



## **2020 BUDGET: KEY HIGHLIGHTS**

## Overview

Economic  
Performance

Direct Tax

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# OVERVIEW

On 14 October 2019 the Budget for the 2020 legislature was presented to the Parliament of Malta.

Combating climate change is an item which is high on the Government's agenda - on its efforts the Government shall propose a national strategy with the aim of making Malta carbon neutral by 2050. In order to curb the use of plastic, single use plastic shall be banned by 1 January 2021.

A substantial amount of incentives were introduced in relation to the elderly whereby various pension related measures and bonuses were mentioned.

A series of incentives and measures were introduced with respect to immovable property in order to ease the issue of affordable housing in Malta. In fact, the Minister for Finance announced that the Government secured another year of the First Time and Second Time Buyer's scheme.

**Climate change  
incentives**

**Housing  
incentives**

**Personal bonuses  
and incentives**

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## ECONOMIC PERFORMANCE

### Gross Domestic Product and Budget Surplus

Malta's GDP growth remains strong in comparison to the European average. The Minister reported that it is expecting a surplus of 1.4% at closing 2020.

### Inflation

The inflation rate has been determined at 1.6%, a decrease by 0.3% from last year.

### Government Debt

The Minister reported that it is being anticipated that the Government Debt should fall to 40.4% of GDP, a drop by 2.6%.

### Economic Growth

The number of tourists visiting Malta has increased by 4.5% in comparison to 2018.

### Unemployment rate

It is expected that the employment rate will increase by 4.1% in 2020, whilst the unemployment rate will remain steady at 3.5%. It was reported that there are currently 230,000 workers in Malta, whereby 90% of the newly registered jobs being created by the private sector. Malta has been reported to have a rate of participation in employment at 74.7%, which is once again higher than the European average.



**Inflation rate of  
1.6% during 2018**

**Government debt  
40.4% of GDP**

**4.1% increase in  
the employment  
rate**

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## DIRECT TAX

- No new direct taxes or tariffs.
- Qualifying employees who earn up to a maximum of €20,000 per annum shall be taxed at a reduced rate of 15% on the first 100 overtime hours.
- A 15% withholding tax shall be introduced on the assignment of a promise of sale which shall be applicable on the first €100,000 profits.
- Individuals living in property which they received causa mortis will benefit from a reduced stamp duty rate of 3.5% on the first €175,000.
- The tax refund of €40 to €68 for employees earning less than €60,000 will be maintained in 2020, amounting to €11.5 million.
- Elimination of the provisional tax paid by pensioners - rather, the amount would automatically be deducted from their pension.



**No new direct  
taxes or tariffs**

**Employment  
incentives and  
grants**

**15% withholding  
tax on konvenju**

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## INDIRECT TAX

- The existing VAT exemption on special apparatus bought for people with a disability will go up by €400 to €1,000.
- Extension of the scheme whereby persons who purchase bicycles or electric bikes can apply to receive a full VAT refund.
- The incentive through which buyers of electric vehicles and hybrid vehicles are not required to pay registration tax on the purchase of these vehicles, shall be extended.
- Elimination of VAT on educational training, such as distance learning.



**Increase in VAT  
exemption for  
special apparatus**

**VAT refund for  
certain bikes**

**Removal of VAT  
on educational  
training**

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## PENSIONERS

per week for pensioners (€364 per annum).

- Disability pension will increase by €11.40 per week.
- The tax free bracket for pension income will be increased to €13,798, resulting in an increase of €364 per annum from last year. Married pensioners who receive a single pension would be tax exempted for the first €15,798.
- Pensioners who receive a low income would receive a supplementary income amounting to €150.
- A bonus amounting between €200 and €300 would be introduced to those pensioners who do not receive a pension due to the fact that they did not pay the minimum amount of national insurance.
- The annual grant of €300 made to individuals who reach the age of 75 years will be maintained in 2020, whilst those individuals who reached the age of 80 will benefit from a €350 grant. The said incentive may also be extended to some pensioners who are living in retirement homes and are funding their own stay there. The existing Third Pillar Pension Schemes shall be retained.
- Government savings bonds similar to the *Savings Bonds 62+* will be re-issued for a further year.



↑ tax-free bracket  
pensions

€7 increase to  
pensioners

Pensioner  
Government  
Savings Bond

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## IMMOVABLE PROPERTY

- The First Time Buyers' scheme and the Second Time Buyers' scheme shall both be extended by another year, with the stamp duty exemption on First Time Buyer's increasing from the first €150,000 to the first €175,000.
- An incentive will be introduced for individuals earning low income who are under the age 40 who are unable to pay the 10% house purchase price down payment. The government will provide an interest free loan for payment of deposit, up to a maximum of €17,500 which must be repaid within 15 years.
- Rental aid to be provided to individuals who spend more than 25% of their income on rent.
- The current scheme on the purchase of immovable property situated in an Urban Conservation Area and in Gozo will be extended, together with the refund on the restoration costs.
- The Minister reported that the Government shall continue to restore dilapidated properties to be used as social housing.

**Extension of 1<sup>st</sup>  
and 2<sup>nd</sup> Time  
Buyers' Schemes**

**Interest free loan  
to cover 10%  
down payment**

**Rental aid**



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## DOMESTIC BUSINESS AND CREDITS

- The 1.5% reduction of stamp duty applicable on donations to family members of business property and securities has been extended.
- Malta Enterprise shall introduce new incentives which will aid construction operators to replace equipment with new machinery which is less harmful to the environment, with the grants amounting to a maximum of €200,000.



**Extension of 1.5%  
reduced duty rate  
for family  
businesses**

**Grant up to  
€200,000 to  
replace  
equipment**



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## ANTI TAX AVOIDANCE MEASURES

- The Minister reported that fiscal evasion has been reduced by 8% in one year.
- From 2020, a €10,000 cash transaction limit will be imposed on high-value purchases.
- The Finance Minister reported that the Government has prepared a detailed report in order to implement the recommendations listed in the Moneyval report.
- Financial Organised Crimes Agency will be introduced in order to work in collaboration with the Economic Crimes Unit. Further checks and incentives have been introduced by the MFSA and the FIAU in order to combat money laundering and terrorism.

**€10,000 cash  
transaction limit**

**New Agency to  
combat money  
laundering**

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## SOCIAL INCENTIVES

- An additional day of leave entitlement shall be introduced in 2020, resulting in a total amount of annual leave at 27 days.
- Parents who leave work to care for their child with a rare disease will have social security contributions they miss accredited to them, up to a maximum of eight years.
- Persons suffering from cancer will have their sick leave conditions revised (on a case by case basis).
- A new bonus amounting to €300 for every child born or adopted as from 1 January 2020.
- Those who were part of the initial group of people who installed PV panels within their homes would be entitled to a grant of up to €1,000 to cover the cost of installing the battery system in their home.

**Additional day  
of leave**

**€1,000 grant for  
PV panels**

**€300 bonus for  
every child**



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## OTHER MEASURES

- Students will receive an increase in their stipend and those students who study a foreign language abroad will benefit from a one-off €850 grant.
- The Cost of Living Allowance (COLA) will be increased to €3.49 per week in 2020, which would be applicable to employees, pensioners and individuals receiving social benefits.
- In addition to the COLA, single-person households will receive a €15 one-off bonus, increasing to €35 for households which have more than one person living within it to be paid for by the Government.
- The vehicle scrappage scheme will be retained whilst a grant of up to €1,500 for scrapping of old vehicles and €200 for conversion to alternative fuels will be available in 2020.
- Widows and widowers who have children under the age of 18 will receive €10 per week irrespective of the parents' employment status.
- Public transport to be free of charge to persons over 75 years of age.
- Cut-off date to be introduced for petrol and diesel vehicles with electronic car owners to pay lower electricity rates.



**Extension of  
scrappage  
scheme**

**Increase in  
stipend**

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