Malta Budget 2019
How will it impact you?
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GENERAL OUTLOOK
General Outlook

Economy Growth:

• Malta has registered the highest surplus in the EU during 2017 standing at a €392.7 million surplus, equivalent to 3.5% of GDP

• 1.3% surplus is expected in 2019 while national debt stands around 47% and expected to go down further to 43.8% in 2019 even with IIP revenue excluded

• COLA set to be €2.33 per week with a pro rata addition for student stipends
FISCAL MEASURES

- Income Taxation
- VAT
- Stamp Duty
Fiscal Measures

Income Taxation

- Following the introduction of the exemption in respect of pension income as from 1 January 2017, the maximum amount of exempt pension income will increase from €13,200 to €13,434
- Tax credits for qualifying contributions for third pillar pensions are to increase
- Tax rebates for parents with children in private schools to increase by €300 per child
- Voluntary organisations with an annual income not exceeding €10,000 will be exempt from income tax, subject to their registration with the Commissioner of Voluntary Organisations
- Anti-tax avoidance measures and initiatives:
  - The implementation of the EU Anti Tax Avoidance Directive (ATAD) 1 starting from 1 January 2019, introducing
    - Interest limitation rules
    - Exit tax rules
    - General anti avoidance rules
    - Controlled Foreign Company (CFC) rules
  - Provisions for hybrid mismatches are also being prepared to meet the other new regulations – ATAD 2, which is to be implemented between 1 January 2020 and 1 January 2022
VAT

- The 5% reduced VAT rate on certain printed matter is being extended to also cover electronic publications
- The full VAT refund on the acquisition of bicycles and pedelec bicycles is being extended for another year
- The remaining VAT refund payments for cars registered in 2008 will be distributed during 2019
- The grant equivalent to the VAT paid on purchases of musical instruments acquired from outside Malta has also been extended
- VAT refund of up to €70 for people installing a domestic reverse osmosis system
- Rebates for wedding expenses to increase by €250, to reach €2,000

Stamp Duty

- The stamp duty exemption for first-time buyers on the acquisition of their residential property has been extended. This exemption applies for the first €150,000
- The stamp duty refund will be extended for persons selling their residential property and replacing it with a second one
- Acquisition of properties in Gozo or in Urban Conservation Areas (UCAs) shall continue to enjoy from a reduced rate of stamp duty from the standard 5% to 2% in case of Gozo and 2.5% in case of UCAs
- The reduced rate from 5% to 1.5% on the transfer of family business from parent to child, which was introduced last year, will be extended for another year until the end of 2019
SOCIAL MEASURES

The Elderly and Pensions
Employment
Family & Education
Housing & Property
Social Measures

The Elderly and Pensions

- Pensions to increase by €2.17 per week, over-and-above COLA
- Service pensions will increase by €200, and the method in which they are calculated will also change, leading to an increase of up to €11 per week for some
- Public sector workers can now postpone retirement and benefit from an increased pension once they decide to retire. This brings them in line with private sector workers, who have been able to do so since Budget 2016
- No more means testing for carers below the pensionable age who live with and care for an elderly person
- People caring for somebody over 85 will be eligible for a carer’s allowance, with no medical assessment needed
- New Savings Bonds will be issued for people aged 62 and over
- The €300 grant paid annually to persons aged 75 years or over is to be retained
**Employment**

- Extra day of vacation leave granted to employees for a total of 26 days in a year
- Minimum wage workers to get €3 a week over-and-above COLA, provided they have been on minimum wage for at least one year
- Self-employed individuals will become at par with employees and shall become entitled to receive unemployment benefits based on contributions already paid in cases they are forced to quit their job and go register for work
- During 2019, the Government will once again be issuing tax refunds ranging between €40 and €68 to individuals earning less than €60,000

**Family & Education**

- Children’s allowance to increase to up to €96 per year for households with less than €20,000 in annual income
- All MATSEC exam fees to be scrapped
- Secondary students to get free entry to all Heritage Malta sites, with free entry for two accompanying adults

**Housing & Property**

- While the means testing for issuance of rental subsidies is to be removed, single people who pay rent will be eligible for up to €3,000 per year in subsidies (previously €1,600) while couples with children will be eligible for up to €5,000. Subsidies will only be issued if landlords are taxing their respective properties at 15%
- As an incentive for people over 40 to become owners of their properties, subject to certain conditions, the Government will cover the interest payments on the home loans granted by the qualifying bank (APS Bank)
- Availability of social housing to be increased further, with the conversion of several dilapidated properties into social housing
- Incentives for landlords through the potential introduction of a lower tax rate applicable to transfers of properties which they would have been renting out for a period of at least 7 years at reasonable rental values
OTHER MEASURES
Transport & Infrastructure

• €100m allocated for road reconstruction

• Ideas to turn private spaces into public car parks

• Setting-up of an agency for the monitoring of safety and security in maritime, aviation and road transport

• Scheme involving the issuance of a grant on the conversion of vehicles from petrol to gas to be continued

Gozo

• Private sector workers who commute from Gozo will be eligible for a partial refund of their Gozo Channel ferry ticket

• Increased allowance for carers accompanying elderly to Malta for medical treatment

• Public sector workers who use collective transport when coming to Malta from Gozo to get €1.50 daily allowance

• Refund of 30% on wages, up to €6,000, for employees creating new jobs in Gozo with a minimum of 3-year contracts
• The ‘Seed Investment Scheme’ will be continued. This scheme offers tax credits to investors in return for investment in a qualifying Maltese start-up or early stage companies
• The introduction of a ‘Start-Up VISA Scheme’ aimed at assisting foreign start-ups to establish in Malta;
• Malta Enterprise to operate an advisory scheme assisting businesses hit by Brexit

Business Aid

Blockchain and Technology

• The Malta Stock Exchange (MSE) is to support small businesses investing in fintech through the Fintech Accelerator programme.
• Studies are to be undertaken to establish a regulatory framework for disruptive technologies and blockchain
• Studies are to be undertaken for the application of 5G technology in Malta
• More efforts in trying to attract additional business in e-sports