

Guidelines for the filing of statutory financial returns and/or declarations

Guideline: NECC/0009/06

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1. Objective

These guidelines describe how organisations fulfil their obligations relating to the filing of statutory returns with regulatory authorities or the reporting of financial declarations with administrative entities, for example, MFSA, the Inland Revenue Department (IRD), the Department of VAT, the Department of Social Security, banks for loan assessments after the euro changeover.

2. Definitions

For the purposes of these guidelines, the following terms shall have the following meaning:

Irrevocably fixed conversion rate	-	The unalterable and irrevocably fixed conversion rate between the national currency of the Member State and the euro. It is adopted for the national currency of the Member State by the <u>European Council</u> according to the first sentence of Article 1091 of the Treaty establishing the European Community.
€-day	-	The date when Malta enters the <u>euro zone</u> , i.e. the euro banknotes and coins become legal tender and are placed in circulation in Malta.
Statutory returns	-	Documents which summarise an organisation's accounting transactions or financial statements for a specified period of time, as required by a regulatory authority for statutory purposes.
Financial declarations	-	Documents which summarise an organisation's accounting transactions or financial statements for a specified period of time, as required by an administrative entity for assessment purposes.

3. Applicability

3.1 These guidelines shall apply in full, and to all body corporates (e.g. companies, non-profit organisations, self-employed and other businesses) that are obliged to submit their financial statements to regulatory authorities or administrative entities.

3.2 These guidelines cover periods of financial statements up to €-day, straddle €-day and following €-day. These guidelines only determine the reporting currency of submission of statutory returns and financial declarations and in no manner prescribe the book-keeping requirements of individual organisations.

4. Principle

These guidelines are based upon the principle that Maltese lira is the reporting currency of financial documents drawn up post €-day but not later than 31st December 2008 referring to financial periods ending not later than 31st December 2007. Similarly, the euro is the reporting currency for all statutory returns and financial declarations referring to financial periods

ending on or after 1st January 2008. For returns/declarations referring to periods ending before €-day but submitted after 31st December 2008, an organisation can opt for either Maltese lira or euro as the reporting currency, depending on which currency is most convenient for them.

5. Guidelines

5.1 Statutory returns and financial declarations referring to financial periods ending prior to €-day submitted on or after €-day

All organisations submitting statutory returns or financial declarations where the financial period ends prior to €-day shall be reported in Maltese lira, where the date the returns/declarations are submitted is prior to 1st January 2009.

Where an organisation is submitting returns/declarations for a financial period ending prior to €-day, but the date submitted is on or later than 1st January 2009, the organisation can opt to report in euro or Maltese lira. Whichever reporting currency is chosen, the whole report must be specified in that currency.

Regardless of the date returns/declarations are submitted to the relevant institution, and whether Maltese lira or euro is used as the reporting currency, outstanding amounts which have to be paid (i.e. payments solely related to regulatory or administrative dues) must always be specified and paid in euro.

When submitting statutory returns in euro, the relevant euro denominated applicable statutory thresholds shall be used in the calculation of tax liabilities.

It is noted that the department of VAT will be scheduling the VAT reporting period breaks to coincide with the euro changeover date, so that a VAT period does not straddle €-day.

5.2 Statutory returns and financial declarations referring to financial periods that end on or after €-day

All statutory returns and financial declarations drawn up for financial periods with a year end on 1st January 2008 or later shall be reported in euro.

Table1 – Cross reference of reporting currency for financial returns & declarations

Financial Period	Date Submitted	Reporting Currency
2007 or earlier	Between 1 st January 2008 and 31 st December 2008	Maltese lira
2007 or earlier	After 31 st December 2008	Maltese lira or euro
2007/8 (i.e. straddles €-day)	Any filing date	Euro
2008 and later	Any filing date	Euro

5.3 Conversion of financial accounts by €-day

All historic financial information that is still required to support future operations or reporting after €-day will probably be converted from Maltese lira to euro by each operating organisation (including the financial/regulatory entities themselves, e.g. MFSA, IRD, VAT). In order to support the submission of statutory returns and financial declarations for calendar year 2007 (and possibly earlier) in Maltese lira, it will be necessary for each organisation to retain or re-generate the original Maltese lira values (in addition to the converted euro values).