

# REDUCED TAX RATE FOR CREATIVE PRACTITIONERS



March 2024

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## DISCLAIMER

This presentation is being delivered for guidance and information purposes only. Although utmost care has been taken to ensure that the information delivered is correct and updated, the said information and the material provided is not legally binding and may not be construed as a legal document, decision, or a ruling of the Commissioner for Tax and Customs.

One should always refer to the Revenue Acts or should contact the Malta Tax and Customs Administration

Rates in examples shown are based on the Year of Assessment 2024 (basis year 2023).

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## Agenda

- Legislation
- Eligibility
- Applicability and Application Process
- Allowable Deductions
- Form (TA26)
- Examples

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## Legislation

- Act No. VII of 2022 (part III Art.28(b)) - Budget Measures Implementation Act, 2022 enacted on 8th February 2022
- The introduction of article 56 (26A) of the Income Tax Act (chapter 123 of the laws of Malta)
- Legal Notice 8 of 2024, Income from Artistic Activity Rules

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## Legislation

- The introduction of article 56 (26A) of the Income Tax Act (chapter 123 of the laws of Malta)

An individual who derives income from a full-time or part-time artistic activity from trade, business, profession or vocation, shall be subject to a reduced rate of tax of **7.5% on gross turnover**, effective from **basis year 2022**, year of assessment 2023, subject to approval of the activities by the **Arts Council Malta**.

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## Eligibility

- Guidance on the scope of the reduced rate, eligibility and the application process of article 56(26A) of the ITA has been made available on the Arts Council website.
- These guidelines provide clarity on a number of points, including an individual's eligibility to avail of the reduced rate of tax and the application process to be followed, amongst other matters.

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## Eligibility

- The reduced tax rate of 7.5% is applicable to artistic activities conducted on a self-employed basis for an artistic purpose by the following:
  - Actors
  - Artistic Directors
  - Choreographers
  - Curators
  - Dancers
  - Literary Writers
  - Musicians
  - Painters
  - Sculptors

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## Eligibility

- Artistic purpose refers to income earned from:
  - Theatrical, Stage, Motion Picture and TV Productions
  - Exhibitions
  - Paintings, Sculptures, Literary and Musical Works
  - Intellectual Property, Royalties

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## Eligibility

- The eligible activities are based on the NACE rev. 2 Class 90 for the following:
  - ❑ 90.01 – Performing Arts
  - ❑ 90.02 – Support activities to performing arts
  - ❑ 90.03 – Artistic Creation

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## Applicability and Application process

- The 7.5% reduced tax rate is applied only on the first **€30,000** turnover for income derived during basis year **2022**, being year of assessment 2023 and up to an amount of **€50,000** from year **2023** (year of assessment 2024) onwards.
- The income charged at the 7.5% tax rate has to be gross and without any allowances for deductions or expenses.

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## Applicability and Application process



<https://artscouncilmalta.gov.mt/pages/funds-opportunities/opportunities/reduced-tax-rate-for-creative-practitioners/>

The deadline to apply for Basic Year 2022 is **Tuesday 7<sup>th</sup> November 2023 at noon**.

Click [here](#) to download application template.

For assistance regarding the application, you may call on 2334 7230, or send an email on [artsassistance@artscouncil.mt](mailto:artsassistance@artscouncil.mt). For financial clarifications, call servizz.gov on 153.

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## Applicability and Application process



- The 7.5% tax is final and no set-off or refund shall be granted.
- The submission of the TA26 form and the relative tax payment have to reach the Malta Tax and Customs Administration by not later than the 30th of April of the year of assessment.
- When this option is applied, the rest of any chargeable income is to be added to the main income and taxed at the progressive rates.

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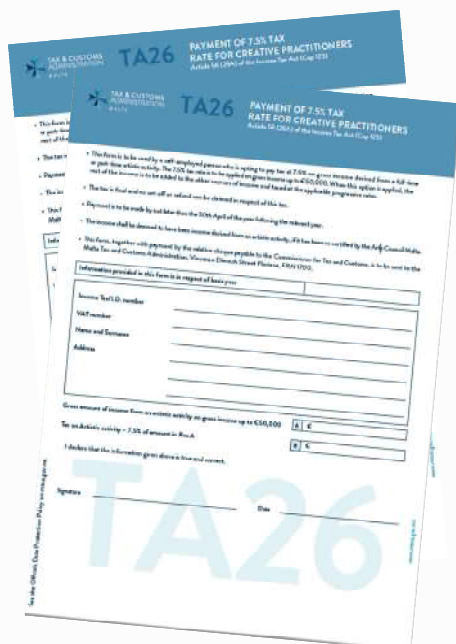
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## Allowable Deductions

- Deductions allowable in respect of expenses incurred in the production of income derived from an artistic activity may be claimed against the gross receipts that are reported in the income tax return.
- Such deductions shall not exceed the amount of the gross receipts reported in the return.

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TA26 Form  
is downloadable from [cfr.gov.mt](https://cfr.gov.mt)

<https://cfr.gov.mt/en/individuals/Documents/Others/MTCA%20TA26%20ENG.pdf>

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## Tax Computation Examples



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### Example 1

- Full-Time artistic activity only


Gross Income (Turnover) from an eligible artistic activity	€40,000
Expenses	€13,000

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Gross Income (Turnover) from an eligible artistic activity	€40,000
Expenses	€13,000



Income declared on <b>TA26 Form</b>	€40,000	<b>OPTION</b>	Income from employment	€0
			Income from trade, business or profession (as per attached Profit & Loss Acct).	€40,000
7.5% tax	€3,000	<b>OPTION</b>	Less expenses	€13,000
			Net Profit	€27,000
			<b>Chargeable income</b>	<b>€27,000</b>
			<b>Tax on chargeable income</b>	
			(married tax rates)	<b>€2,725 or</b>
			(parent tax rates)	<b>€3,700 or</b>
			(single tax rates)	<b>€4,025</b>


Option to pay 7.5% final withholding tax (without claiming expenses)  
**OR**  
 Declare artistic activity income less expenses and pay tax according to the progressive tax rates



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## Important Notes

- If a tax return is received, this has to be filled and submitted even if a TA26 was filed and paid (TA26 amounts are not to be declared in tax return).
- If a TA26 is filed and paid, any losses for that Year of Assessment cannot be carried forward.
- If all eligible income is claimed in TA26, no deductions from this activity are allowed in the income tax return.



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## Example 2 - Full-Time artistic activity only

Gross Income (Turnover) from an eligible artistic activity	€60,000
Expenses	€13,000

Gross Income (Turnover) from an eligible artistic activity	€60,000
Expenses	€13,000



Income declared on TA26 Form	€50,000
7.5% tax	€3,750




Income declared and taxable on Tax Return	Income from employment	€0
	Income from trade, business or profession (as per attached Profit & Loss Acct).	€10,000
	Less expenses	€10,000
		(CAPPED at €10,000)
	Net Profit	NIL
	Chargeable income	NIL
	Tax on chargeable income (married tax rates) (parent tax rates) (single tax rates)	NIL


TAX RATES

Chargeable Income (€)	From	To	Single Rates	Married Rates
0	0	9,700	0%	0
9,701	9,700	14,500	15%	1,455
14,501	14,500	23,700	20%	3,195
23,701	23,700	30,000	25%	4,575
30,001	30,000	50,000	30%	6,525
50,001	50,000	100,000	35%	10,000
100,001	100,000	1,000,000	40%	14,000
1,000,001	1,000,000	5,000,000	45%	19,500
5,000,001	5,000,000	10,000,000	50%	25,000
10,000,001	10,000,000	50,000,000	55%	31,250
50,000,001	50,000,000	100,000,000	60%	37,500
100,000,001	100,000,000	500,000,000	65%	43,750
500,000,001	500,000,000	1,000,000,000	70%	50,000
1,000,000,001	1,000,000,000	5,000,000,000	75%	56,250
5,000,000,001	5,000,000,000	10,000,000,000	80%	62,500
10,000,000,001	10,000,000,000	50,000,000,000	85%	68,750
50,000,000,001	50,000,000,000	1,000,000,000,000	90%	75,000

OR ALTERNATIVELY ...

Gross Income (Turnover) from an eligible artistic activity	€60,000
Expenses	€13,000






Income declared on <b>TA26 Form</b>	<b>NIL</b>
<b>7.5% tax</b>	<b>NIL</b>

	Income from employment €0
<b>Income declared and taxable on Tax Return</b>	Income from trade, business or profession (as per attached Profit & Loss Acct). €60,000
	Less expenses €13,000
Net Profit	€47,000
<b>Chargeable income</b>	<b>€47,000</b>
<b>Tax on chargeable income</b> (married tax rates)	<b>€7,845 or</b>
(parent tax rates)	<b>€8,700 or</b>
(single tax rates)	<b>€9,025</b>

TAX RATES				
Chargeable Income (€)				
From	To	Single Rates	Parent Rates	Subtract
0	8,130	0%	0	
8,130	14,100	12%	0	0.565
14,100	18,000	25%	0	1.015
18,000	40,000	35%	0	2.115
40,000	any sum	35%	0	8.175
Married Rates				
0	12,100	0%	0	
12,100	21,100	10%	0	0.605
21,100	28,100	20%	0	1.015
28,100	40,000	25%	0	2.065
40,000	any sum	35%	0	8.665
Parent Rates				
0	10,100	0%	0	
10,100	18,000	15%	0	0.515
18,000	25,000	25%	0	1.115
25,000	40,000	35%	0	3.065
40,000	any sum	35%	0	9.665


### Example 3

- Taxpayer is using Single Rates, and
- Part-time artistic activity



	Income from employment	€30,000
Gross Income (Turnover) from an eligible artistic activity		€60,000
Expenses		€8,000

Income from employment	€30,000
Gross Income (Turnover) from an eligible artistic activity	€60,000
Expenses	€8,000



Income declared on <b>TA26 Form</b>	<b>€50,000</b> (capped)
<b>7.5% tax</b>	<b>€3,750</b>

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<b>Income declared and taxable on Tax Return</b>	Income from employment	€30,000
	Income from trade, business or profession (as per attached Profit & Loss Acct).	€10,000
	Less expenses	€8,000
Net Profit		€2,000
<b>Chargeable income</b>		<b>€32,000</b>
<b>Tax on chargeable income</b> (single tax rates in example)		<b>€5,275</b>


TAX RATES			
Chargeable Income (€)			
From	To	Rate	Subtract
Single Rates			
0	9,100	0%	0
9,101	14,500	15%	1,365
14,501	19,500	25%	2,819
19,501	60,000	25%	2,725
60,001	and over	35%	6,725

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### Example 4


- Taxpayer is using Parent Rates, and
- Part-time artistic activity


Income from employment	€20,000
Gross Income (Turnover) from an eligible artistic activity	€20,000
Expenses	€3,000



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Income from employment	€20,000
Gross Income (Turnover) from an eligible artistic activity	€20,000
Expenses	€3,000





Income declared on TA26 Form	€20,000
7.5% tax	€1,500

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<b>Income declared and taxable on Tax Return</b> If Non-Filer, may remain so if TA26 is paid	Income from employment	€20,000
	Income from trade, business or profession (as per attached Profit & Loss Acct).	NIL
	Less expenses	NIL
	Net Profit	NIL
<b>Chargeable income</b>	<b>€20,000</b>	
<b>Tax on chargeable income (single tax rates in example)</b>	<b>€1,845</b>	

TAX RATES			
From	To	Rate	Subtotal
Percent Rates			
0	10,500	0%	0
10,501	15,000	15%	1,575
15,001	21,000	25%	3,155
21,001	40,000	25%	3,850
40,001	and over	35%	9,850

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ONE STOP SHOPS IN LOCAL COMMUNITIES




**Taxpayer Service servizz.gov**

Blokk 4, Vincenzo Dimech Street,  
Floriana,  
FRN 1503

Opening Hours:  
Monday to Saturday: 08:00 – 13:00  
Wednesday: 16:30 – 19:00

**Citizens: 153**

**Businesses: 144**

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End of Presentation

Thank You

