

FREELANCING IN THE ARTS

INCOME TAX
SURVIVAL GUIDE



SELF- EMPLOYMENT

CALCULATING THE CHARGEABLE INCOME

- Profit or loss from a trade, business, profession or vocation is revenue less that expenditure which was incurred in generating the revenue;
- An expense can be taken into account for calculating taxable profits only if the Income Tax Act allows that expense to be taken as deductible;
- The net profit earned during the year must be included in section 2 to the tax return, together with the VAT number. If you are not required to register for VAT, mark N/A;
- Trading losses are to be calculated in the same manner as profits. Therefore a loss exists for income tax purposes if a negative figure remains after taking into account all the allowable deductions;
- In case of a net loss, indicate the loss in section 2 to the tax return in brackets;
- Trading losses may be deducted against any income or gains;
- Furthermore, if there is insufficient income against which to set-off the trading losses, the unabsorbed balance may be carried forward indefinitely and absorbed against any future income sources until the whole amount is utilised;
- A signed profit & loss is to be attached to page 3 to the tax return. You may use the specimen profit & loss statement which may be downloaded from the Revenue's website;
- The net profit is added to any other income and is subject to tax at the tax rates applicable to you.

INCOME TAX RATES

APPLICABLE FOR CALENDAR YEAR 2016 (YA 2017)

RESIDENTS - SINGLE RATES

Chargeable income	Rate of tax	Subtract
€0 - €9,100	0%	€0
€9,101 - €14,500	15%	€1,365
€14,501 - €19,500	25%	€2,815
€19,501 - €60,000	25%	€2,725
Over €60,000	35%	€8,725

RESIDENTS - MARRIED RATES

Chargeable income	Rate of tax	Subtract
€0 - €12,700	0%	€0
€12,701 - €21,200	15%	€1,905
€21,201 - €28,700	25%	€4,025
€28,701 - €60,000	25%	€3,905
Over €60,000	35%	€9,905

RESIDENTS - PARENT RATES

Chargeable income	Rate of tax	Subtract
€0 - €10,500	0%	€0
€10,501 - €15,800	15%	€1,575
€15,801 - €21,200	25%	€3,155
€21,201 - €60,000	25%	€3,050
Over €60,000	35%	€9,050

PART-TIME SELF- EMPLOYMENT

ARTICLE 90A, INCOME TAX ACT

- An optional tax rate of 15% is applicable on income derived by a resident individual from part-time employment or part-time self-employment (subject to conditions);
- The beneficial part-time rate may be claimed on the first €12,000 for part-time self-employment;
- Any amount in excess of €12,000 is to be added to the individual's other income and taxed at the progressive rates of tax;
- When an individual elects to apply the reduced rate of 15% on his/her income from part-time work, the individual should submit TA22 together with the tax payment to the Inland Revenue by 30 June of the following year;
- Part-time income declared through TA22 , should not be declared in the tax return.

THE GENERAL RULE

- **At least one** of the following conditions must be satisfied to be eligible for the reduced tax rate of 15% on income from Part-time;
 - i. the individual should be in full-time employment and registered as such with the Employment and Training Corporation (ETC); or
 - ii. the individual was in receipt of a pension taxable in Malta; or
 - iii. the individual was receiving full-time instruction at any university, college or other educational establishment; or
 - iv. the individual was serving an apprenticeship with a view to qualifying in a trade or profession.
- The beneficial tax rate is also extended to persons who are **married to an individual who satisfies one of the previous conditions.**

FURTHER CONDITIONS

PART-TIME SELF-EMPLOYMENT

QUESTIONS?

As set out in the subsidiary legislation, the individual:

- shall **register** the part-time work with the ETC;
- should perform such work for a company, organisation or enterprise other than that with which he/she is employed with on a full-time basis;
- must **not engage** more than two employees (and such employees shall be on a part-time basis) in the part-time activity he/she carries out;
- must maintain **proper books of accounts**;
- should **register for VAT** purposes, unless registration is not required.

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