

L.N. 139 of 2025**INCOME TAX MANAGEMENT ACT
(CAP. 372)****Audit Exemption Rules, 2025**

IN EXERCISE of the powers conferred by articles 19(4) and 58 of the Income Tax Management Act, the Minister responsible for finance has made the following rules:-

Citation and
commencement.

1. (1) The title of these rules is the Audit Exemption Rules, 2025.

(2) These rules shall come into force with effect from accounting periods commencing on, or after 1 January 2024:

Provided that rule 6 shall come into force with effect from accounting periods commencing on, or after 1 January 2025.

Interpretation.

2. In these rules, unless the context otherwise requires:

Cap. 372.

"Act" means the Income Tax Management Act;

Cap. 123.

"Commissioner" shall have the same meaning as assigned to it in the Income Tax Act;

"Minister" means the Minister responsible for finance;

Cap.123.

"review report" shall have the same meaning as assigned to it in guidelines published on the website of the Commissioner for Tax and Customs in accordance with the provisions of article 96(2) of the Income Tax Act.

Audit report
waiver.

3. Without prejudice to the fulfilment of any other conditions as prescribed by these rules, the auditor's report referred to in article 19(4)(a) of the Act shall not be required for the first two (2) accounting periods of a newly registered company whose sole shareholders are individuals in possession of educational qualifications and who have set up the new company within three (3) years of obtaining the said qualifications:

Provided that for the purposes of this rule as well as rules 4 and 5:

Cap. 123.

"company" refers to a company as defined in the Income Tax Act whose annual turnover does not exceed eighty thousand euro (€80,000) or a *pro rata* amount if the relevant accounting

period is other than twelve (12) months;

"educational qualifications" refers to the successful completion of a course of study at MQF level 3, or higher, as recognised by the Malta Qualifications Recognition Information Centre.

4. (1) Where a company does not avail itself of the audit report waiver in accordance with rule 3, it may claim a deduction against its income of one hundred and twenty per cent (120%) of the costs incurred for such auditor's report. Deduction.

(2) The deduction under sub-rule (1) shall apply for the first two (2) accounting periods of a newly registered company whose sole shareholders are individuals in possession of educational qualifications and who have set up the new company within three (3) years of obtaining the said qualifications.

(3) The deduction claimed under this rule may not exceed seven hundred euro (€700) for each accounting period.

5. The audit report waiver in accordance with rule 3 and the deduction in accordance with rule 4 shall cease to apply with immediate effect if there is a change in the shareholding of the company as a result of which the shareholders shall not all be individuals who have attained the educational qualifications as referred to in rule 3. Exclusion.

6. (1) Without prejudice to the provisions of rules 3, 4 and 5 and save for companies registered under the Merchant Shipping Act: Audit exemption.
Cap. 234.

(a) where a company registered in Malta benefits from an exemption in accordance with article 185(2) to the Companies Act on the basis of satisfying two (2) of the three (3) criteria establishing therein, the audit report requirements in connection with the records that shall be kept in accordance with article 19(4)(a) of the Act, shall also be deemed to have been discharged when a review report has been made; Cap. 386.

(b) where a company registered in Malta benefits from an exemption in accordance with article 185(2) of the Companies Act on the basis of satisfying three (3) of the three (3) criteria established therein, the audit report requirements in connection with the records which shall be kept in accordance with article 19(4)(a) of the Act, shall be deemed to have been discharged despite the absence of a statutory audit.

Cap. 386. (2) When a company that is required to prepare consolidated accounts in accordance with the Companies Act, fulfils the criteria referred to in sub-rule (1), the treatment under paragraphs (a) or (b) of sub-rule (1) shall apply as long as the group of which it forms part continues to qualify as a small group in accordance with the criteria established in article 185(5) of the said Act.

Companies registered under the Merchant Shipping Act. Cap. 234. S.L. 234.42. 7. (1) Without prejudice to the provisions of rules 3, 4 and 5 where a company registered in Malta is registered under the Merchant Shipping Act and benefits from an exemption provided for in regulation 64 of the Merchant Shipping (Shipping Organisations – Private Companies) Regulations, the audit report requirements in connection with the records that shall be kept in accordance with article 19(4)(a) to the Act shall be deemed to have been discharged despite the absence of a statutory audit.

Cap. 386. (2) When a company that is required to prepare consolidated accounts in terms of the Companies Act, fulfils the criteria referred to in sub-rule (1), the treatment under this rule shall apply as long as the group of which it forms part continues to qualify as a small group in accordance with the criteria established in article 185(5) of the said Act.

S.L. 234.42. Provided that in any case such thresholds shall be those as established in regulation 64 of the Merchant Shipping (Shipping Organisations – Private Companies) Regulations.

Eligibility. Cap. 386. 8. The provisions of article 185(3) to the Companies Act shall apply in determining whether, at balance sheet date, a company registered in Malta may avail itself of the option provided for in rules 6 and 7 for that accounting period.

Companies not resident in Malta. 9. Where a company registered in Malta is one to which the proviso to article 19(4)(a) to the Act applies, the determination as to eligibility under rules 6 or 7 shall be established by reference to the criteria as applicable to the said company's activities in Malta.

Repeal and saving. S.L. 372.29. 10. The Audit Report Waiver and Deduction Rules are hereby repealed without prejudice to anything done or omitted to be done thereunder.