

## Finance Malta

Dissecting the tax guidelines on  
the application of DLT

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# Introduction

# General principles of taxation

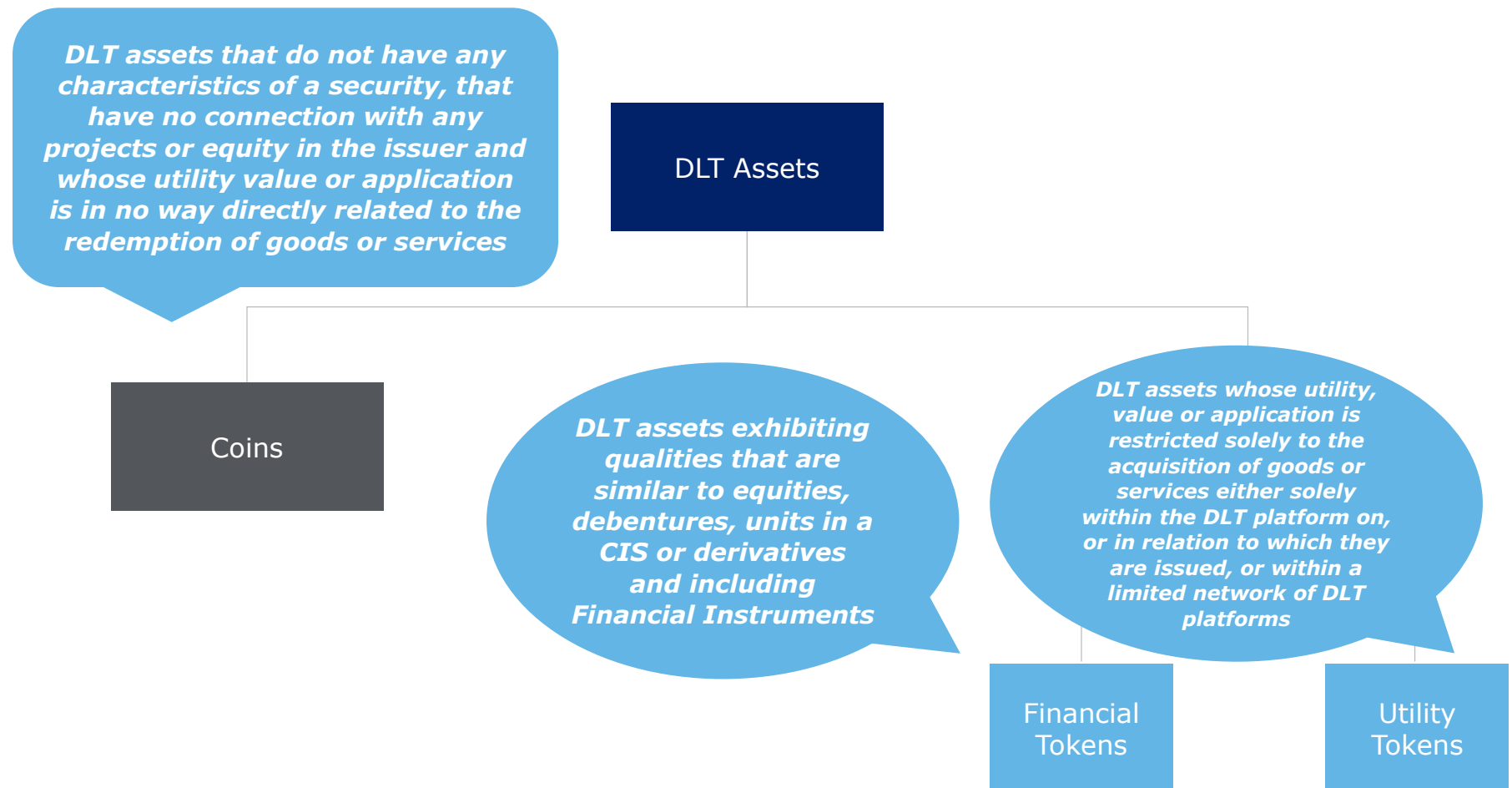
Status	Scope of taxation
Resident and domiciled in Malta	Worldwide basis of taxation
Resident or domiciled in Malta	Source and remittance basis of taxation
Non-resident	Source basis of taxation

## Other considerations

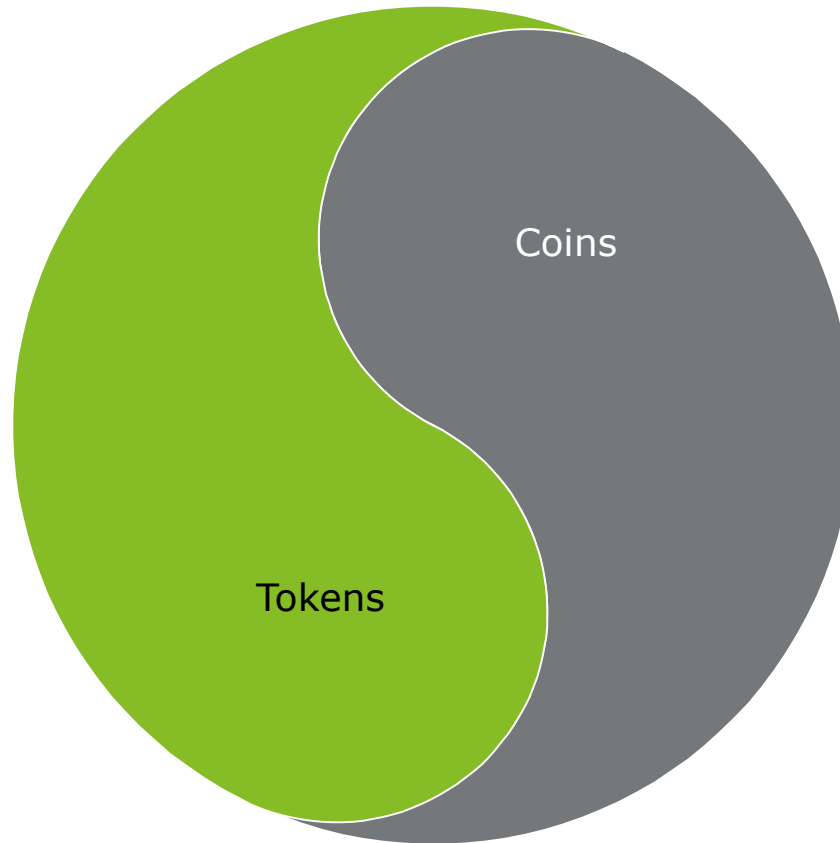
- Who is subject to tax in Malta?
- What income is subject to tax in Malta?
- What expenditure can be deductible for income tax purposes?
- What transactions give rise to capital gains tax in Malta?

# Key definitions

# Types of DLT Assets for Income Tax Purposes



# Hybrids



# **Guidelines on the Income Tax Treatment of transactions or arrangements involving DLT assets**

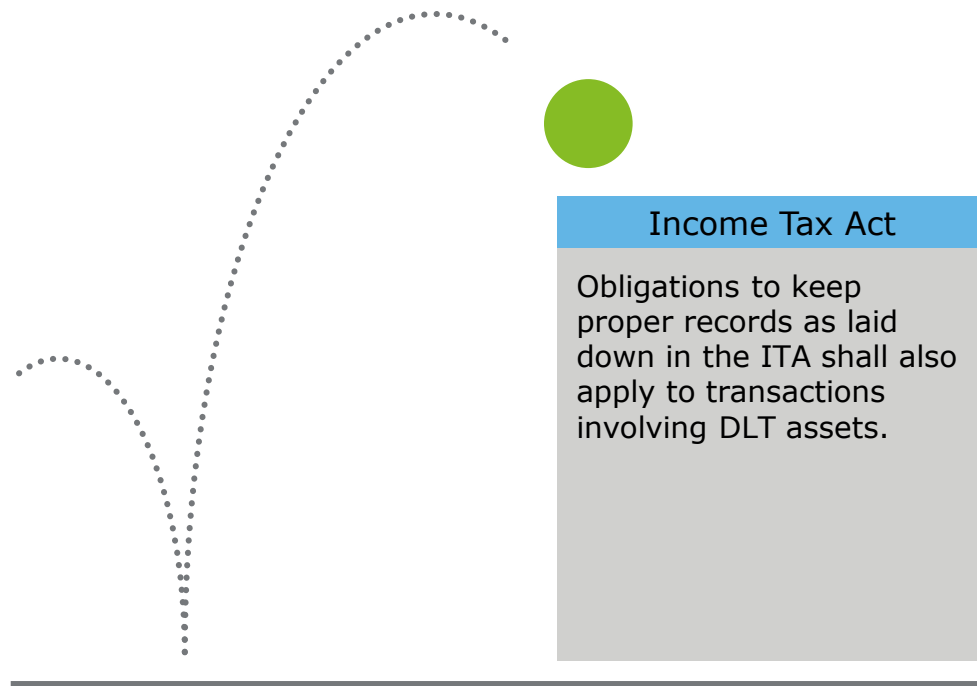
# Value

## Determining the value



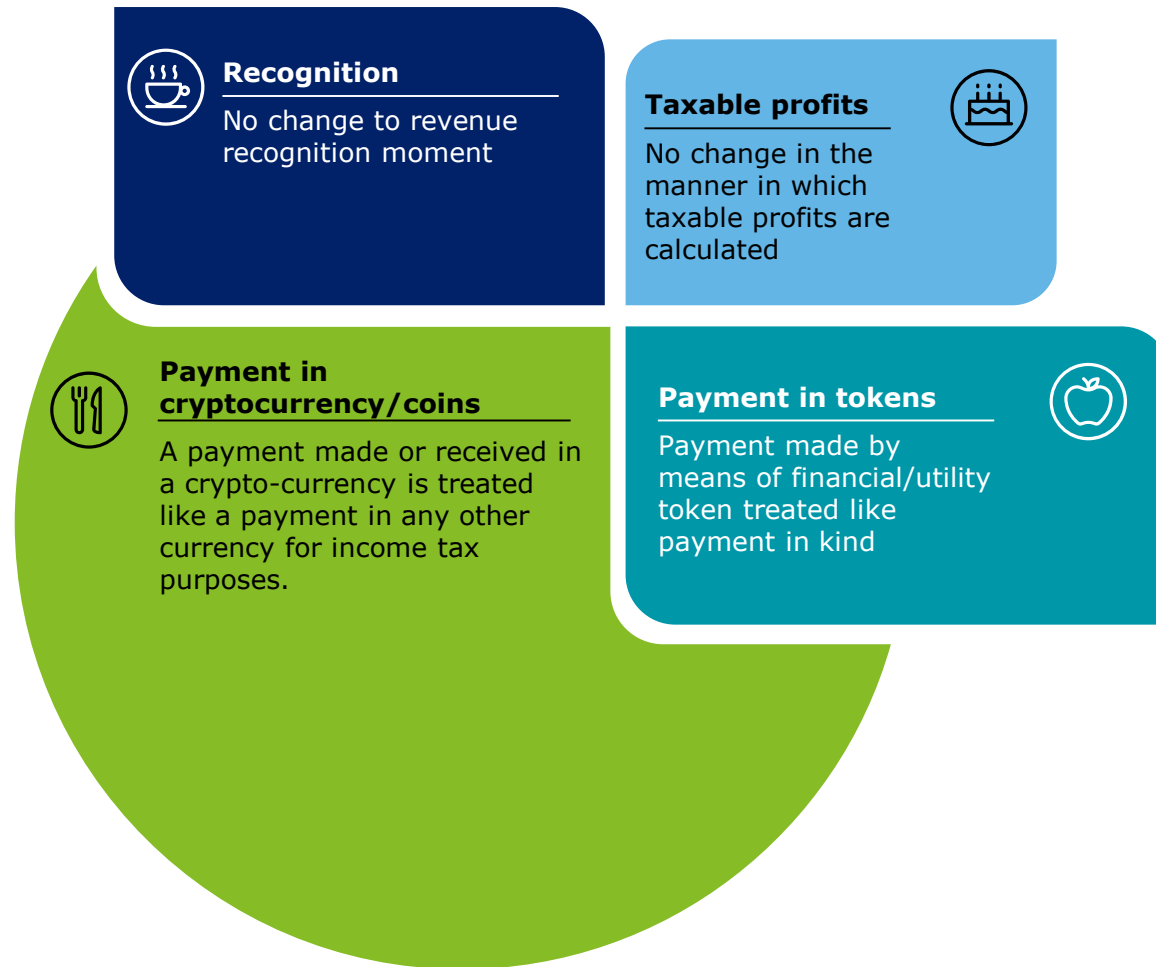


# Record keeping and recording



# Payments

## Transacting in DLT assets



# Transactions in Coins

Transactions in  
coins

Identical to tax treatment  
of transactions involving  
fiat currency

## Operation of a Crypto Exchange

- To be afforded same treatment as exchange of FIAT currency
- Article 4(1)(a) ITA – *"income tax shall be payable ... gains or profits from any trade, business, profession or vocation ... including the profit arising from the sale by any person of any property acquired by him for the purpose of profit-making by sale, or from the carrying on or carrying out of any profit-making undertaking or scheme."*

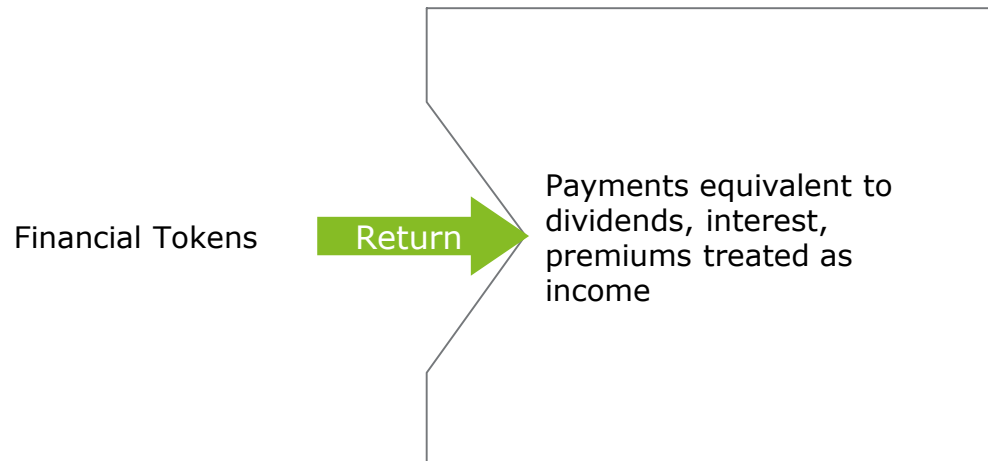
## Sale of coins as held as trading stock

- To be treated as ordinary income.

## Mining

- Gains or profit on revenue account represent income

# Return on financial tokens



# Transfers of tokens



1



## **Trading Transaction**

If a transfer is a trading transaction, the consideration will be treated as a receipt on revenue account. Transfers made in the ordinary course of business are taxed as trading transactions. Profits made on such transactions are treated as trading profits.



2

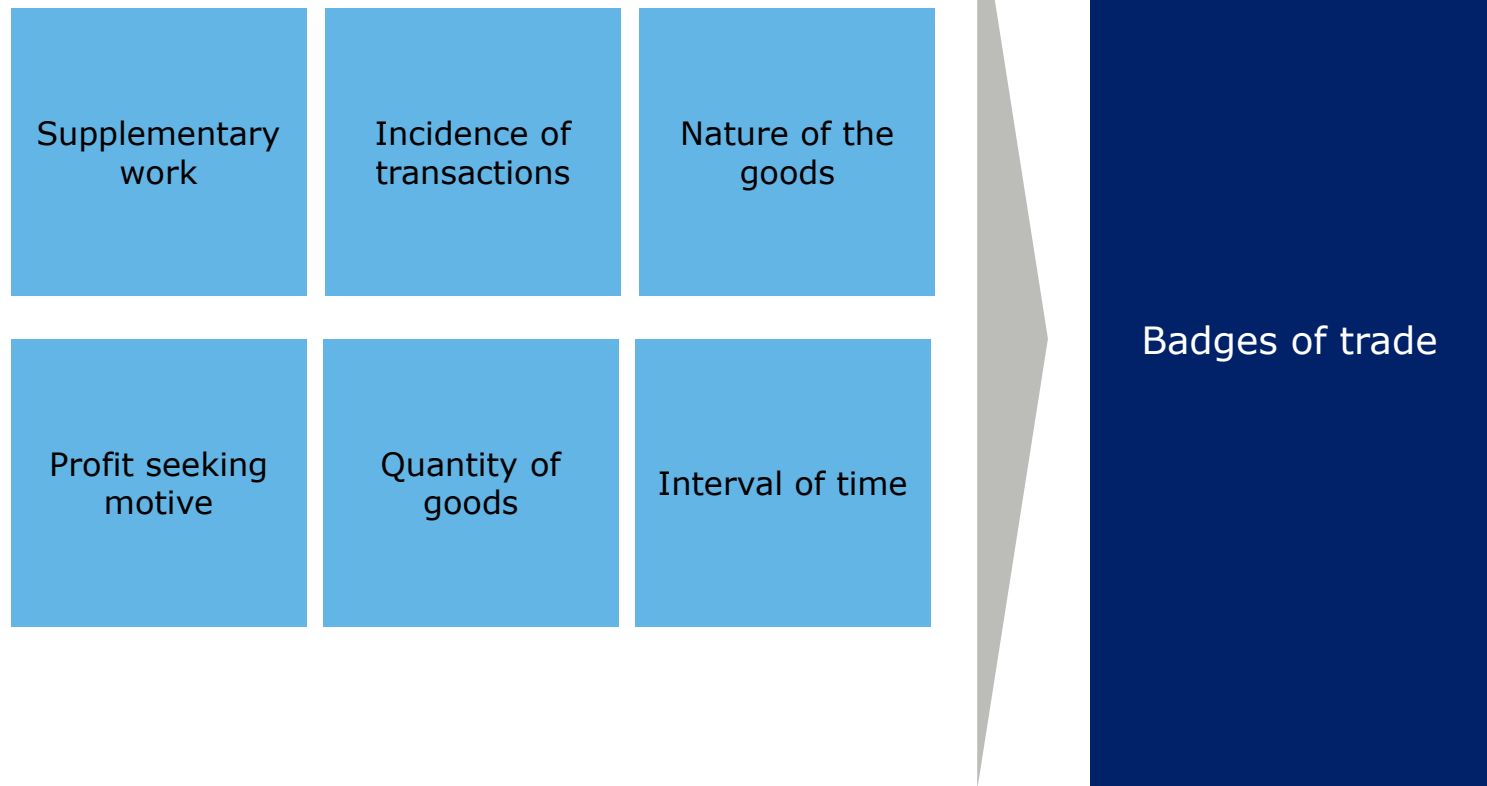


## **Transfer of capital asset**

Transfer of token is not a trading transaction, needs to be determined if the transaction falls within the scope of the provisions on capital gains under article 5 ITA. Financial tokens will be taxable if considered securities. Utility tokens typically fall outside the scope of tax

# Determining a trading transaction

## Badges of Trade



# Treatment of Initial Offerings

## **Initial offering of financial tokens**

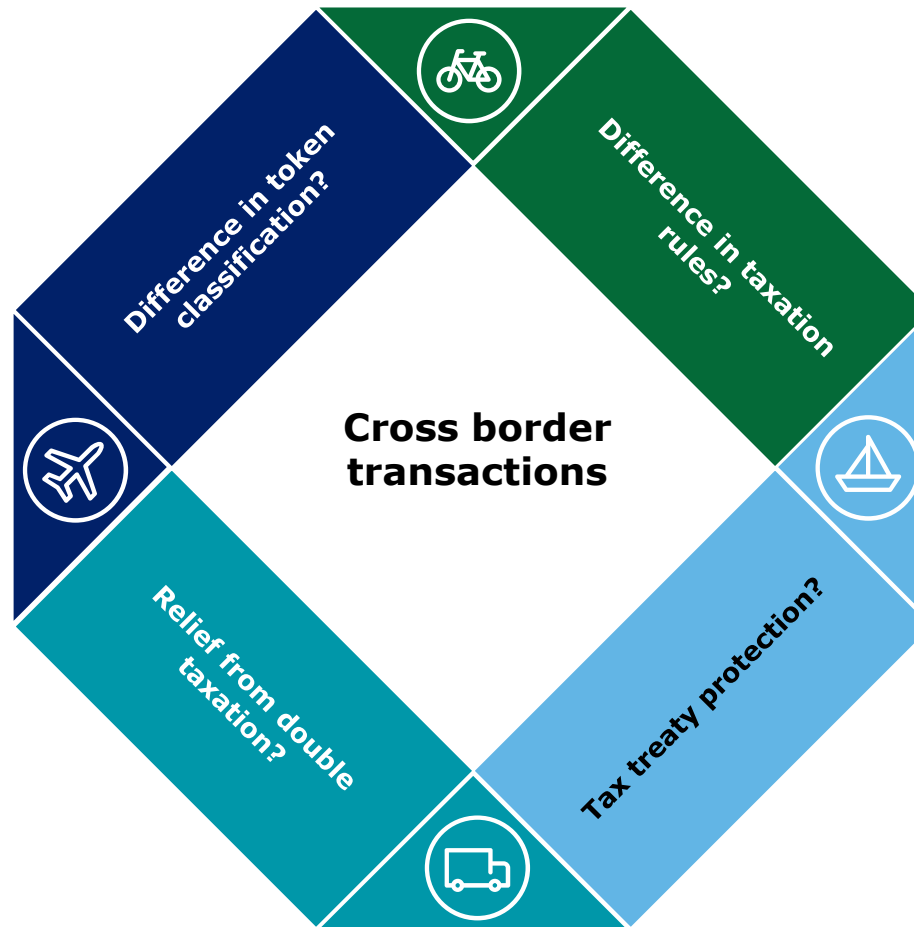
- Typically involves the raising of capital.
- Proceeds of issue are not to be treated as income of the issuer
- Issue of new tokens is not treated as a transfer for the purposes of taxation of capital gains.

Initial  
Offering

## **Initial offering of utility tokens**

- Entails an obligation of the issuer to perform a service or supply goods to the token holder.
- Proceeds are a pre-payment for the performance of the service or supply of goods.
- Gains and profits from the provision of such goods or services will represent taxable income.

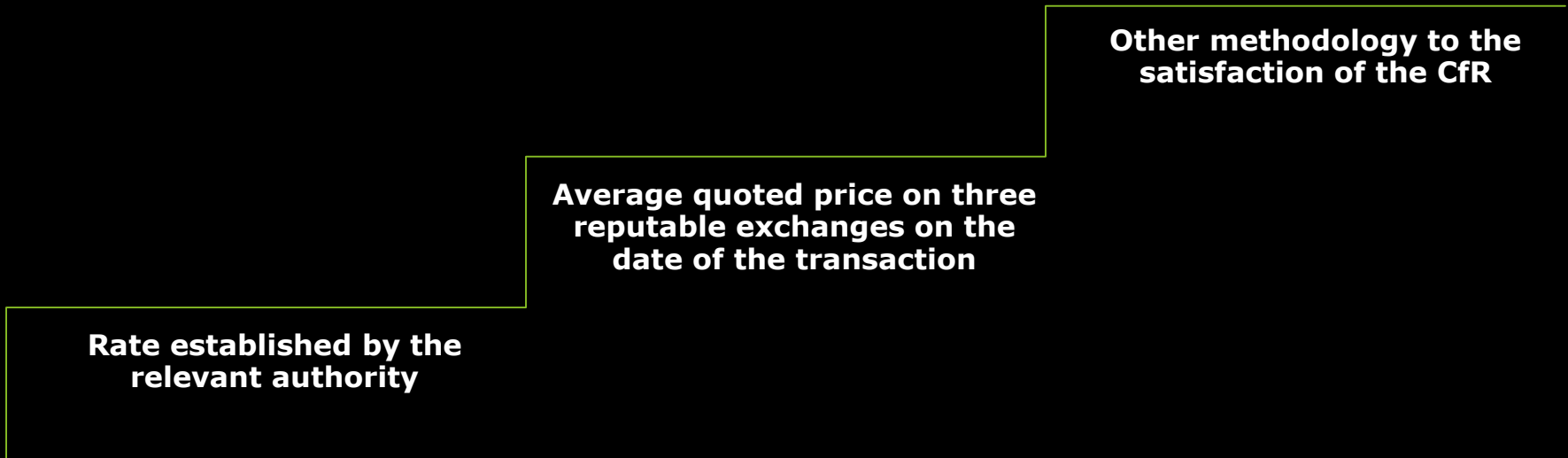
# Cross border transactions





# **Guidelines for the purpose of the Duty on Documents and Transfers Act**

# Determining the value



# Duty on the transfer of coins/tokens

## **Transfer of utility tokens**

- Outside the scope of Malta stamp duty.
- No Malta stamp duty to be levied on such transfers.

## **Transfer of financial tokens**

- DLT assets that have the same characteristics as 'marketable securities' shall be subject to duty in accordance with the provisions of the DDTA.
- "Marketable security" shall mean a holding of share capital in any company and any document representing the same.
- Stamp duty to be levied at a rate of 2 euro for every 100 euro or part thereof of the amount of the consideration or real value (whichever is higher) of the marketable security (financial token).



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