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**ECONOMIC HIGHLIGHTS**

The Hon. Minister of Finance Prof. Edward Scicluna last night stated in his budget speech "We are not adopting a money-no-problem attitude."

Despite positive signs, difficulties and uncertainties are still predominant in the international economy. Economic growth is expected to reach 3.5 percent by the end of 2015 and accelerate further to 3.6 percent in 2016, with the majority of growth coming from the foreign sector.

Employment growth is also expected to maintain a strong momentum and rise by an average of 2.3 percent in 2015 and 1.3 percent in 2016.

Total Government revenue projections for 2016 is expected to reach €3,600 million (2015 - €3,555 million) whilst total expenditure is expected to be €3,800 million (2015 - €3,704 million).

The deficit currently stands at 1.6% of GDP in 2015 and is expected to further reduce to 1.1% of GDP in 2016.

**PERSONAL TAX AND INCENTIVES**

### Income Tax Rates and bands

<table>
<thead>
<tr>
<th>Rates</th>
<th>Single computation</th>
<th>Married computation</th>
<th>Parent computation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bands</td>
<td>Deduct</td>
<td>Bands</td>
</tr>
<tr>
<td>0%</td>
<td>up to €9,100</td>
<td>€0</td>
<td>up to €10,500</td>
</tr>
<tr>
<td>15%</td>
<td>€9,101 - €14,500</td>
<td>€1,365</td>
<td>€10,501 - €15,800</td>
</tr>
<tr>
<td>25%</td>
<td>€14,501 - €19,500</td>
<td>€2,815</td>
<td>€15,801 - €21,200</td>
</tr>
<tr>
<td>25%</td>
<td>€19,501 - €60,000</td>
<td>€2,725</td>
<td>€21,200 - €60,000</td>
</tr>
<tr>
<td>35%</td>
<td>over €60,000</td>
<td>€8,725</td>
<td>over €60,000</td>
</tr>
</tbody>
</table>

Effective year of assessment 2017 (basis year 2016) the lowest income tax band has been increased to €9,100 for individuals applying the single tax rates; to €12,700 for individuals applying the married tax rates; and to €10,500 for individuals applying the parent tax rates.

This results in an effective tax reduction of €90 for individuals applying the single tax rates, earning an income of up to €19,500, €105 for individuals applying the parent tax rates, earning an income of up to €21,200, and €120 for individuals applying the married tax rates earning an income of up to €28,700.

This means that individuals in the lower tax brackets which in the recent years did not benefit from the reduction in the top tax rate up to €60,000 in income, will see a tax reduction in 2016 which however will not be granted to those who benefited from the reduction in tax rates since 2013.

Employees on the minimum wage and pensioners will remain exempt on the minimum wage plus the statutory
bonuses, through the usual adjustment in allowable deductions for such taxpayers.

**Income Tax on Sports**
In 2016, the reduced 7.5% income tax rate currently applicable to football and water polo players, will be extended to coaches and players in all sports.

**Income Tax on Police duties**
As from 1st January 2016, policemen will be able to benefit from a reduced tax rate of 15% on extra duties (overtime).

**Cost of living adjustment**
The cost of living increase for 2016 will be €1.75 per week, compared to €0.58 last year. The weekly minimum wage for 2016 will be increased by the COLA to €168.02 from €166.27 last year. Stipends will also rise according to the cost of living adjustment.

**Additional allowance**
The minister also announced that Gozitan students working in Malta will see their allowance raised by €300 per year.

**Rehabilitation of Social Housing**
€50 million will be spent next year on the rehabilitation of social housing estates and the building of new social housing within development zones.

**Stipends**
Mature students will now also get a stipend.

**Financial assistance for those who employ carers**
In a pilot project to ease demand for places in homes for the elderly, where those currently on the waiting list for a place in such homes will be granted half the minimum wage if they engage a certified carer full-time and take themselves off the list.

Low income families made of couples where there is a single breadwinner on a minimum wage will get a top-up of up to €150 per child per year.

**Pensions**
Pensions are being raised for the first time in 20 years. A total of 12,000 pensioners with an income of under €140 per week will get an increase of between €4.15 and €8.92 per week thereby increasing the lowest contributing pension and bonus to €7,280. The €300 per year benefit for those over 75 will be retained.

Under a system still under discussion, workers will be able, in agreement with their employers, to continue to work for four years past their retirement age and continue to pay in social security contributions. In turn, they will then get higher pensions.

The number of years of social security contributions needed for an individual to be entitled to a pension is being increased from 40 years to 41 years, for those born after 1958.

**In work benefit**
Individuals who earn between €6,600 and €15,000 annually will be receiving €1,200 for every child as an “in work” benefit, a scheme introduced in the last budget.

Working couples earning between €10,000 and €20,000 will be receiving up to €1,000 per child. Families with only one working person earning between €6,600 and €12,700 will receive up to €150 per child.
**BUSINESS TAX AND INCENTIVES**

**Donations to Community Chest Fund and the Arts**

Donations of €2,000 or more to the Community Chest Fund were allowable as a deduction from the taxable income to the extent of 50% in last year’s budget (2014 donations). This deduction has now been improved to a full deduction of the donation made, when donating at least €2,000.

Individuals who donate money to the arts will see their taxes slashed by 150% of the value of their donation.

**Bicycle Racks**

Employers will be provided with incentives to install bicycle racks at the workplace.

**Reduction in company registration fees**

Registration fees for companies that are incorporated with an authorised share capital of €1,500 or less shall be reduced from €250 to €100.

**Aid to business**

- Insolvency legislation will be revamped next year to resolve the current procedural legal issues which often lead to stalemates.

- For the first time, there is a reference to the concept of fiscal consolidation in income tax legislation whereby companies within the same group would be able to present their income in an aggregate manner as if they were one company.

- Exporters of goods to unstable markets will be assisted through an export trade guarantee scheme.

- A tax credit, capped at €50,000 will be given to those small companies where a majority of the equity is controlled by women, so as to promote entrepreneurship among women.

- In order to help small businesses access public procurement contracts, where the value of the contract does not exceed €500,000, the guarantees they need to give on the value of the contract are being reduced to 4% from the current 10%.

- Businesses that employ professionals who hold or are reading for a doctorate in science, IT or engineering will be given a maximum €10,000 tax credit.

**Employment of disabled persons**

Maltese Law currently provides that companies employing more than 20 people must have in their employment at least 2% of its workforce made up of people with disability.
Those companies not abiding by such rule will now have to compensate by paying an annual amount of €1,600 for every disabled person that should have been employed.

5. Other
   
   **Subsidies on Purchase of Electric and Hybrid Cars**
   
   During 2016, there will be introduced a rebate of €7,000 for those who scrap their motor vehicle (over 10 years old) to buy an electric vehicle. Those who decide to keep the old car would still receive a rebate, which however is reduced to €4,000. Subsidies on the purchase of an electric quad bike amounting to €2,000, will also be introduced.

   Owners of vehicles with CO2 emissions lower than 100g/km will be entitled to a €900 grant, while owners of vehicles with CO2 emissions between 101 and 130g/km will be eligible for a €700 grant.

   The subsidy on the purchase of hybrid cars will be between €2,000 (carbon dioxide emissions between 50 and 65g/km) and €3,000 carbon dioxide emissions between 1 and 50g/km) provided that an old car is scrapped.

   Electric and hybrid cars will be exempt from paying CVA fees for entering Valletta whilst companies which buy electric or hybrid cars will be getting financial incentives.

   When a car reaches a mileage of 160,000km, VRT testing will be requested annually instead of every two years.

   The licence for small (up to125cc) motorcycles will be reduced to a flat rate of €10. VAT on vehicle registration tax paid in 2005 will be refunded during 2016.

   **Measures relating to immovable property**

   - In order to target abandoned immovable property, when any property is inherited and the majority of heirs decides to sell but the other heirs object, the waiting time before a sale can take place is reduced to three years from the current ten.
   
   - The 15% final withholding tax on residential rents introduced during 2014 will now also be extended to commercial properties.
• The final property transfer tax on transfer of immovable property situated in urban conservation areas will be reduced from 10% of the transfer value to 5% of the transfer value.

**Generic**

The subsidy introduced in 2015 for parents of church and private school children on school transport will be retained for 2016.

Employers who engage workers in Gozo on at least a three year contract will be given a refund equivalent to 20% of the average wage, capped at €5,000 per business.

Persons who for various reasons are unable to install photovoltaic panels on their roofs will be able to invest in 'communal' solar farms.

The government will reintroduce a scheme, whereby people who purchase bicycles or pedelecs will receive a grant of 15.25% on the purchase price of the bicycle. The maximum grant will be increased from €150 to €250.

The credits for national insurance granted to mothers who stop working to raise their children, and then return to work, will increase as from 2016.

As from 2016, enterprises which invest in the acquisition or development of an office building will start being entitled to wear and tear allowances. Up to 2015 such a deduction is available only on industrial buildings, hotels and car parks.

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**STAMP DUTY**

Extension of Stamp Duty exemption in relation to first time property buyers

The stamp duty exemption for first time buyers on the first €150,000 of the value of the property is being reintroduced and also backdated for transfers which happened as from 1st July 2015.

Stamp Duty on property bought in an urban conservation area to be halved from 5% to 2.5%, as long as transfer deeds are finalised between 1 January 2016 and 31 December 2016.
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