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Earlier this evening, the Minister for Finance Professor Edward Scicluna presented the 2018 Budget.

In his introductory speech, the Finance Minister noted various economic statistics which confirmed the solid performance of the Maltese economy notably the marked reduction in unemployment, the budget surplus earned in 2016 and forecast for 2017, as well as the positive outlook granted to Malta by the main international agencies. The Finance Minister also noted that the growth in Gross Domestic Product (GDP) in real terms stands at 6.3% for 2017, whereas private sector spending has increased by 4.4%. The level of inflation remains low and unemployment stood at 4.1%.

The Finance Minister also noted that such economic successes cannot be seen in isolation, and new challenges shall be faced by the country. In fact, the main areas of focus for the Government in the forthcoming future shall be:

I. The country’s infrastructure;
II. The stock of social housing;
III. The generation of green energy; and
IV. Refuse management.

The Minister noted that for 2018, the Government is targeting an economic growth of 5.6% in real terms and the level of unemployment to stand at around 4.2%. A budget surplus of 0.5% of GDP is forecast for 2018.

The Budget shall now be discussed in Parliament over the coming weeks.
1. FISCAL MEASURES

EXEMPTION FOR PENSIONERS
Pensioners shall be exempt from tax on the first €13,200.

MICRO INVEST
Micro invest tax credits are expected to rise from €30,000 to €50,000 for businesses based in Malta, and from €50,000 to €70,000 for business based in Gozo. Tax credits for female-owned businesses and for self-employed women are also expected to rise to €70,000. This scheme will also be available to businesses who employ less than 50 full time workers.

GRADUATES TAX CREDITS
A tax credit will be offered to students who opt for post-graduate courses at levels MQF 7 or 8 subject to the conditions below
• The applicant must be less than 40 years of age;
• The selected course must not form part of the professional curriculum needed to work in the given profession.

An exemption on income tax (up to chargeable income of €60,000) will be granted for one year for students who obtain a MQF 7 qualification, and for 2 years for students who obtain a MQF 8 qualification. The exemption will apply to part-time courses on a pro-rata basis.
Students who applied for other study related schemes, such as the “Get Qualified” scheme, will not be eligible for this scheme.

TAX REFUNDS
Tax refunds shall be granted to all employees in 2018 which refunds shall vary between €40-€68. The rate of refund shall be based on the gross salary earned by the employee in 2017.

HIGHLIGHT
In 2018, whereas tax brackets have remained unaltered, all tax payers shall receive a tax refund.
1. FISCAL MEASURES (cont.)

**HIGHLIGHT**

During 2018, the government will be issuing a new gaming legal framework which will be aimed at creating new incentives for the gaming industry, whilst promoting responsible gaming.

**CURBING TAX EVASION**
The Minister noted that fines payable by companies or individuals who have been found guilty of tax evasion shall be increased. Moreover, more resources shall be allocated to Joint Employment Task Force to combat tax evasion.

**VAT GROUPING**
A new legal framework shall be presented which will introduce the concept of VAT Grouping for the Regulated Financial Services Sector and the Gaming Sector. Through VAT Grouping, entities which are:
- Legally independent;
- Have a permanent establishment in Malta;
- Engage in related economic and administrative activities, can register as a single entity for VAT Purposes. This would mean that supply of goods and services within the group would fall outside the scope of VAT.

**VAT LIMIT FOR SMEs**
The exemption threshold from the charging of VAT on services provided shall be increased from €14,000 to €20,000.

**REDUCED RATE OF VAT AND DUTY ON CERTAIN MEANS OF TRANSPORT**
It was announced that the existing reduced rate of VAT on the purchase of bicycles and pedelec bicycles shall be extended for another year and shall be available also to companies that rent such bicycles. Moreover, a reduced rate of VAT of 7% shall be charged on the renting of bicycles used as a mode of transportation.

Minister Scicluna also noted that no registration tax shall be paid upon the acquisition of electric and hybrid vehicles. Furthermore, no licence fee shall be charged on such vehicles for the first 5 years from registration in Malta. Apart from this, the Government is also proposing a refund of €400 on the purchase of motor cycles, scooters and electric bicycles.
HIGHLIGHT

The scheme available to first time property buyers, which exempts them from the payment of duty on the first €150,000, shall be extended for a further year.

WHITE PAPER ON RENTAL PROPERTY
The Minister announced that a white paper to reform the rental market shall be published in the coming months. This white paper shall necessitate the public registration of all rental contracts. Moreover, increases in rental shall also be controlled and regulated.

In an attempt to curb abuses, the white paper shall also seek to control the minimum rental period and the deposit retention. Finally, the white paper shall also aim to provide a straightforward process to facilitate remedial action should the conditions of the rental contract be breached.

REHABILITATION OF PROPERTIES
The Minister noted that, subject to certain conditions, financial assistance not exceeding €25,000 shall be provided in connection with the maintenance and rehabilitation of private vacant dilapidated properties. Moreover, so as to encourage the acquisition and restoration of vacant properties situated in the village cores or certain scheduled properties, the Minister noted that the refund scheme on restoration works on such properties shall be extended.

DUTY REDUCTIONS
The minister noted that second time buyers shall be entitled to a duty refund of up to €3,000 on acquiring a second home when this is replacing the current residential home. The refund shall amount to €5,000 if the buyer is a person with special needs. To take advantage of this duty refund, the person acquiring this property cannot own another residential property.

Property situated in Gozo or in Urban Conservation Areas shall continue to enjoy the reduced rates of duty.
3. SOCIAL MEASURES AND PENSIONS

IN-WORKER BENEFIT AND COMMUNITY WORKERS
The Government shall extend the In-Work Benefit Scheme whereby the benefit under such scheme shall increase from €350 to €450 per child.

In an attempt to improve the working conditions of community workers, the amount received by such shall increase by €200 per month.

CARERS
The minister noted that the allowance attributable for carers shall be increased by €8.15 per week, should a person within the household where carers are used lose the right to any social benefit.

WAT
A grant up to a maximum of €10,000 shall be given on the purchase of wheelchair accessible taxis (WAT).

ADOPTIVE PARENTS, FOSTER CARE & ALLOWANCES
Adoptive parents shall be reimbursed up to €10,000 in adoption expenses (including travelling expenses). Moreover, foster care allowance shall increase from €70 to €100 per week.

Orphans aged between 16 to 21 shall be entitled to an allowance even if they are in employment.

PENSIONS
Persons aged 61 or over who are in receipt of a pension and who are still in employment and thus paying contributions, shall be entitled, once they reach the age of 65, to have their pension recalculated to include the contributions paid between the age of 61 to 65.

Such an entitlement shall be available to pensioners who had not paid their complete social security contributions during their employment.
The Minister announced that pensioners who have not reached the age of 65 and who have opted to work as self-employed or as part timers shall be entitled to pay their social security contributions at the rate of 15% on the net income on a pro-rata basis.

The Minister also announced that €10.5million shall be paid to around 6,000 individuals who had certain imbalances in their pensions. These include previous employees of the Police Force and the Malta Electricity Board, amongst others.

**ADJUSTMENT TO MINIMUM WAGE**
Based on an agreement made in 2017 with all the relevant parties, it was agreed that employees earning a minimum wage shall, after 1 year of employment, be entitled to a weekly wage increase of €3. After completion of the second year of employment they shall be entitled to a wage increase of a further €3 per week. Such employees will also be entitled to the increases in COLA.

**MATSEC**
SEC and MATSEC exam fees will be halved next year and completely removed in the following year.
4. OTHER MEASURES

HIGHLIGHT
The Minister believes that block chain technology can become one of the key drivers of the Maltese economy.

OPPORTUNITIES FOR MALTA POST BREXIT
The government has set up a working group whose aim shall be that of formulating the ideal strategy allowing Malta to help fill in the vacuum created by Brexit. Further structures are being planned that can help attract companies in the assurance, aviation and maritime industries.

BLOCK CHAIN TECHNOLOGY
Further investment includes the building a “Block-chain Lab” as part of MITA, training to government employees in the use of Block-chain, and the setup of a web-portal to maintain constant communication on the matter with the public. The government will also be setting up a Block-chain Hub, aimed at providing aid to start-ups in this field.

VACATION LEAVE
An extra day of vacation leave shall be granted to all employees.

REFUNDS
In a bid to increase jobs in the private sector in Gozo, the government will be offering a refund amounting to 30% of an employee’s average salary. This refund shall require that the employment contract shall be for at least 3 years and is based on a maximum sealing of €6,000.

EQUITY RELEASE FACILITIES
The Minister announced that in the forthcoming year, a Working Group will be set up to make recommendations on the regulatory framework necessary whereby a financial institution could come into an agreement with persons of a certain age, to release either as a global sum or on a monthly basis amounts backed by property owned by the said persons. On death of these persons, the heirs shall be entitled to the balance remaining on the value of the property once the financial institution balances have been settled.
Mazars is present in all continents.

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