorities are under an obligation to endeavour to resolve the case by mutual agreement, there is no guarantee that an agreement will be reached. Failure by Competent Authorities to reach an agreement within the prescribed timeline may entitle the taxpayer to seek recourse to arbitration at his written request. This depends on whether such course of action is provided for in the relevant instrument. The possibility of submitting a matter to arbitration is possible under the EU Arbitration Convention, the DRM as well as an increasing number of Double Taxation Treaties to which an arbitration clause has been included; either bilaterally or in conjunction with MLI provisions. In this respect, it is useful to recall that Malta opted for part VI of the MLI which seeks to include a mandatory and binding arbitration provision reflecting Malta's treaty policy in providing wider possibilities for addressing international tax disputes.

MAP cases vary in nature, albeit transfer pricing adjustments initiated by jurisdictions are often the source of tax disputes for which MAP is resorted to by taxpayers. Notwithstanding the fact that the complexity of MAP cases is on the increasing end, and factoring in other constraints which are incumbent in the MAP process, the office of the Malta Competent Authority remains committed to assisting taxpayers in resolving tax disputes submitted to it with a view of giving effect to Malta's commitments under the MAP article of the above-mentioned instruments.

Further information concerning the application of the MAP article as contained within Double Taxation Treaties as well as the EU Arbitration Convention can be found within the publicly available **MAP Guidelines** on the MTCA website.

Deadlines

October

- Value Added Tax (VAT) Return Quarter Period Ending August 2024 – Electronic Submission 22nd October
- Recapitulative Statement Period Ending September 2024 – 15th October*
- Central Electronic System of Payment Information (CESOP) Report for Quarter period ending September 2024 – 28th October
- Final Settlement System (FS5) Payer's Monthly Payment Advice for September 2024 – 31st October
- Company Tax Return – Financial Year ending 30th November 2023 – Web Extension Deadline – 31st October
- Directive on Administrative Cooperation (DAC 4) / Country-by-Country (CbC) Reporting by Ultimate Parent Entity/Surrogate Parent Entity – Group's fiscal year ending 31st October 2023 – 31st October 2024

November

- VAT Return Quarter Period Ending September 2024 – Electronic Submission 22nd November
- Eco-Tax Quarter Period July to September – 15th November
- Recapitulative Statement Period Ending October 2024 – 15th November*
- CESOP Report for Quarter period ending October 2024 – 28th November
- FS5 Payer's Monthly Payment Advice for October 2024 – 30th November
- Company Tax Return – Financial Year ending 31st December 2023 – Web Extension Deadline – 29th November
- DAC 4 Reporting by Ultimate Parent Entity/ Surrogate Parent Entity – Group's fiscal year ending 30th November 2023 – 30th November 2024
- DAC 4 / CbC Reporting by Ultimate Parent Entity/Surrogate Parent Entity – Group's fiscal year ending 30th November 2023 – 30th November 2024

December

- VAT Return Quarter Period Ending September 2024 – Electronic Submission 22nd December
- Recapitulative Statement Period Ending November 2023 – 15th December*
- CESOP Report for Quarter period ending November 2024 – 28th December
- Social Security Contributions (SSC) Self Employed (Class 2) payments – 21st December
- FS5 Payer's Monthly Payment Advice for November 2024 – 31st December
- First Time Buyers – Rule 3 S.L. 364.12 – contracts drawn up by 31st December
- Second Time Buyers – S.L. 364.17 – contracts drawn up by 31st December
- Transfer of Business Property and shares to family members – S.L. 364.15 – contracts drawn up by 31st December
- Urban Conservation Area (UCA) Scheme – Rule 5 S.L. 364.19 – contracts drawn up by 31st December
- Vacant Property Scheme – Rule 4 S.L. 364.19 – contracts drawn up by 31st December
- Development of Property with Traditional Features – Rule 8 S.L. 364.19 – contracts drawn up by 31st December
- Provisional Tax Payments Y/A 2025 – September to December 2024 – 21st December
- Individual Non-filer declarations payments – 31st December
- Tax on Income from Part-Time Work (TA23) Payment of tax under-deducted from part-time work – 21st December
- DAC 4 / CbC Reporting by Ultimate Parent Entity/Surrogate Parent Entity – Group's fiscal year ending 31st December 2023 – 31st December 2024

Other

*Recapitulative Statements are due on the 15th day of the following calendar month. Where the total quarterly amount (for example VAT) is less than €50,000, the recapitulative statement is due by no later than the 15th day of the following calendar month.

This article is written and complied by Dr Carmel Said Formosa, Senior Lecturer at the University of Malta and MTCA Technical Advisor, Legal, Policy, Technical and International Relations, with contributory article written by Antonella Mamo, Senior Manager at the Legal, Technical, and International Affairs Section.


What happens when great minds don't think alike?
Scan the QR code if you want to join our dynamic team and make a significant impact in your career.
EY
Building a better working world

Factors Underpinning Environmental, Social and Governance (ESG) Considerations in Investment Decisions

Companies worldwide are being made conscious of their obligations beyond shareholders' interests and concerns. These reminders are packaged under the Environmental, Social and Governance (ESG) criteria heading. In some countries regulations are in place to impose mandatory measures regarding investment decisions, company organisations, reporting formats and dissemination of information within set time frames. Voting stands at general meetings of listed companies are now influenced by the appropriate disclosure of the measures taken by companies to meet ESG commitments.

It is therefore up to company directors to ensure that the prescribed conditions are met while the firms' operations proceed profitably and, preferably, sustainably.

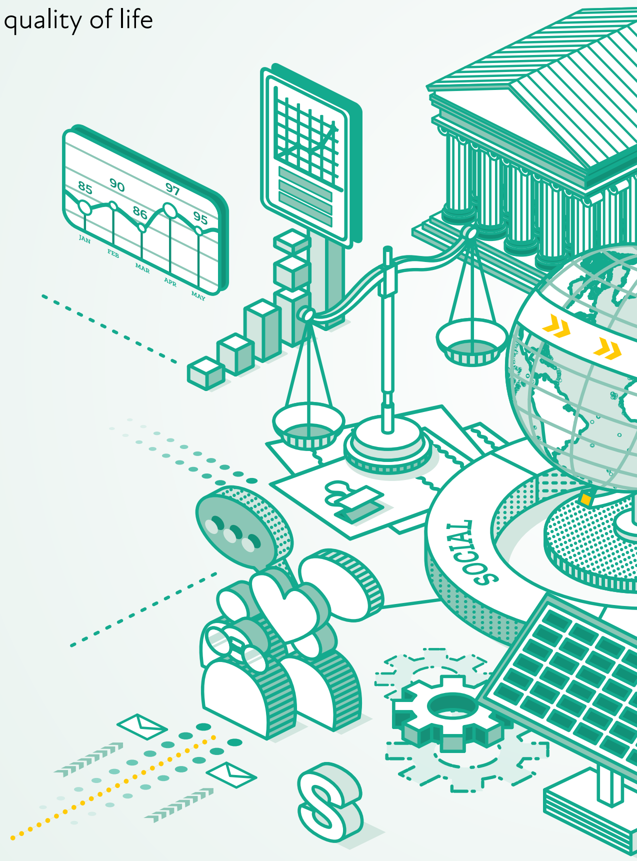
Such decisions depend on two main factors. Firstly, the global, regional and local political and economic environment as it is actually developing and as envisaged to evolve in the long run. Secondly, the intellectual background and the personal and corporate vision on the firms' operational strategy which moulds directors' views in determining plans for action (or inaction). This second element may render the implementation of legislation on ESG matters operationally ineffective. Measures may be considered desirable but non-implementable. If so, it will be up to the regulators to impose the law. Operators will, in turn, decide on the continuity or otherwise of the economic undertaking.

What is being proposed by the ESG considerations is actually a fairly radical shift in the operating model of behaviour and inter-personal/company relations and trading. It is not simply a matter of controlling gas emissions or energy consumption by firms, or of adopting an all-inclusive approach to labour recruitment and company organisation.

It is much more. It is a vision which projects the company not as a private property owned by those who hold stocks – the shareholder model of the firm – rather the company is seen as a servant of the larger society – the stakeholder model of the firm.

Like human beings, companies do not operate in a social vacuum. There is a wide range of individuals and groups who are impacted by the activities of the firm and, so, they also have a stake in the company. The challenge lies in resolving questions on who has a stake in the company and the degree of that stake that various competing parties may have.

This line of reasoning applies also to governments and entire countries. These have to gain their credit-worthiness. They have to be seen generating a self-sustainable quality of life



for the present generation as well as laying a sound foundation for supporting future economic growth and the welfare of the upcoming generations.

Countries with a poor quality of governance are more susceptible to financial and economic crisis which can threaten their willingness and ability to service their debt. Indeed, ESG standards applicable in a community could be more reliable as a gauge of the credit worthiness of a country than the present credit-rating system.

If investment decisions are to fit within a wider vision, they have to account not only for the financial flows from the projected activity but also other social and environmental considerations. These involve the impact such activity will have, now and in the future, on the sustainability of the resources; on the natural environment in which it takes place during extraction, production and distribution; the use in everyday transaction of the commodities in question; the governance of the unit and its behavioural relations with all concerned, including fiscal authorities.

The list tends to get extended over time, rendering the exercise even harder the more parameters are included in the decision-making equation. The financial returns tend to change, rise or decline, as new factors are introduced.

Besides, operators are bound to differ on several issues, particularly in instances where the underlying personal values of decision-makers do not tally precisely one with another. It is equally critical when the parametric tools used in the calculation are found to be comparatively weak for the task at hand. Such considerations always arise when a cost-benefit assessment of a human decision is carried out.

All human actions create third-party effects. Economic literature distinguishes between pecuniary and real externalities. Pecuniary externalities are transmitted through the market system. Real or technical externalities are direct, or accidental, by-products of a person's action on the welfare of another person or the output of a firm. They occur outside the market system and are therefore not accounted for in the price matrices.

Somehow they have to be defined, valued and quantified. Existing legislation ruling ownership of rights and liabilities would 'determine' the amount of compensation to be paid or received in the process of 'internalising' these external effects.

Historically, thinking departed from the simple rule that companies should only seek to use resources in such a way as to generate profits, possibly maximising profits or record what is considered an acceptable rate of return on the capital invested.

Resources would be allocated according to the risk-appetite of the decision maker, which appetite also reflected a prevalent time-frame within which the capital outlay would be recouped. Legal forms of association, like the co-operatives or the limited liability company, were created to spread risk and limit personal liability.

As reasoning evolved on the role of government in an economy within a parliamentary democracy, especially after the 1930's, other policy objectives began to be discussed with the intent of including them in a list of 'policy desirables'. Economic growth, a fair income distribution among households, the sustainability of natural resources and the environment – in particular, unpolluted air, water, the seas and their resources, natural gas, petroleum and space – became the subject of special analysis in investment appraisal.

Simultaneously, a greater sensitivity was shown to race and gender considerations in the process of the economic development of a country, hence on social mobility and personal fulfilment.

The world is presently passing through a wide soul-searching exercise of the political, economic and financial resources distribution systems, including institutions like the International Monetary Fund, established to facilitate and encourage global multilateral trade, investments and labour movements.

Besides, in the wake of Russia's intervention on Ukrainian territory and its aftermath, countries will have to make key decisions in the coming years. These positions will bear on the geo-political grouping, multilateral trade, defence, monetary systems and reserve currencies, technology development and property rights, water and space sharing, and demographic pressures summarised in low global fertility rates and forced migrations.

In addition to the above considerations, company directors in Malta have to face the uncertainties arising from insecurities pertinent to Malta and the surrounding regions. Locally, they have to consider their location in a country that will operate under a different global tax regime and with a labour market model which could differ from the one to which they are accustomed.

Regionally, they have to understand and analyse correctly the evolving political and economic scenario in North Africa and further South. And they must expect to face new realities in the European Union (EU) camp. The EU project cannot stand still. Decisions regarding its evolution have to be made for its continuity as one of the main global trading blocs and political influencers in the future.

Competitive efficiency has to be the goal for all producers of goods and services. Malta is primarily a service-based economy. Its economic survival depends on its ability to continually enhance the quality of its capital stock and labour supply to sustain the present economic set up while adapting it to the conditions envisioned for the future. Implementing ESG measures is costly. They have to be absorbed efficiently by companies, preferably turned into restructuring tools and, at least, break-even activities.

The term 'efficiency' should not be applied solely to tax matters. Companies cannot 'survive' locally if they decide to operate in Malta primarily for tax consideration. Such measures are useful in attracting capital movements and personnel worldwide. Yet their becoming the sole objective of operations in a location cannot be made compatible with the culture that the ESG legislation and its supporting framework for a more comprehensive view of interested stakeholders imply.

The whole paradigm has to be reconsidered, taking into account the real constraints that an evolving international and regional scenario is bound to create. The point of departure remains the demographic profile of Maltese society. It impinges on both the labour supply composition and the demand for support services in a community where recorded labour activity rates are relatively high, family units tending to remain small, and the costly needs of the growing number of elderly people are steadily rising.

The responsible administration of public sector activities is crucial in this context. ESG rules apply also to public sector units and commercial organisations. Sound governance applies for all. Future costs in financing public sector activity, or financial support measures to shield temporarily companies in their inception period or at abnormal economic times, are dependent on the sound governance measures implemented by government today.

In sum, the thinking behind the introduction of ESG measures marks a fundamental shift in the way in which we consider the production of goods and services, trade costs and benefits, and income distribution, pre- and post-tax. They are long-term oriented. They envisage cultural adaptation, institutional restructuring, capital and labour mobility and, as a result, a re-dimension in global and local power and income and wealth distribution. These effects are wide ranging. They have to be considered and treated as such if they are to be successfully absorbed in the social and economic fabric of a community.

E. P. Delia published studies on macroeconomic policy, sectoral development and personal and social well-being in the Maltese Islands. These include 'Ethical investment in a dynamic society' (2012) and 'Evaluating Malta's political economy' (2017).

A Close Look at ISRE 2400

The International Standard on Review Engagements (ISRE) 2400 (Revised) Engagements to Review Historical Financial Statements was published by the International Auditing and Assurance Standards Board (IAASB) in September 2012. This standard was developed to address the needs of many small and medium-sized entities worldwide that do not opt for or are not required to undergo an audit, yet seek to enhance the credibility of their unaudited financial statements by obtaining some level of independent assurance. A review engagement that provides limited assurance can be an ideal solution for these entities.

The standard outlines the responsibilities of practitioners when conducting a review of historical financial statements, as well as the structure and content of the practitioner's report. During a review, practitioners primarily perform inquiries with management and relevant personnel, alongside applying analytical procedures and assessing the evidence gathered. The scope of procedures in a review is significantly less extensive than that of an audit conducted in line with International Standards on Auditing. Based on this independent review, the practitioner provides a conclusion on the financial statements.

Representatives of the Audit and Assurance Standards Working Group falling under the remit of the MIA Audit and Assurance Committee will be delving into this standard during a CPE Session scheduled for 18th November 2024. The session will explore the objectives of a review engagement carried out in line with ISRE 2400 (Revised) and what needs to be accomplished by an auditor in this context. Further information is available on the **MIA website**.

Leadership Excellence: Cultivating Values, Building Skills, and Fostering Growth

Introduction

Leadership is related to power, with its social and political implications. All those in leadership positions have the responsibility to recognise the privilege that comes with their position and the power to influence and impact their teams, organisations and the wider social community.

"With great power comes great responsibility." (Voltaire)

Leadership plays a pivotal role in an organisation's success by providing vision and direction, shaping culture and being crucial in providing guidance in uncertain and turbulent times. Effective leadership is essential as it provides direction and purpose, helping teams and organisations to set and achieve their goals. Without clear leadership, even the most talented teams can struggle with uncertainty and lack of focus.

Leadership is vital in fostering a positive and productive work environment. Leaders influence the culture of their organisations, setting the tone at the top, and influencing communication, collaboration and ethical behaviour. Through the leadership style they adopt and their ability to influence people and decisions, organisational leaders have the power to *"inspire employees to go beyond the call of duty, foster creative solutions to problems, serve as mentors, create vision, and articulate plans for achieving this vision"* (Vinkenburg et al., 2011: 11).

The role of leadership in navigating challenges and driving change is also critical, and during periods of crisis and challenges, leaders are the ones who guide their teams through uncertainty, making tough decisions, and steering the organisation toward success.

The critical role of leaders

In a world faced with fast paced change on various fronts, the challenges leaders face are quite substantial. The economic environment requires leaders to be well grounded in themselves and be technically competent while fostering and sustaining strong relationships with people to be able to lead with a clear direction and responsibility.

People look up to their leaders for direction, who primarily lead by example. This necessitates a reflection on their role, on the factors that influence their decisions and how they collaborate with others to lead the way forward. Leaders set the tone at the top, influence organisational decisions and directions, and impact culture. It is therefore necessary to reflect on the values that are at the core of leadership and their impact on the way one leads on a daily, operational and strategic basis.

The Values of Leadership

Leadership based on human centric values is one that enables organisations to grow, contributes to the community where they are and enables engaged and skilled people working and participating in the same organisation. Society and organisations are in dire need of the contribution of leadership based on values grounded in ethical social principles.

- **Human dignity and respect** are foundational values in leadership that significantly influence how leaders interact with others, make decisions, and shape the culture of their organisations. Leadership based on this core value prioritises equality and respect by valuing the individual contributions of members in the team and is reflected in strategic decisions and the relational and communication style of the leadership.
- Leadership has the responsibility to work toward the **Common Good,** going beyond individualistic and self-serving use of power inherent in the leadership role. Leadership based on the value of seeking the common good is reflected in decisions that benefit the entire internal and wider

community, looking beyond the benefits of the select few.

- **Empowerment** is another value that is at the core of effective and integral leadership. It is reflected in collaborative decision making, empowering employees to have the responsibility and autonomy to manage their work and contribute through their talent, and strongly encouraging the professional development within the organisation.
- **A servant-based leadership** approach enables leaders to look beyond a self-serving approach and to contribute with their talent, skills and the responsibility of their position towards the common good of the team, organisation and wider society.
- Leadership has the responsibility to ensure that the organisations they run are grounded on **organised and productive work** based on the dignity of human work as a central value. Work and its organisation impact the wellbeing of employees, and when centred on respect, dignity and enabling the talent of all the workforce to flourish, bring success to the same organisation and business.
- **Integrity and Ethical Leadership** are embraced by responsible leaders, adhering to these values even in challenging situations. Such leaders are trustworthy, consistent in their actions and base decisions on what is right and ethical. This is reflected in the management of resources and capital, be it financial, human, physical or social.

Leadership Core Skills

Leaders need to possess a set of skills and competences that enables them to be effective and responsible leaders, make effective decisions and drive organisational success.

1. Expertise and professional competence

The most effective leaders are highly competent in their work and area of expertise gained through education, continuous professional development and experience. This contributes to high confidence and trust in the leader and their ability to lead in a professional manner. This technical competence is gained by leaders through years of experience, often in different roles.

2. A steady focus on the organisation's vision and established goals

Technical competence and experience need to be integrated with decision-making qualities, to drive the organisation to fulfil its vision and reach established goals. Commitment and loyalty to the organisation are evident in capable leaders - it is not about them but about the common goals and objectives that the organisation sets to achieve. By focusing on the organisation's vision and goals, they are decisive and firm in leadership, driving the organisation toward its objectives and at times taking decisions that may not be easy. They are conscious of their role in giving direction to the people they lead and the responsibility that comes with it.

3. Interpersonal people skills

A people centred approach characterises competent and effective leadership, where strong relationships are central to achieving the goals set. People skills are highly important to competent leaders, and they excel in developing and exhibiting these characteristics, including an emphatic understanding of others, excellent communication skills including active listening and giving feedback, teamwork, persuasion and social skills.

4. An ongoing developmental mindset

Competent and effective leaders have a high learning disposition. They are curious, have an open mind, seek to learn continuously and improve their skills set and knowledge. They are aware that as the world evolves in a fast-changing manner, so their competence as leaders is based on their ability to continue learning and keep abreast of changes. Learning is central to their core make up and they encourage their people to continue learning, enabling a learning organisation.

Leadership Development

In view of the importance and critical responsibilities of leadership, the development of leaders is central to an organisation to ensure a talent pipeline that supports and enables it to grow in the right direction. Very often, in a fast-paced work environment coupled with high turnover in a low unemployment and competitive economic environment, organisations are faced with a shortage of competent and emerging managers and leaders.

Leadership development often occurs within the specific context of the workplace and emphasises the relational and contextual aspects of leadership rather than focusing solely on the development of individual skills. Various activities are conducive to leadership development that enable the development of core values and skills required for effective and competent leadership.

- **Education and Training** are critical components of leadership development, offering structured and formal opportunities for both professional competence and leadership skills, providing the knowledge and skills to excel technically and in the leadership approach.

- **Interpersonal people skills training** focuses on the development of leaders in their interactions with others and is critical to build strong relationships and crucial for successful personal and professional interactions. Seminar and workshop-based training in this area focuses on the development of communication skills, emotional intelligence, conflict resolution, organisational skills, time management, team collaboration, assertiveness and managing performance, amongst others.
- **A coaching and mentoring approach** is adopted by leaders aware of their pivotal role in developing others. They do so by sharing knowledge, providing opportunities for action learning, and acting as mentors and role models.
- **Self-evaluation and critical reflection** are skills that enable leaders to assess their own performance, behaviour and learning experiences critically. Through this process one can get insights on areas of strengths and opportunities for professional growth through questioning and reflection. Some examples include:
  - How effectively am I communicating the vision and goals to my team?
  - What are my key strengths and opportunities for growth as a leader, and how do these impact my team?
  - To what extent am I fostering collaboration in the team and organisation I lead?
  - Am I leading with integrity and in an ethical manner?
  - What kind of example am I giving to my team and organisation through my attitude, behaviour and actions as a leader?

- **Networking and relationship building** involves building and maintaining professional relationships that enhance one's growth as a leader. Effective networking can provide valuable insights, opportunities and mentoring support that is crucial for leadership development.
- **Work based learning** involves providing challenging opportunities for emerging leaders throughout their career, such as new areas of responsibility and projects. Together with honest feedback, presenting challenging situations and projects encourages the development of leadership in teams, enabling potential leaders to emerge.

Conclusion

Leadership is a dynamic and multifaceted skill that is crucial for success in any organisation. Its importance lies not only in achieving specific objectives but also in creating a vision, inspiring others, and making a lasting impact, rooted in core values and exhibited in essential skills and a commitment to continuous development. By aligning values with skills and ongoing development in their roles, leaders not only enhance their personal effectiveness but also drive organisational success and create a lasting impact.

This article is a follow up to the MIA CPE session *'Communication and Leadership: Transforming the Challenge into Opportunity'* delivered in January 2024 by the author. The author is also going to deliver an **MIA CPE session on 'Managing Team Performance'** on 8th November 2024. The session will tackle the importance of performance management by understanding its link to leadership and will delve into the performance management cycle, also addressing performance issues proactively.

Bibliography

Day, D.V. (2001) 'Leadership Development: A Review in Context', *Leadership Quarterly* 11(4): 581-613.

Galea, M. (2012) 'An Analysis of Female Leadership in Malta: What are the Implications for Human Resource Development?', *MSc Dissertation*, University of Leicester, Leicester.

Henderson, G.M. (2002) 'Transformative Learning as a Condition for Transformational Change in Organisations', *Human Resource Development Review* 1(2): 186-214.

Vinkenburg, C.J., van Engen, M.L., Eagly, A.H. and Johannesen-Schmidt, M.C. (2011) 'An Exploration of Stereotypical Beliefs about Leadership Styles: Is transformational leadership a route to women's promotion?', *The Leadership Quarterly* 22: 10-21.

Mariella Galea is the founder behind HR TalentLEAD, a trusted partner for organisations seeking to optimise their HR processes and build high performing teams. With over 25 years of experience, she brings a wealth of HR expertise and professional experience to provide innovative HR solutions. She has driven projects and initiatives related to excellence in HR, leadership development, training programmes, employee engagement, performance management, HR technology and education projects. Mariella is also the Head of HR at Michele Peresso Group.

Digital Transformation

At what stage of the journey is your organisation?

Take a quick self assessment by scanning the QR code.

Zampa Debattista

Local Appointments



Deloitte Malta has announced the appointment of Theresa Ghersci, Matteo Michele Musi and Christopher Bergedahl as Directors with effect from 1st June 2024.

PwC Malta has announced the appointment of Marie Claire Shead and David Gafa' as Assurance Directors, Stefan Diacono as Finance and Corporate Managed Services Director and Etienne Falzon as Director within PwC Digital Services Malta Limited with effect from 1st July 2024.

RSM Malta has announced the appointment of Karen Spiteri Bailey as Managing Partner with effect from 20th August 2024.

KPMG Malta welcomes new joiner Alan Talbot as Director within the Digital Solutions team.

JOIN OUR TEAM

We are an independent state audit institution set up since 1814 with a commitment to promote accountability, propriety and best practices in Govermment operations.

Discover the auditing positions we are offering in:

- Financial and Compliance Auditing
- Performance Auditing
- Special Audits and Investigations

hr.nao@gov.mt | www.nao.gov.mt | + 356 22055049

MEET THE MEMBER

Nico Sciberras

The tight link between taxation and the accountancy profession as explained by an expert in the field

Interview with Nico Sciberras, CTO at MTCA

Nico Sciberras is probably not a new name for many accountancy professionals, given his role as Chief Tax Officer (CTO), heading the Value Added Tax (VAT) Legal, Technical and International Relations Section within the Malta Tax and Customs Administration (hereinafter referred to as MTCA or the "Administration").

Nico is deeply involved in various aspects of VAT, from drafting, interpreting and implementing VAT law to providing guidance to taxpayers and tax practitioners on technical and legal queries, as well as training staff. Additionally, he represents Malta in international forums on the matter. Inevitably, the discussion takes up taxation as a starting point, as we explore its linkages with the accountancy profession.

"Taxation is an integral part of accountancy and opens many doors. We cannot distinguish between taxation and accountancy as if they were two different realities" he said.

Nico explains that a deep understanding of taxation equips accountants with the knowledge to accurately carry out their professional duties.

He reflects on his early days as a University student: "The educational background obtained whilst studying to become a certified public accountant gives you a 360 degree view of the business world covering topics such as management accounting, financial accounting, as well as a deep dive into various aspects of Maltese and European Union (EU) law – this places accountants in a unique position which truly enables them to understand businesses and therefore how domestic and international aspects of law, including tax law, impacts them" he explains.

He began his career at one of the Big Four firms, working within the tax function on tax compliance as well as corporate tax and VAT advisory projects, an experience he values greatly.

The most significant decision of his professional career, however, came at the onset of this decade when his accountancy experience offered him two attractive yet distinct opportunities: one in a private sector firm and the other at MTCA, at the time a changing organisation undergoing a generational transformation as all tax departments were being merged under one leadership. Recognising the unique opportunity that working with the MTCA would provide to a young aspiring accountant wishing to take his career in taxation to the next level, he joined the MTCA as a technical advisor. Five years later, he has no doubts about having made the right decision, describing the MTCA as a rewarding place to work, both professionally in terms of opportunities for career progression and the unique access to limitless knowledge-building opportunities, as well as personally in terms of personal development and growth.

"The Administration offers many opportunities for accountants who wish to give their career a unique boost whilst also making a tangible impact on the country's overall well-being and development" he explains.

Nico highlights various elements that keep the Administration extremely busy, one such example being the recent initiative concerning digitalisation of fiscal invoicing, receipting and reporting.

"E-invoicing and digital reporting is a game-changer for both businesses and the Administration. It digitalises business processes and enables real-time submission of fiscal data to tax authorities, facilitating quicker and more accurate reporting. This reduces the burden on businesses having to manually compile reports, and it allows tax authorities to detect discrepancies and enforce compliance more effectively" he notes.

"Any growing successful business that wishes to remain relevant and efficient will eventually have to digitalise the respective enterprise resource planning systems. From a VAT perspective, given the developments at EU level on making VAT digital, this will be inevitable in the coming years for any business engaging in cross-border trade" he carries on.

Reassuringly, the authorities intend to support such a transition. The MTCA has tapped into EU funds to conduct a wide-ranging study on the matter, which aims to identify the best system for implementing digital reporting in Malta, including evaluating locally available business software and how it could be applied. The study will also help build an outreach campaign and a training programme to support firms in implementing this change.

"As part of this and other related projects, we are reaching out to the various stakeholder representative bodies such as the Malta Institute of Accountants. We strongly believe that stakeholder involvement and participation in such projects is a key factor for any project to be successful" he adds.

This conversation also leads to another key issue affecting the accountancy profession: the need to invest in digital skills. "The e-invoice will become an accountant's bread and butter. Firms and self-employed professionals need to invest in these skills to stay relevant in the profession. At the same time, it is an excellent opportunity for businesses to digitalise, grow and become more efficient. Gone are the days where clients come over with a shoebox full of invoices and receipts for their accountant to compile their accounting records and complete their tax compliance obligations" he says.

As we discuss other key projects by the MTCA, both locally and in terms of evolving legislation driven by international institutions, the importance of leadership skills becomes clear. "Leadership skills are crucial in an Administration of over 800 employees such as the MTCA because they drive direction, inspire teamwork, and foster a positive work culture, ultimately leading to higher effectiveness and efficiency, and the achievement of organisational goals" Nico explains, sharing some practical examples from his duties.

"Many projects at the MTCA require bringing together personnel from a number of different departments around the table to plan, adopt, implement and manage them, and therefore involve getting different directors and team leaders on board. Convincing other leaders to prioritise a project outside their department's immediate remit is no easy task, yet essential for a project's success."

When asked whether leaders are born, or whether they learn on the job, Nico is of the view that "It depends on the person. Everyone is different."

"Some people are born leaders; others refine their leadership skills on the job. Obtaining knowledge at every given opportunity, consulting the right people, and having the confidence to take that first step is what defines a good leader and is a key skill that takes you places" Nico says, perhaps hinting at what is behind his rise in responsibilities at just 30 years of age.

"It is also a question of having the right mentality and work ethic" he adds.

Approaching the end, we circle back to the subject of taxation. When asked what message he has for accountants, Nico does not hesitate to stress the importance of VAT. "Based on my experience in dealing with many practitioners in Malta and having dealt with myriad cases, I feel that there exists a knowledge gap when it comes to VAT in Malta" he explains. "Many professionals are comfortable advising on income tax matters, but this is not always the case with VAT."

Reflecting on the issues emerging from this interview, it is evident that this digital transformation will enable accountants to adopt a more strategic role within businesses, focusing on higher-value tasks and strategic decision-making and consulting. As technology continues to evolve, embracing these skills will be therefore essential for staying ahead in the accounting profession. It also highlights the role that accountants may play and the opportunities that exist for them within the MTCA.

Meet *the Team*

MARIA CAUCHI DELIA

Three words to describe you:
Dynamic; assertive; realistic.

Leading the MIA is...
an honour and a responsibility to be able to represent the profession, both locally and abroad, and be in a position to influence change in the industry, in the country and beyond.

Values you cherish at the place of work?
Respect, integrity, accountability, creativity, adaptability, well-being, collaboration and collegiality, just to mention a few.

Last Series watched:
Queen Cleopatra.

Best Holiday of Last 10 years:
Whenever I go exploring Italy. It is close to Malta, so there is no need for a lot of travelling time and I can plan the holiday in a relatively short period of time. Delicious food is always guaranteed, together with a vast selection of wines. Italy also provides a lot of culture and arts, fashion, history, big cities and charming little towns and villages, amazing beaches and breath-taking mountain views (the list is endless).

An inspirational person to invite over for dinner:
Any down to earth thought leader with a pleasant personality and a good sense of humour.

Morning or Late Night Person?
Currently, it has to be both!

Dream job as (young) teen:
Genetic engineer.

What piece of advice would you give to teens today?
Embrace a growth mindset and follow your dreams.

If you're at trivia night, what category would you know most about?
Probably music.