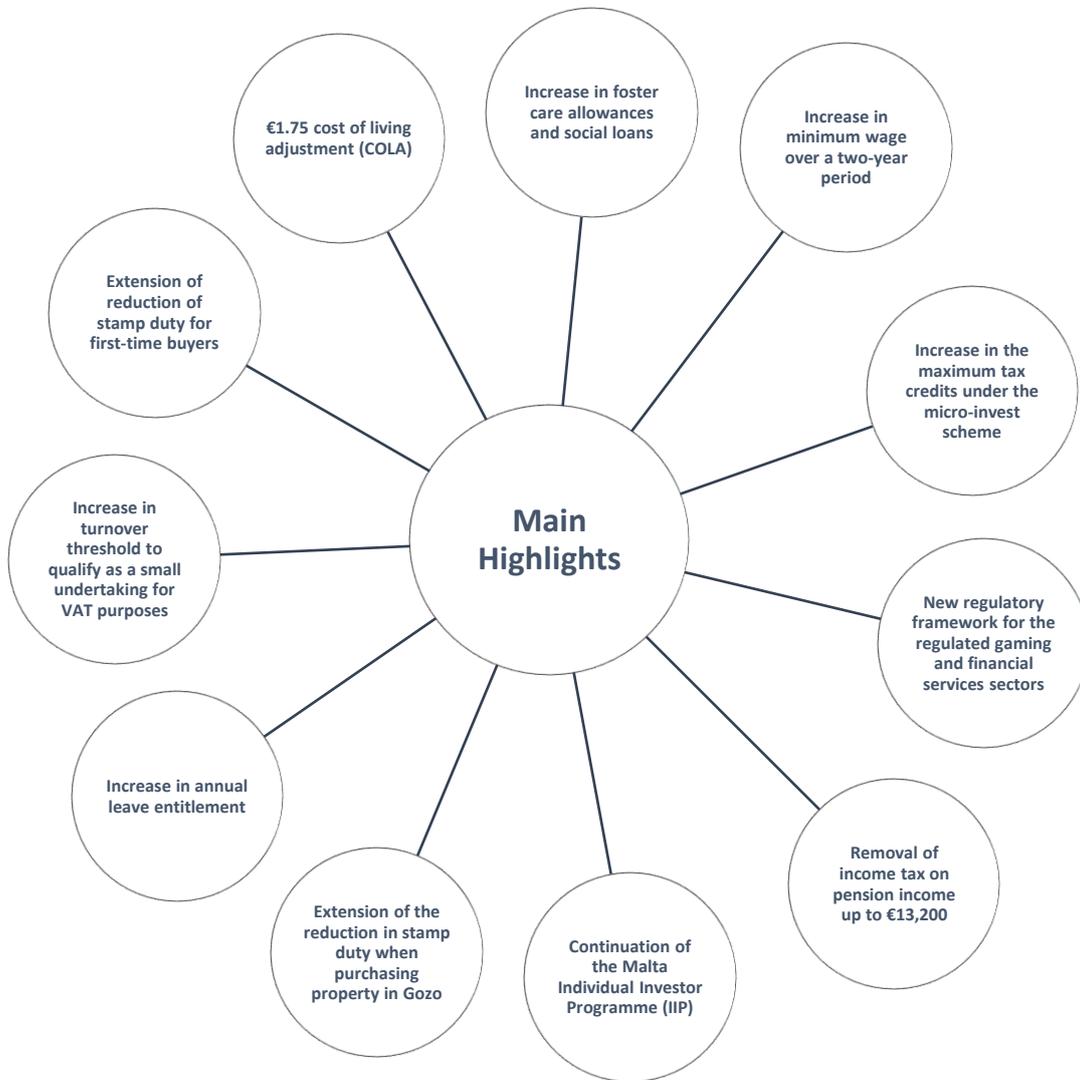


Malta Budget Highlights 2018



Economic Review and Outlook

Malta has witnessed a **surplus** of over Euro 100 million in 2016 and as per 2017's figures, a surplus is also expected for this year.

The Maltese **unemployment rate** fell to 4.1%

The **labour market** has witnessed an increase of 9,512 new employees, with more than 8,500 jobs being created in the private sector.

The **weekly cost of living increase** for the year 2018 shall be Euro 1.75 per week.

The **rate of inflation** in August 2017 was maintained at a low level of 1.2% (HICP) and 1.17% (RPI), respectively.

Tourists visiting Malta in 2016 reached the 2,000,000 visitor mark. During the first eight months of 2017, 1,500,000 tourists have visited Malta.

Tax Related Measures

Tax refunds for persons who earn less than €60,000

- Full-time and part-time employees earning income which does not exceed €60,000 shall be benefitting from a reduction in tax, which shall be granted in the form of a **cheque refund**.
- Such repayment is dependable on the level of income earned and the tax status of the individual.
- The repayment will vary between €40 and €68, with the highest repayment granted to the lowest income earning employees.

Increase in Pension Refund Scheme

- Pensioners whose pension income does not exceed €13,200 will be **exempt from tax**.

Increased VAT threshold for small undertakings

- The **'services' turnover threshold** under which small undertakings may opt not to charge VAT will be increased from €14,000 to €20,000.

Year Extension for the VAT refund on bicycle and pedelec bicycles purchases

- The scheme for refunding VAT paid on the **acquisition of bicycles and pedelec bicycles** shall be extended for an additional year.

VAT Refund on car registration tax to be granted in 2018

- Owners of cars which were registered in 2007 shall be receiving a **VAT refund** in 2018.

Introduction of VAT grouping for the financial services & gaming sectors

- **VAT Grouping** entails that separate legal persons may be registered as a single taxable person, provided they have a fixed establishment in Malta and are closely bound to one another by financial, economic and organisational links.

- This will ensure that supplies between members of the same VAT group will be regarded as falling outside the scope of VAT.

Excise Duties

- Amendments will be made to the excise duty rates of **steel rods/bars** falling under specific HS Codes to ensure that these are treated at par with the importation of similar products.

“First-Time Buyers” Scheme extended

- The **exemption of stamp duty** on the first €150,000 of acquired residential property by first-time buyers shall be extended for an additional year.

Introduction of the “Second-Time Buyers” Scheme

- In the case of individuals who sell their residential home for the purchase of another (“second home”), shall also benefit from a refund of stamp duty up to a maximum of €3,000 upon the acquisition of a **second home**, or €5,000 in cases where such an individual suffers from a **disability**.

Acquisitions of immovable property in UCAs & Gozo

- The reduction of stamp duty from 5% to 2.5% applicable on the **acquisition of immovable property situated in an Urban Conservation Area** will be extended for an additional year.
- The stamp duty due upon the **acquisition of residential property in Gozo** shall be reduced from 5% to 2%.

Positive changes to the MicroInvest and Business START Schemes

- The maximum tax credit made available under the **MicroInvest Scheme** shall be increased from €30,000 to €50,000 for companies based in Malta.
- The maximum tax credit for those companies based in Gozo, or those based in Malta but having a majority shareholding by self-employed females, shall be increased to €70,000.
- Enterprises employing less than 50 employees shall also be entitled to avail of this scheme.

Income tax exemption for students in tertiary education

- Persons under the age of 40 who successfully complete a post-graduate course at the level of MQF 7 **shall not pay income tax** for one year on their income up to €60,000 after the completion of their respective course.
- Persons under the age of 40 who successfully complete a Masters or Ph.D., equivalent to MQF 8, **shall not pay income tax for two years on their income up to €60,000** after the completion of their respective course.
- Full-time students shall be offered this benefit in full whereas part-time students shall be offered this benefit *pro rata*.
- This applies to those who begin their academic course from the 2017/2018 academic year onwards. Furthermore, students who opt for any other benefit related to their studies, such as the Get Qualified Scheme, shall not be eligible for this scheme.

Electronic submission of forms

- **Social security forms and VAT returns** can now be submitted electronically by companies and enterprises employing ten people or more.

Investing on cleaner means of transport

- Individuals **investing in green cars** (electric, hybrid and battery-operated vehicles) will not be liable to pay vehicle license tax on such vehicles for the first five years.
- In case of **commercial companies**, the benefit cannot exceed €200,000. Furthermore, private companies installing bicycle-racks will continue to benefit from grants for another year.

Combating fiscal evasion

- The Government shall be **detering fiscal evasion** by introducing harsher penalties, which would apply to both out-of-court settlements and to any court settlement arrangement.
- The **Joint Enforcement Task Force** shall further strengthen its efforts to continue to identify companies and business that are evading tax.

Individual Investor Programme

- The **Individual Investor Programme shall be extended** for an additional year.
- An Act allowing for the grant of **citizenship on the basis of exceptional merit** shall be newly introduced.

Output Potential, Families and Education

- **Wages shall increase** by Euro 1.75 per week, reflecting the cost of living adjustment (COLA).
- In 2018, only half the fees for **SEC and MATSEC exams** would need to be paid for each student. From 2019, these examinations will be free of charge.
- The **'One tablet per child'** initiative, which applies to students in their fourth and fifth year in State schools, Church Schools and Independent schools, shall be extended.
- The **'Club 3-16' scheme** shall be extended to further incentivise women to join the workforce.

Pensions and Social Measures

- All pensioners will benefit from an **increase** of €2 per week.
- Individuals who are over than 75 years of age and who live in their own private residence, will be entitled to a **grant of €300** during 2018.
- Pensioners who **return their Government-rented property** to the Government once they move into an old peoples' home will benefit from a 20% less reduction in the payment taken from their pension to cover the old peoples' home contribution.
- Individuals who reach retirement age, but **do not have the required social security contributions paid** to obtain a full pension and who continue to work and contribute towards social security, can have their pension entitlement re-assessed after attaining the age of 65 years so that they can benefit from a full pension depending on the amount of contributions paid. Pensioners under 65 years of age who are employed or self-employed on a part-time basis may pay social security contributions at 15% on their net income.
- As from the year 2018, all employees shall have an **additional day of vacation leave**.

- Alimony payments will not be included in the **means test calculation** for entitlement of free medicine.
- There shall be an **increase in the minimum wage** after the first year of employment. The increase shall amount to €3 per week during the second and third years of employment.
- There shall also be an **increase in the highest rate of in-work benefit** for families where only one parent is in gainful occupation. Such benefit shall increase from €350 to €450 per child.
- Widows and widowers who are employed and who receive the widowers' pension will also be entitled to **sickness benefits**.

Incentives for Businesses and other measures

Payment set-offs

- Payments that companies owe to the Government may start being **offset** against payments that the companies are owed by the Government.
- This measure should help to improve the cash flow of those companies that provide goods or services to the Government, although it is understood that in some cases this may not be possible due to legal or administrative obstacles that may be encountered.

Moving towards blockchain technology

- The Government will be setting up a **Task Force** to evaluate proposals relating to the implementation of a national Blockchain strategy.
- The Government will also be setting up a **Blockchain Hub** to assist and provide the necessary support to start-ups using this technology.
- A **web portal** shall also be launched for stakeholders in blockchain and cryptocurrencies.

Investing in Gozo

- Private entities situated in Gozo will benefit from a **30% refund of the average wage** of an employee up to €6,000 for each employee who is offered a contract of at least 3 years.

Other measures

- The Housing Authority shall launch a **new scheme** that will grant owners of vacant properties, a maximum aid of €25,000 for each residence that is to be refurbished. The works must be performed within six months from the granting of the aid and upon completion, the owners must enter into a 10-year commitment with the Housing Authority to rent the property for residential purposes.

Transport

- A €400 grant shall be available on the purchase of **motorcycles**.
- There shall be a grant of a maximum of €10,000 when **wheelchair accessible taxis** are purchased.
- There shall be an extension of the **motor vehicle scrappage scheme**.
- Grants shall be introduced in relation to **vehicles being converted from petrol to gas**.
- Individuals and tourists making use of **hired bikes** as a means of transport shall benefit from a reduction in VAT charged on the service from 18% to 7%.
- Youths between the age of 16 and 20 shall be given a **free bus card** which is valid for one year.
- When purchasing a bike or electric bike, an individual shall benefit from a **VAT refund** together with a €400 grant. Such refund shall also be applicable to companies purchasing the same for rental purposes.
- There shall be the implementation of **free transport** to and from private and church schools as from the scholastic year 2018/2019.

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