1. ECONOMIC HIGHLIGHTS

1.1 ECONOMIC OUTLOOK

Through the Budget for 2019, the Government aims to maintain Malta’s economic growth momentum, with the financial surplus projected to reach 1.3% (0.5% if one were to remove the effect of Malta’s Passport Programme). Economic growth in real terms will be around 5.3% (£12.9 billion in nominal terms). Moreover, Malta’s debt-to-GDP is projected to drop to 43% in 2019. This will be achieved through a projected 8.4% increase in recurrent revenue, including an 8.5% increase in tax revenue through economic growth without an increase in the tax rates. Expenditure is expected to also go up by 8%.

1.2 OTHER ECONOMIC SNIPPETS

- Capital expenditure is expected to increase by 26%.
- The Government aims to keep unemployment law at 4.3% whilst employment is projected to grow by 3.7% year on year.
- Inflation for 2019 is expected to be 1.9%.
EMPLOYMENT MARKET, PENSIONS AND SOCIAL MEASURES

2. EMPLOYMENT MARKET, PENSIONS AND SOCIAL MEASURES

2.1 COST OF LIVING ALLOWANCE (COLA) AND LABOUR MARKET INCENTIVES

The 2019 cost of living allowances applicable to all workers will be €2.33 per week. Students will be granted a pro-rata increase in their stipend. Workers who have been on minimum wage for more than a year will get an additional €3 weekly over and above the COLA.

All employees will be granted an additional day of annual leave as of 2019. This brings the total annual leave entitlement to 26 days per annum.

2.2 GOVERNMENT WORKERS WILL BE ALLOWED TO POSTPONE RETIREMENT

In order to incentivise individuals to remain in the workforce, public sector workers who are eligible to retire before 65 will be given the opportunity to postpone their retirement and benefit from increased pension allowances (scheme already available in the case of the private sector).

2.3 PENSION INCREASES

The Finance Minister announced in the Budget Speech a further increase in pensions, amounting to €2.17 per week over and above the cost of living adjustment of €2.33 per week, thereby resulting in a total increase of €4.50 per week. The measure, which is expected to benefit 92,000 pensioners will be accompanied with an increase in the tax bracket for pensioners such that pensions will be tax-free for the first €13,400 in income. Service pensions will increase by €200 whilst retaining the grant of €300 payable to those aged over 75 will be retained for 2019. The Finance Minister also increased by €50 the allowance payable to elderly people who did not accumulate enough social security contributions during their work life to benefit from a pension.

Tax exemptions for third pillar pensions are to rise to €2,000.

2.4 OTHER SOCIAL AND FAMILY MEASURES

- Parents earning up to a combined gross total of €20,000 a year will see an increase in their children’s allowance to €96 per child.
- Tax refunds of between €40 and €68 (with those with the lowest income getting the highest amounts), given for the first time in 2018 will once again be paid during 2019.
- Self-employed people which close their business, will for the first time be eligible for unemployment benefits.
- The non-contributory medical assistance given to elderly with chronic illnesses will be increased to €5.14 per week and will also apply to married couples.
- The VAT refund on wedding expenses will rise by €250 to €2,000.
- VAT on e-books and musical instruments will be reduced to 5%.
- Basis year 2019 (year of assessment 2020) will see an increase of €300 in the tax deduction for private school fees. Therefore the deduction for 2019 will amount to €1,600 for each kindergarten child, €1,900 for those in primary school and €2,600 for those in secondary education.
- All primary and secondary school students will have free access to sites administered by Heritage Malta together with two accompanying adults.

2.5 OTHER ALLOWANCES

Persons with a disability and who are unable to work will get a €10 raise in their allowance to €150 per week. The allowance for children with disability will rise by €5 to €25 per week.

The Carers’ Allowance for those who live with their elderly parents will also be raised to between €90 and €140 per week, with no means testing, plus the medical assessment when the elderly person being cared for is over 85 year old will be removed.

Moreover the government will be introducing a structured compensation system for members of the police, army or civil protection department who are permanently disabled or killed while in the line of duty.
3. INCENTIVES APPLICABLE TO THE HOUSING MARKET

3.1 RENT SUBSIDIES
An increase in rent subsidy has been announced wherein single persons will receive a €3,000 subsidy (increased from €1,600) while a family with two children will have its subsidy increased to €5,000. Furthermore, the means test will be waived and instead a number of conditions will set in, which will be announced in due course.

On the other hand, landlords renting out their properties on a long term basis below the market price will benefit from a number of incentives. A substantial discount on property transfers tax will be introduced when the property is eventually sold after the rent expires.

3.2 EQUITY SHARING SCHEME
An equity sharing scheme will be introduced aimed at those aged over 40 who due to their personal circumstances are forced to rent as they cannot afford to buy a house.

This category of persons will be offered the chance to buy a residence jointly with the government. Half the property will be bought by the government while the other half will be purchased by the individual. Any interest on the loan taken out by the individual will be paid by the government. Once the loans are settled, the tenant will have two options:
- either to buy the other half of the property from the government, or
- pay the government a rent on it.

Arrangements will also be made in case the tenant dies.

Plans to partner with NGOs in social housing projects, transforming dilapidated buildings in their possession into housing are also being taken into consideration.

3.3 OTHER MEASURES RELATED TO PROPERTY
The schemes providing for a reduction of duty on documents for first time buyers, second time buyers as well as for purchasing properties in Gozo will be extended. This is in addition to the schemes for vacant properties in Urban Conservation Areas. This will also include a refund on restoration expenses.
4. ECO FRIENDLY MEASURES

The Finance Minister announced that the Government still plans to introduce the return scheme for disposable bottles and drinks containers. Consumers will pay a premium when buying drinks in plastic containers and will receive a refund equal to that premium when they deposit containers in specially-installed recycling machines.

Each household which installs a domestic reverse osmosis water system will be eligible for a grant of up to €70.

Moreover, various schemes, such as the exemption from the initial registration tax on electric and hybrid vehicles, the incentives for scrapping of vehicles and to convert cars to run on LPG, the VAT refund on the purchase of bicycles and the incentives to encourage motorcycle use will all be retained.

Finally, the processing of the VAT refund on car registrations will be completed during 2019 when those who registered their vehicles in 2008 will get their refund.
5. PUBLIC TRANSPORT MEASURES

A new measure in public transport has been announced extending the present free bus services incentives being granted to 16 – 20 year olds to teenagers aged 14 and 15, full-time students aged over 20 and anyone in possession of a disability card.

6. INCENTIVES FOR GOZITANS TRAVELLING TO MALTA

New allowances will benefit Gozitans who travel to Malta to work. These include a grant of €1.50 per day for public service workers coming to Malta and using collective transport. Moreover the refund of the Gozo Channel ferry fare will now also be extended to Gozitan workers employed by the private sector.

Cancer treatment patients and carers travelling to Malta will also get their travel cost reimbursed and will receive an allowance for accommodation.