

## MALTA BUDGET 2016

On 12 October 2015 the fourth Budget for this legislature was presented to the Parliament of Malta. The key priorities of the Budget are: continuing to strengthen government finances; reducing the fiscal burdens to increase the standard of living; attracting foreign investment; strengthening social services, the environment and regional development; increasing infrastructure investment and improving overall Government efficiency.

### INCOME TAX

#### Income tax brackets for individuals

The Budget seeks to amend the tax bands by widening the tax exempt brackets for individuals in the following manner:

Tax rate	<i>Separate Computation</i>	<i>Joint computation</i>	<i>Parent rates</i>
0%	0 – 9,100	0 – 12,700	0 – 10,500
15%	9,101 – 14,500	12,701 – 21,200	10,501 – 15,800
25%	14,501 – 60,000	21,201 – 60,000	15,801 – 60,000
35%	Over 60,000	Over 60,000	Over 60,000

- Individuals applying the single tax rates and earning up to €19,500 will save up to €90 tax per annum.
- Couples applying the married tax rates and earning up to €28,700 will save up to €120 tax per annum.
- Parents applying the parent tax rates and earning up to €21,200 will save up to €105 tax per annum.

#### Reduced rate of tax on sportsman income

- The reduced rate of tax on the income of footballers and waterpolo players to a flat rate of 7.5% is going to be extended to all players and coaches of all types of sport.

#### Fiscal Consolidation

- The introduction of a fiscal consolidation concept in income tax legislation will allow companies forming part of a group to be treated as a single taxpayer, thus, computing their taxable income on a consolidated basis.

#### Deductions

- Introduction of capital allowances for office buildings.
- Wear and tear allowances amounting to 50% of the purchase price in the year of acquisition for businesses that purchase hybrid or electric vehicles.
- Donations to the arts will be deductible at 150% of the amount donated.
- A company that donates over €2000 to the Community Chest Fund can deduct the donation amount.

### **Tax credits**

- Micro-invest to be extended with a maximum €50,000 tax credit to be made available for female entrepreneurs.
- Maximum tax credit of €10,000 in respect of research and development for companies employing individuals with a doctorate/ reading for a doctorate in science, IT or engineering.
- Tax credits to be made available for knowledge transfer activities between employees.

### **Other income tax measures**

- A new 15% tax on police who carry out 'extra duties' for organizations, individuals or companies.

## **INDIRECT TAX**

### **VAT**

- VAT rate of 18% on sports activities will fall to 7%.
- VAT refund on registration of cars registered between 2005-2008 will continue to be refunded.

### **Eco-Contribution and Excise Duty**

- Continuation of process of removing eco-tax.
- Excise duty will be imposed on products seen as harmful to the environment. Ex: chewing gum and plastic bags.
- Price of petrol and diesel to be reduced by €0.03 and €0.04 respectively.
- As from 1st April 2016, an environmental contribution tax will be levied on all incoming tourists aged 18 and over at €0.50 for every night spent in Malta capped at a maximum of €5 per visit.
- Excise duty on cement, cigarettes/tobacco products and alcohol to be increased.

### **Other tax measures**

- Removal of registration tax on electric motorcycles.
- The license for small motorcycles with an engine of 125cc has been reduced to a flat nominal rate of €10 per annum.
- Owners of hybrid vehicle or electric vehicle will be exempt from paying CVA tariffs when entering Valletta.

## **OTHER MEASURES**

### **Property specific measures**

- The first time property buyer programme will also be extended. The exemption from duty on the first €150,000 of the value of immovable property will be extended for contracts executed up to 31 December 2016.

- Stamp duty refund for first time buyers that concluded a promise of sale after 1<sup>st</sup> July 2015.
- 15% withholding tax on rental income option is to be extended to the renting of commercial property. The opt-in may also be availed of by companies. However, intra-group rentals between entities shall be excluded from this measure.
- The waiting time before a sale of inherited immovable property by heirs can take place, where some heirs object, is reduced to 3 years from the current maximum of 10.
- Stamp duty on transfers of regenerated property in urban conservation areas is being reduced to 2.5% from 5%.
- Property transfers tax reduction from 8% to 5% on transfer of regenerated property in urban conservation areas.

### **Social measures**

- Increase in the minimum contributory pension to €7,280 per year.
- Companies employing 20 employees and failing to employ a minimum number of persons with disability will be liable to pay a contribution of €1,600 per person that should have been employed.
- Extension of in-work benefit.

### **Company registration fees**

- The initial registration fee for companies registered in electronic format and whose authorised share capital does not exceed €1,500 shall be reduced to €100.

### **Other key measures**

- Reforms expected to insolvency legislation.
- Malta Stock Exchange to continue working on place to develop a capital market in Malta.