



CAMILLERI PREZIOSI

ADVOCATES

Budget 2023

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Overview

The Budget for the 2023 legislature was presented to the Maltese Parliament on the **24th of October 2022**.

Despite the above main focus, achieving a **neutral economy free from carbon** has nonetheless remained at the forefront of the Government's agenda, with **sustainability measures** being introduced both in favour of private individuals and businesses.

Other measures with a **social agenda** have also been introduced, including an increased investment in the health sector in general, benefits for persons working irregular hours, and measures to encourage work beyond pension age.

In a post-pandemic scenario, the majority of incentives are aimed at softening the blow on the pockets of those **most vulnerable**, such as pensioners and low income earners, who are predicted to take another hard hit as a result of the global economic and energy crisis.

Aside from incentives in relation to renewable energy, increased open spaces, and free public transport, the Government has pledged to invest **€700 million** in **environmental projects** over a 7-year project.

For another year running, **no new taxes** have been introduced.



Economic Performance



Gross Domestic Product

- GDP growth of **3.5% of GDP in real terms in 2023** and **4.3% of GDP in 2024 in real terms.**



Inflation

- Estimated inflation of **5.7% in 2022**, forecasted to ease at **3.7% in 2023.**



Unemployment

- Whilst jobs are expected to grow by 4%, **unemployment remains at 3.1% in 2022**, a marginal decrease of 0.1% from 2021.



Government Debt

- **5.8% deficit of GDP** is expected for 2022 with **government debt rising to 56.97% of GDP.**



Cost of Living Increase (COLA)

- **COLA will be increased by €9.90 per week in 2023**, and is applicable to employees, pensioners and individuals receiving social benefits.



Tax Related Measures

- More than 250,000 workers are set to continue benefitting from the extended tax refund scheme featuring payments between **€60** and **€140** to be made to recipients based on their income.
- Qualifying authors and co-authors will continue to be taxed at the reduced rate of **7.5%** on royalty income received.
- Government will be extending the concession on the **reduction of stamp duty from 5% to 1.5%** applicable on *inter vivos* **transfers of a family business** to children or younger generations.
- Parents of **children with disabilities** may benefit from a tax credit of **€200** per annum to be employed towards therapy for the child.
- Increase to **€300** on tax deduction to parents for children's sports, arts and cultural activities.
- Proposed improvement of various **residence schemes** such as the Global Residence Programme and the Malta Residence Programme.
- Extension of existing **VAT grant scheme** applicable vis-à-vis restoration of certain types properties.

Immovable Property

- The **reduction in stamp duty rate** shall be extended by another year for first-time buyers, second time buyers and for the purchase of immovable property situated in Gozo.
- First-time buyers who acquire property valued at a maximum price of €500,000 will benefit from a **grant of €10,000** spread across 10 years.
- Following its introduction in 2020, the scope of the Deposit Payment Scheme has been extended to cover properties valued at a new maximum price of **€225,000** (previously €175,000).
- An increase of **€100** in the rent subsidy capping thresholds under the Private Rent Housing Benefit Scheme.





Incentives for Domestic Businesses

- All Maltese companies investing in digital and sustainable projects will be entitled to a cash grant from Malta Enterprise, covering **50%** of the qualifying investment up to a maximum of **€100,000**.
- Gozitan businesses and start-ups shall continue to benefit from a **10% tax credit** with the capacity of having this doubled to 20% where eligible businesses invest in projects which reduce their carbon footprint.
- 2023 will feature the launch of **“Start in Malta”**, a **one-stop shop** offering assistance to start-ups to establish themselves in Malta.
- A **€40 million** investment fund will be made available to SMEs under the **“Business Enhance Scheme”**.
- As of 2023, Maltese businesses can start benefitting from financial assistance having been increased from €25,000 to **€50,000** for the first three years of assistance.
- The eligibility under the **Micro Invest Scheme** has been extended to **social enterprises**, who may now benefit from a **€70,000 tax credit** over three years.
- Last year’s scheme to assist businesses negatively impacted by the Covid-19 pandemic will be extended, thereby allowing group companies to have their **unabsorbed or unused capital allowances** arising in 2022 being set-off against intra-group income during YA 2023.



Pensions

- Pensioners will be granted an **additional €12.50 per week**, which is exclusive of the €9.90 per week COLA increase, therefore resulting in an **overall increase of €22.40 per week** for pensioners (€1,164.80 per annum).
- The **taxable ceiling** on pensions is being raised to **€14,969**.
- Those on the **married rate** will continue to benefit from tax relief on other income **up until €3,600 per annum**. With respect to pensioners born after 1962, a new threshold is being introduced linked to the highest possible pension that one can receive.
- Service pensions to be increased by **€200**.
- An additional variable increase of up to **€1.50** in favour of 56,000 pensioners has also been introduced, as well as additional increases of up to **€3.54** per week for **9,000 widows**.
- The **annual bonus** of pensioners who have reached retirement age but do not qualify for a pension (insufficient contributions) will increase by **€50**.
- The **bonus** for those who paid less than 5 years of contributions will increase to **€450** per annum, and to **€550** per annum for those who have paid more than 5 years but less than 10 stamps.
- **40%** of income derived by non-working pensioners will be **non-taxable**.



Greener Economy



- A €160 million investment in a **second interconnector**, and the **extension of schemes** relating to the installation of PV panels and heat pump water and solar water heaters, and the restoration of wells in old houses.
- **1200 new charging points**, the extension of **grants to purchase electric vehicles**, and **interest-free loans** for private companies and businesses investing in charging points and electric vehicles.
- Grants for the **sustainable renovation of commercial buildings** in the private sector.
- Encouraging the participation of the private sector in the **generation of renewable energy**.
- Establishing a **new agency** to coordinate the €700 million **investment in environmental projects** over a 7-year project, including investments in more open spaces, in green urban reclamation projects, and in Nature 2000 sites and Marine Protected Areas to preserve biodiversity.
- The operation of a **Multi-Material Recovery Facility**, an €50 million investment in an **Organic Processing Plant**, the introduction of **new gate fees** to reduce the amount of waste and encourage waste separation, and the building of a **Skip Management Facility** to reduce 47,000 tonnes of waste.




Social Incentives

- COLA increase to be reflected **pro-rata** in **students' stipends**.
- Individuals earning less than **€20,000** and working irregular hours to receive an **in-work benefit of €150**.
- **Incentives** for persons **above pension age** to keep their jobs, including members of the Armed Forces who have served at least 25 years, as well as the introduction of a new project to **train new workers** in the **manufacturing and aviation sector**.
- Extension of the **Youth Guarantee Scheme**, the **one-tablet-per-child scheme**, and **existing scholarships and tax-credits**.
- **Mental health care beneficiaries** aged between 18 to 30 will be given up to **two years of credits** to cover lost social security contribution.
- **€90** increase in **children's allowance** amounting to a €5.6 million injection for 41,000 families, as well **improvements in the Foster Care Allowance** to be phased out over a four-year period or until the child attains 21 years of age.





Other Measures

- The **extension of free public transport** for all persons resident in Malta and Gozo.
 - Investment in the **Armed Forces**, and a pledge to ensure **policing services** in all localities.
 - Continued investment in the **Recovery and Resilience Plan** concerning **digitalization**, whereby extensive work is being carried out to digitalize the public section with a specific focus on the justice, maritime, and health sectors.
 - Incentives to **attract tourism in Gozo**, specifically during the low season, to be accompanied by a **€60 million grant** for sustainable urban development.
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- Continuation of works on the **Gozo Rural Airfield** and a potential public service contract for the **Gozo Channel Service**.
 - Establishing a **venture capitalist fund**.
 - Pilot project targeted at enhancing the skills of the **aviation and manufacturing workforce**.



Key Contacts



Donald Vella

donald.vella@camilleripreziosi.com



Kirsten Debono Huskinson

kirsten.debonohuskinson@camilleripreziosi.com



Gabriella Chircop

gabriella.chircop@camilleripreziosi.com



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