



Directorate Policy Development and Programme Implementation

Procurement Policy Note # 12

Exclusion of Value Added Tax (VAT) in Contract Value

Date issued: 20.01.2015

1 Purpose

In order to simplify further the Public Procurement process and in line with the Public Procurement Regulations (L.N. 296/2010) wherein all values are quoted net of VAT, all Contracting Authorities are to publish all their Calls for Tender (CfT) with prices exclusive of VAT.

It is imperative to note that this Policy Note applies **only** during the tendering and contracting stages but **not** for invoicing and payments, which shall be paid in accordance with the applicable VAT Regulations.

2 Organisational Scope

This is a Government-wide policy. It shall apply to all Ministries /Departments/ Entities falling under Schedule 1 of the Public Procurement Regulations.

3 Definitions

NIL

4 Policy Content and Guidelines

This Policy Note will be reflected in the following changes to CfT documentation:

1) General Rules Governing Tendering:

- a. Article 7.2 - Tenderers must quote all components of the price **inclusive** of taxes/charges, customs and import duties and any discounts **but** exclusive of VAT. It is of the utmost importance to stress that VAT shall be paid in accordance with the applicable VAT Regulations.

- b. The €500,000 threshold referred to in Article 7.3 is being revised downwards to €250,000 and thus: For EU-funded contracts over €250,000, where VAT is not an eligible cost, and whose output VAT is liable to be paid in Malta, such VAT will be paid directly to the VAT Department in Malta by the Final Beneficiary.

2) Bill of Quantities / Financial Bid Form / Grand Total in Tender

Structure:

All values are to be *inclusive of Taxes, other duties and discounts* **but** *exclusive of VAT (Euro)*. The column relating to the VAT element will be removed.

3) General Conditions:

Article 16 - Tax and Customs Arrangements within the Supplies General Conditions is being amended as follows:

16.2 For supplies to be imported into the country of the Contracting Authority, all duties and taxes applicable to their importation, including VAT shall be included in the invoiced price.

5 Effective

This policy shall apply for all CfT published as from 1st February 2015.

6 Legislative Compliance

Laws of Malta Subsidiary Legislation 174.04

7 References

General Rules Governing Tendering Version 1.11

General Conditions for Supply Contracts Version 1.05

8 Appendices

NIL

9 Other related policy notes published

Procurement Policy Note #1 - Deposit on Right of Recourse/Appeals

Procurement Policy Note #4 - Estimate Calculation in Tenders