Specimen Exam

Exam Name: Taxation Advisory Professional (STA MLA)
Time Allowed: 3 hours 15 minutes
Pass Mark: 50%

This examination contains 2 sections:

Section A:
1 question, worth 50 marks

Section B:
2 questions, each worth 25 marks

Total 100 marks

Note: This specimen examination has been prepared based on legislation passed by 30 September 2025 (to be updated).

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Section A

Question 1

You should assume that today's date is 30 November 2027.

You are an ACCA student working for a firm of accountants. Your manager has met with a prospective client, David, who owns a Maltese resident company, Maximum Marketing Limited (MML).

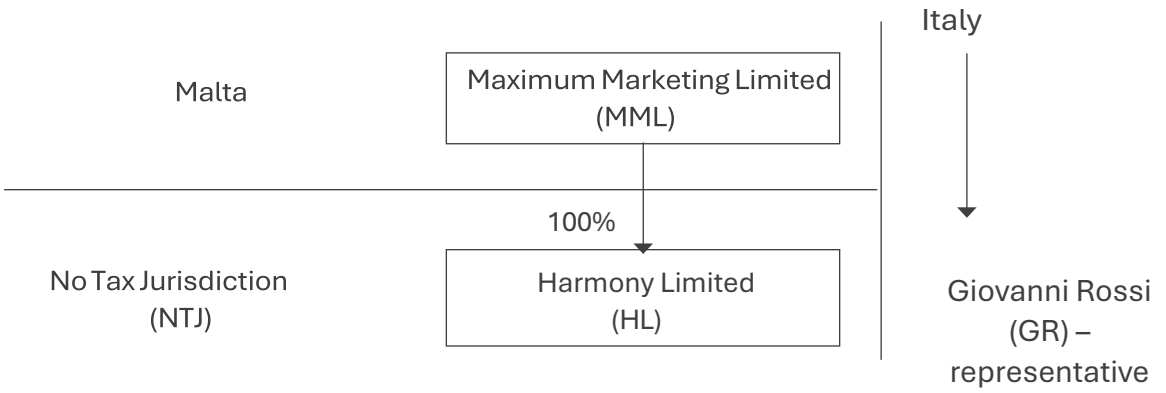
The following **exhibits** provide information relevant to the question:

1. Maximum Marketing Limited (MML) – note of the meeting between David and your manager detailing background information about David and MML, including their residence status
2. Potential transfer of shares – extract from an email received from David about an offer to buy MML
3. Work to be carried out – email from your manager on the work to be carried out

1 Maximum Marketing Limited (MML)

Note of the meeting between David and tax manager dated 29 November 2027

David is an individual who is tax resident and domiciled in Israel. During a preliminary meeting at our offices, David indicated that he would like to obtain tax advice in respect of the corporate structure which he beneficially owns, as shown below:



David and MML are not, as yet, clients of the firm. During the preliminary meeting David specifically asked whether our firm would be in a position to provide him with our advice within two days of the meeting, as this will be a deciding factor on whether he engages us for the provision of the advice.

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David owns 100% of the share capital and voting rights in MML, a company incorporated and managed and controlled in Malta. MML was set up in Malta during 2009 and since then has been operating in the digital marketing sector. MML rents (from unrelated parties) an office in Sliema (Malta) and employs 274 employees in Malta. All of the company's employees operate from this office. MML's non-current assets consist of computer equipment and furniture acquired for €25,000 and the company has minimal current assets. MML generates its revenue exclusively through marketing campaigns carried on outside of Malta and for the benefit of non-Maltese clients.

During January 2027, through an investment of €150,000, MML set up a wholly owned subsidiary, Harmony Limited (HL) in No Tax Jurisdiction (NTJ). NTJ is a country outside of the EU, which does not impose any corporate tax or any withholding tax on the payment of dividends. NTJ is not a non-cooperative jurisdiction. MML is entitled to all of HL's profits and holds all voting rights and rights to assets on winding up thereof. Since its incorporation HL has invoiced €8m to MML for consultancy services. HL does not own any assets.

During March 2027, MML started providing marketing services in Italy through Giovanni Rossi (GR). GR is an Italian national and is resident in Italy. He conducts activities in Italy on behalf of MML, receiving a 10% commission on revenue generated through his efforts. GR does not have the authority to sign on behalf of MML, however he is responsible for conducting all negotiations with clients. GR provides clients with a template contract in MML's name which is then signed by MML, usually without any changes. David is concerned that Italy may tax MML on the profits it derives through the activities conducted by GR. MML is GR's only client.

The following information is also relevant:

- Malta and Italy are signatories to a double tax treaty which is based on the OECD Model Tax Convention and the treaty was updated during 2026 to reflect the OECD's 2025 updates to the Model Convention.
- David is not interested in applying the consolidated group rules or the notional interest deduction rules.
- David is registered with the Commissioner for Revenue for the purpose of tax refunds. However, he would prefer, wherever possible, for MML to opt for the participation exemption, rather than paying tax in Malta and claiming a tax refund.

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2 Potential transfer of shares

Email extract from David dated 29 November 2027

Offer to buy Maximum Marketing Limited (MML)

I have been approached by an individual (Mr X) who is neither resident nor domiciled in Malta, and who is interested in acquiring MML. Mr X has made two mutually exclusive offers to acquire all the share capital in MML as follows:

Option 1: Acquire MML, as presently structured, through a transfer of shares, for €10 million; or

Option 2: MML to first acquire the office, followed by the transfer of shares in MML, for €12 million.

The office is presently being rented. It will be acquired for €1,700,000, which will be financed, together with any acquisition tax costs, by myself, through a capital injection in the form of shares. Mr X will be willing to acquire MML following the office acquisition, for a higher consideration of €12 million, and the sale of the company shares would be made within the same week of the property purchase, before 31 December 2027.

The transfer of shares in MML will constitute a transfer of a controlling interest.

Advice required

What I require from you is advice on the best option to maximise my ultimate cash position. Should the transactions give rise to any tax payable, you can assume that I pay tax at 35%.

To assist my negotiating power, please also indicate the Maltese stamp duty payable by Mr X under each option. Mr X has his own tax adviser.

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3 Work to be carried out – Email from manager

To: **Tax senior**
From: **Tax manager**
Subject: **Maximum Marketing Limited (MML)**
Date: **30 November 2027**

Hi

Please prepare a set of notes in preparation for an internal meeting with the rest of the engagement team. The notes should be set out in a manner which will make it easy for you to refer to them during the meeting and assume that the relevant parties intend to claim any tax exemption when available.

Please address the following issues:

(a) New client engagement procedures and provision of advice

Assess whether we would be able to provide our advice to David in a timely manner in view of our client engagement procedures.

(5 marks)

(b) In relation to MML's Maltese operations and the right to tax profits arising from the activities in Italy:

- **Advise on the Maltese income tax treatment of the trading income derived by MML from its Maltese operations (excluding the activities of Giovanni Rossi (GR)).**

- **Evaluate, with reference to the Malta-Italy double tax treaty, both Italy's right to tax the income arising from MML's activities conducted in Italy by GR and Malta's right to tax these profits.**

Notes:
You are NOT required to comment on the applicability of the controlled foreign company (CFC) provisions to the profits attributable to the activities conducted in Italy.

You should refer to the required tax account allocations and comment on David's right to claim tax refunds on a distribution of profits arising from these activities.

(13 marks)

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(c) In relation to transactions between Harmony Limited (HL) and MML:

- **Advise on the Maltese tax treatment of any dividend that may be paid by HL to MML, including a reference to the required tax account allocation.**

- **Evaluate whether the consultancy fee charged by MML to HL could give rise to transfer pricing obligations for MML.**

(9 marks)

(d) Options available to David for disposal of his MML shares (Option 1 and Option 2)

Advise on the expected income tax on capital gains, duty on documents and transfers and stamp duty payable under each option and recommend which of the two options of disposing of MML shares is best for David based on his net cash position.

Notes:
I have already prepared the necessary valuations in terms of the relevant legislation and computed a market value and real value for MML of €10,100,000 preceding the office acquisition.

I have also looked into the possible value shifting considerations of the allotment of shares to David under the second option, and you do NOT need to comment on this.

(13 marks)

I look forward to seeing your notes.

Tax manager

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Requirements:

You should assume that today's date is 30 November 2027.

Respond to the instructions in the email from your manager.

Note: The split of the mark allocation is shown in Exhibit 3 – Work to be carried out.

(40 marks)

Professional marks will be awarded for the demonstration of skill in communication, analysis and evaluation, scepticism, and commercial acumen in your answer.

(10 marks)

(50 marks)

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Section B

Question 2

You should assume that today's date is 5 June 2027.

Enterprise Limited (EL), Paulo and Sliema Pharma Limited (Sliema) are three unrelated entities, each requiring advice.

The following **exhibits** provide information relevant to the question:

1. Enterprise Limited (EL) – details about the company and the income which the company generated
2. Paulo – details on Paulo's residence status and his business
3. Super Pharma Limited (SPL) – relevant information about the company and its value added tax (VAT) status

1 Enterprise Limited (EL)

EL is a company that is incorporated in Deltora, a country outside of the EU, which provides consultancy services in respect of sustainable packaging and recycling. On 1 January 2027, EL removed all of its directors and appointed two Maltese directors who since then have managed the company's affairs on a day to day basis and controlled all of the company's activities from Malta. EL has five shareholders as follows:

- Jane Ives, an individual resident and domiciled in Deltora;
- Joe Mizzi, an individual resident and domiciled in Malta;
- Mirage Ltd, a company tax resident outside of Malta, which is owned by Nya Abbott who is resident but not domiciled in Malta;
- Oasis Ltd, a company tax resident outside of Malta, which is owned by Marija Borg who is ordinarily resident and domiciled in Malta;
- Ftira Ltd, a company, a company tax resident in Malta, that is owned by Andrea Attard who is ordinarily resident and domiciled in Malta.

During the financial year EL had the following income sources:

- Trading profits from consultancy services offered from the Maltese office;
- An increase in the fair value of an investment held in a Maltese company; and
- Interest from a bank account in Deltora which was not remitted to Malta.

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2 Paulo

Paulo is a famous art critic who is tax resident and carries out his business in Sweetland, a country outside of the EU. Paulo has been engaged by the Maltese Museum of Arts (the Museum) to carry out an official valuation of various paintings exhibited at the Museum in Malta. Paulo will spend the last two weeks of August 2027 in Malta to carry out such valuations. During this period, Paulo will also hold an open day at a hotel in Malta where he will value small private art collection pieces for a fixed fee of €80 per valuation.

The Museum is value added tax (VAT) registered under Article 10 of the VAT Act and the open day is expected to attract only non-taxable persons.

Paulo would like to understand:

- The place of supply of valuation services provided to the Museum and the individuals who will attend the open day
- Whether he will be required to obtain a Maltese VAT registration number; and
- Whether he can charge Maltese VAT on the valuation services provided to the Museum and the general public

3 Super Pharma Limited (SPL)

SPL is a company which owns a pharmacy. The pharmaceutical and other products sold by the pharmacy are either subject to value added tax (VAT) or exempt with credit. The company, which is registered for VAT purposes in terms of Article 10 of the VAT Act, also rents out two clinics to family doctors who are NOT registered for VAT purposes in Malta.

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Requirements:

You should assume that today's date is 5 June 2027.

(a) In relation to Enterprise Limited (EL), advise on:

- **its taxation basis and liability to tax in Malta for each of its income sources: and**
- **the Maltese withholding income tax implications of distributing a dividend to each of the five shareholders from the applicable tax accounts to which its income for the year is allocated.**

(10 marks)

(b) Advise Paulo on the value added tax (VAT) matters he has raised.

(4 marks)

(c) Advise Super Pharma Limited (SPL) on the VAT treatment of the rent received from the clinics and its ability to reclaim input VAT on its supplies and general overheads.

(6 marks)

Professional marks will be awarded for the demonstration of skill in analysis and evaluation and commercial acumen in your answer.

(5 marks)

(25 marks)

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Question 3

You should assume that today's date is 5 June 2027.

Modern Entertainment Limited (MEL) requires some advice in relation to one of their employees.

The following **exhibit** provides information relevant to the question:

1. Modern Entertainment Limited (MEL) – information in relation to the company and the relocation package in respect of Luka, one of the employees of the company

1 Modern Entertainment Limited (MEL)

Modern Entertainment Limited (MEL) is a recently incorporated and Malta tax resident company which is in the process of recruiting staff for its Valletta office. MEL provides services relating to application (app) development and in-app purchases.

MEL is a wholly owned subsidiary of General Entertainment Limited (GEL), a company incorporated and tax resident in Croatia. GEL intends to offer a relocation package to some of its employees, with a view to them relocating from Croatia, to work for MEL in Malta.

MEL requires advice in relation to Luka, one of the employees who will be relocated to Malta. The relocation package, which MEL plans to offer to Luka is as follows:

(i) A basic salary of €25,000 per annum;
(ii) Reimbursement of air travel fees to relocate to Malta (expected to cost €2,000);
(iii) A free mobile phone (costing €800) and reimbursement of the mobile phone monthly subscription bill (costing €100 per month);
(iv) 50% of the Malta monthly internet bill to allow employees to also work from home. This is expected to cost €30 per month;
(v) A free meal at the staff canteen (costing €100 per month), which is generally available to all staff;
(vi) Supermarket vouchers costing €200 per month;
(vii) Health insurance policy costing €400 per annum, which is generally available to all staff;
(viii) A car cash allowance of €1,200 per annum for the use of their personal car; and
(ix) Options to acquire 10,000 shares in GEL for €1 per share.

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Luka is expected to work mainly from Malta, but it is anticipated that he would also spend around three months a year in Croatia. When in Croatia he will work for MEL but from GEL's office. Luka's family will move with him to Malta but he will keep his apartment in Croatia to stay therein whenever he visits Croatia. He has also rented an apartment in Malta, where he will stay when in Malta. Malta and Croatia are signatories to a double tax treaty which is based on the OECD Model Tax Convention.

Requirements:

You should assume that today's date is 5 June 2027.

(a) Advise whether Luka will be tax resident in Malta in the case of a dual residence conflict and advise on Croatia's and Malta's right to tax Luka's employment income from Modern Entertainment Limited (MEL) with respect to the activities he carries out in Croatia.

(9 marks)

(b) Assess the Maltese tax treatment of each of the benefits in kind provided to Luka and calculate his expected annual tax liability.

Note: You should assume that he will pay tax using the single tax rates and that all fringe benefits are connected with the employment activities carried out in Croatia.

(7 marks)

The market value of a GEL share is now €3 per share. Luka will exercise his share option to acquire the 10,000 shares at this price and plans to sell them within a year when the share price is expected to be €4.

(c) Assess the expected tax due in Malta on Luka's exercise of the share options and subsequent disposal of the GEL shares.

Note: For the purpose of the share transfer you should assume a 25% tax rate.

(4 marks)

Professional marks will be awarded for the demonstration of skill in analysis and evaluation and commercial acumen in your answer.

(5 marks)

(25 marks)

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