



"I am concerned that in Malta we have 90,000 cars which are over 12 years old"

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Gone are the days when solidarity with militant workers finds solace with the general public.

George M. Mangion on the shipyards OPINION ■ PAGE 8

Business Today

ISSUE NO. 474

www.businesstoday.com.mt

WEDNESDAY 21 February 2007

Crackdown starts on VAT evasion on home loans

Banks obliged to collect VAT receipts on works financed from home 'finishing' loans

Matthew Vella

In a move towards curbing VAT evasion on so called 'finishing' loans, a bill passed on Monday will enforce the collection of invoices and receipts of works carried out on credit facilities from banks.

The law follows a whole year of discussions between government and banks on finishing loans – a supplementary credit issued on home loans usually used for repairs or maintenance works on a newly acquired property.

In a bid to cut down on VAT evasion, any construction, plumbing or electrical works on a property will have to be backed by VAT receipts – effectively pushing banks to issue any credit over and above the home loan against presentation of a VAT receipt.

It will also put pressure on workers in the construction and home-repairs business to start producing receipts – a reality acknowledged by PM Lawrence Gonzi last year, when commenting on the difficulty to find workers who would supply a VAT receipt for construction work on his children's residencies.

Parliamentary Secretary for Finance Tonio Fenech yesterday addressed a conference on VAT organised by the Malta Institute of Management, announcing that the Budget Measures Implementation Act will force financial institutions to provide VAT registration numbers of third party services to the Commissioner for VAT. "We cannot tolerate a situation where taxpayers keep different sets of records for their banks and for the VAT department... the new law will also empower the Commissioner of Inland Revenue to furnish information to the Commissioner for Value Added Tax. This measure is in line with the government's wish to use more efficiently the resources of



Tonio Fenech: We cannot tolerate a situation where taxpayers keep different sets of records for their banks and for the VAT department

the different tax departments."

Fenech told Business Today yesterday the new law will eliminate a practice employed by banks to ask lenders to provide an architect's certification of completed works, rather than receipts and invoices for completed works.

"It is justified that banks also give their contribution towards fiscal morality," Fenech said. "Enforcement of tax legislation is always important, but perhaps even more so in the case of VAT. Abuse of the system results in a loss of revenue and is also unfair on the consumer, who is entitled to be assured that the VAT paid to the supplier is passed on to the government."

The new law states that any credit or financial institution supplying credit by way of a loan account, in connection with the supply of goods

or services by third parties for construction, repair, refurbishment or maintenance of immovable property, will have to inform the Commissioner of the names and VAT registration numbers of the suppliers and contractors, as well as of the amounts of the payments by not later than the end of the calendar quarter immediately after the calendar quarter during which such payments are made. Failure to comply with the new provisions would result in an offence carrying a fine between Lm300 and Lm1,500.

VAT revenue in Malta has increased from Lm104 million in 2000 to more than Lm174 million in 2006, an increase which Fenech said had enabled the government to introduce income tax cuts in the last budget.

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Chamber and FOI considering merger

Matthew Vella

The Malta Chamber of Commerce and the Federation of Industry are actively pursuing a route towards merging into one united body, this newspaper has learnt.

Yesterday, FOI president Adrian Bajada confirmed the two organisations were working on the merger. "Discussions are underway. It's a possibility and we're working on it."

Bajada said there was a clear case for the merger. "It's being looked at seriously. There is a lot of synergy between the two organisations, and we can give a better service to our members that way. It's a course of action which will have to be approved by our members during an extraordinary general meeting."

The Chamber of Commerce is housed at the Exchange Buildings in Valletta while the FOI are situated in Floriana. The Chamber of Commerce also acts as arbitrator in the settlement of disputes connected with commerce, industry, shipping, and it attends to inquiries and problems in relation to these sectors. It was set up as a voluntary constituted body and officially recognised in 1848.

The Federation of Industry, founded in 1946, is the independent voice of the small, medium and large manufacturing and services enterprises which constitute industry in Malta.

Smart City – Gatt urges caution on Indian deal

James Debono

The Ministry for Investments, Industry and IT has reacted to Business Today's feature on the Kerala deal struck with Tecom for the Kochi internet city last Wednesday saying any comparisons between the Maltese and Indian deal "need to be made with caution and not by merely pointing out narrow argumentation on the basis of simplified tabulations."

The Indian state government of Kerala will get a 16% stake in the joint venture with Tecom in the proposed Smart City in Kochi, against the

9% shareholding the Maltese government will get in Ricasoli. The 9% share has been awarded instead of a premium of USD20 million (Lm 6.6 million) for the land.

A 9% stake had also been negotiated with former Kerala chief minister Oommen Chandy, who lost power in an election in 2006. It is not yet clear how much money the Indian state government will have to fork out for its increased shareholding in the company.

The agreement to increase the Indian state government's share from 9% to 16% was confirmed by Dubai Investment Company chief executive

Abdul Latheef Al-Mulla, who led the DIC negotiating team. Negotiations between the Kerala government and Tecom are now in the final stages and the agreement is expected to be signed in two weeks' time.

The Indian state government will be leasing 995,526 square metres of land in Kochi for 99 years for a one time sum of Lm8 million (RS 104 crore).

The Maltese government will be transferring 358,000 square metres of land in Ricasoli to Tecom for an annual ground rent of Lm65,000. The Dubai investors will start paying the rent after eight years. ▶ **back page**

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