



2018 BUDGET: KEY HIGHLIGHTS

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ADVOCATES
CELEBRATING 50 YEARS IN THE PRACTICE OF LAW

OVERVIEW

ECONOMIC
PERFORMANCE

DIRECT TAX

INDIRECT TAX

PENSIONERS

IMMOVABLE PROPERTY

DOMESTIC BUSINESS AND
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OVERVIEW

On 09 October 2017 the Budget for the 2018 legislature was presented to the Parliament of Malta.

The main theme of the Budget, from a commercial perspective is the creation of business, the incentivisation of the markets and the attraction of foreign direct investment.

Emphasis is also placed on social measures, including various incentives for pensioners. Measures have also been put forward in order to further develop and upgrade Malta's infrastructure and the education system. Other measures include implementing *making work pay* initiatives, reducing the risk of poverty and ensuring that economic growth is enjoyed by all.

At the core of the Budget document are a number of interesting fiscal measures and incentives for both businesses and households.

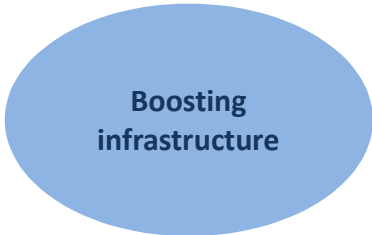
“2018 will be a continuation of the success that Malta has experienced in these last 4 years.”



Tax Incentives



Social measures



Boosting
infrastructure

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ECONOMIC PERFORMANCE

€100M

The Minister reported a surplus of over €100M for 2016.

Ratings Upgrade

During the first 100 days of this legislature, the Maltese economy was upgraded to an A+ from an A.

Standard & Poor's Outlook

Malta's economic outlook was revised to positive from stable.

Highest economic growth

Malta enjoyed the highest rate of economic growth within the EU during the first 100 days of this legislature.

Growth of 5%

The Minister reported an economic growth of 5.5% during 2016.

Record unemployment rate

Malta registered a record unemployment rate of 4.7%.



Inflation rate of
1.06% during
2016

Government
debt reduced to
57.6% of GDP

€3.4 bn actual
tax revenue for
2016

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DIRECT TAX

- Rates of income tax to be further reduced for persons earning less than €60,000.
- Individuals who sit for a Master's degree will not pay tax on their annual income up to €60,000 for a year.
- Individuals obtaining a Ph.D. will not pay tax on their income up to €60,000 for a period of 2 years, subject to certain conditions.
- As from 2018, a new set off scheme is to be implemented whereby amounts due by a company to the Government are set off against amounts due to it by the Government.
- As part of the Government's pledge to incentivise employment in the private sector in Gozo, employers offering a minimum 3 year contract of work will be given a rebate of up to 30% of the average salary of its employees up to a maximum of €6,000.
- The Government renewed its pledge to fight tax evasion and unjust competition and will increase penalties for tax offences.



↓ income tax in
specific tax
bands

Set-off re: tax
payments &
receipts

Combat fiscal
evasion

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INDIRECT TAX

- The threshold for small undertakings registered as exempt persons for VAT purposes under Article 11 of the VAT Act will be raised to €20,000 from the current €14,000.
- VAT grouping is to be introduced in the financial services and gaming sectors, in terms of which separate legal persons having a fixed place of business in Malta and that have a financial, economic and organisational relationship between themselves will be able to register as one taxable person for VAT purposes. As a result, all intra-group supplies will fall outside the scope of VAT.
- Extension of scheme whereby persons who purchase bicycles or pedelecs receive a grant of 15.25%. This will now also apply to companies that rent out such bicycles.
- VAT rate on the rental of bicycles to 7% from 18%.
- Companies and enterprises employing 10 people or more can now also submit social security forms and VAT returns electronically.
- Persons who registered their vehicle in 2007 will receive a VAT refund during 2018.
- Excise duty rates of steel rods/bars falling under specific HS codes are to be adjusted.



**Amendment to
Article 11 VAT
Registration**

**Introduction of
VAT Grouping**

**New rates &
submission of
online returns**

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- Increase in contributory and non-contributory pensions of €2 per week.
- The tax free bracket for pension income will be increased to €13,200.
- A payment of €300 will be made to individuals who reach the age of 75 in 2018 provided said individuals still reside in their residence.
- A new scheme for the estimation of pension payments to be launched for pensioners who may have not paid all necessary pension contributions but who continue to work until the age of 65.
- Pensioners that have not yet reached the age of 65 and work as self-employed part-timers will pay social security contributions at the rate of 15% on their net employment income.
- Bond to be issued for pensioners to emulate *Savings Bonds* 62+.
- Individuals who enter a home for the elderly while living in public housing will benefit from a lower tax hit on their pensionable receipts. Savings may be between €1,350 and €2,700.



↑tax-free
bracket

Tax savings

Pensioner
Savings Bond

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IMMOVABLE PROPERTY

- The First Time Buyers' scheme will once again be extended to 2018.
- A Second Time Buyers' scheme is to be introduced whereby individuals who only own one immovable property being their place of residence and dispose of this to purchase another will benefit from reduced stamp duty of up to a maximum of €3,000 by means of a refund. The maximum refund may be increased to €5,000 where the buyer is a person with a disability.
- The reduction of stamp duty on the purchase of immovable property situated in an Urban Conservation Area to 2.5% will be extended to 2018.
- Stamp duty on immovable property purchases in Gozo will once again be reduced to 2% for 2018.
- The Government is considering the possibility of introducing a scheme of Equity Release Facilities and will set up a working group specifically to make recommendations.
- A new scheme to redeem ground rents that are close to expiring is to be introduced.



1st and 2nd Time
Buyers'
Schemes

Extension of
stamp duty
schemes

Ground rent
redemption
Scheme

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AND CREDITS**

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DOMESTIC BUSINESS AND CREDITS

- Changes were announced to the MicroInvest and Business Start schemes. The value of assistance offered in terms of the MicroInvest scheme will be increased from the current €30,000 to €50,000 for businesses based in Malta.
- Assistance to businesses based in Gozo or businesses with a majority of female owners will be increased to €70,000.
- Businesses that employ less than 50 individuals full time are also expected to benefit from the above scheme.
- As part of the Government's commitment to make Malta a centre of excellence in Blockchain technology, a new Blockchain lab will be opened at MITA and a government web portal will be launched to focus on this technology as well as on cryptocurrencies.
- The Government will continue to assist start-ups providing this technology by launching the Blockchain Hub.
- Research initiatives in the Pharmaceutical industry to be launched.



Focus on Malta
as Blockchain
hub

MicroInvest
and Business
Start Schemes

Commitment to
the Pharma
industry

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- Owners of electric cars and hybrid cars (plug-in) will not be required to pay their road licence for 5 years. Companies may benefit up to a maximum of €200,000.
- A grant of up to €10,000 will be given to those who purchase a wheelchair accessible taxi.
- Families who have one bread winner will benefit from an increased allowance of €450 per child, up from the current €350 per child.
- All full time and part time workers will receive a one-time payment of between €40 to €68.
- 50% reduction in fees to sit for MATSEC and SEC examinations.
- Four new schools to be inaugurated.
- Further investment in road infrastructure.
- Car-pooling and Share the Road initiative.
- Car scrappage scheme to be extended.
- The Individual Investor Programme to be extended.



Improving road
infrastructure

New
allowances

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