Budget Highlights

- Economic Highlights
- Administrative Measures
- Social Measures
- VAT Grouping
- Stamp Duty
- Income Tax
- Blockchain
- Property
- Infrastructure
- Pensions
- Transport
- Housing
**Economic Updates**

<table>
<thead>
<tr>
<th><strong>€ 100 million</strong></th>
<th><strong>Deficit to Surplus</strong></th>
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<tbody>
<tr>
<td></td>
<td>Over the recent past Malta has experienced an economic turnaround, from a deficit of nearly € 300 million to a <strong>surplus of over € 100 million in 2016</strong>. On the basis of 2017’s figures to date, a surplus shall also be achieved this year.</td>
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<table>
<thead>
<tr>
<th><strong>6.3%</strong></th>
<th><strong>Economic Growth</strong></th>
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<tbody>
<tr>
<td></td>
<td>During 2016, the Maltese economy experienced a growth of 5.5% in real terms, whilst in the <strong>first half of 2017, growth in real terms increased to 6.3%</strong>. This is to be compared to an average economic growth of 2.2% registered within the European Union.</td>
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<table>
<thead>
<tr>
<th><strong>4.4%</strong></th>
<th><strong>Private Consumption</strong></th>
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<tbody>
<tr>
<td></td>
<td>The first half of <strong>2017 saw an increase in private consumption of 4.4%</strong>. This is a reflection of the increase by € 246 million in wages and salaries, as well as an increase by € 468 million in corporate profits.</td>
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<table>
<thead>
<tr>
<th><strong>4.1%</strong></th>
<th><strong>Unemployment Rate</strong></th>
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<tbody>
<tr>
<td></td>
<td><strong>Malta’s unemployment rate fell to 4.1%</strong>, with youth unemployment at 10.6% in the same period. Overall, less than 2,500 were registered for unemployment benefits in August of this year.</td>
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<table>
<thead>
<tr>
<th><strong>9,512</strong></th>
<th><strong>Private Sector Employment</strong></th>
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<tbody>
<tr>
<td></td>
<td>The <strong>labour market has seen an increase of 9,512 new employees</strong>, 8,500 or 90% of which have taken up employment in the private sector.</td>
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<table>
<thead>
<tr>
<th><strong>1.2%</strong></th>
<th><strong>Inflation</strong></th>
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<tbody>
<tr>
<td></td>
<td>Despite last year’s budget having forecast the rate of inflation to increase to 1.5% this year, as of August 2017, <strong>the rate of inflation was maintained at a relatively low level of 1.2%</strong> in terms of the Harmonised Index of Consumer Prices (HICP) and 1.17% in terms of the Retail Price Index (RPI).</td>
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<table>
<thead>
<tr>
<th><strong>57.6% of GDP</strong></th>
<th><strong>National Public Debt Level</strong></th>
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<tr>
<td></td>
<td>Compared to the <strong>public debt levels</strong> in 2012, reaching nearly 70% of the Gross Domestic Product, this has now been <strong>reduced to 57.6% of the Gross Domestic Product</strong>.</td>
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<table>
<thead>
<tr>
<th><strong>37th place</strong></th>
<th><strong>Global Competitiveness Index Ranking</strong></th>
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<tbody>
<tr>
<td></td>
<td><strong>Malta moves up the ranks to 37th place</strong> out of 138 countries in the <strong>Global Competitiveness Index (2017-2018)</strong> issued by the World Economic Forum.</td>
</tr>
</tbody>
</table>
Social Measures

The budget covered a number of social measures reaching out to different sectors within the community.

**COLA:** The Cost of Living Adjustment will be €1.75 weekly;

**Pensioner Residence Grant:** Persons over 75 years of age, and who still live in their private residence, will once again be given a grant of €300 during 2018;

**In-Work Benefit:** There will be an increase in the highest rate of in-work benefit for families where only one parent is in gainful occupation. The benefit shall increase from €350 to €450 per child;

**Vacation Leave:** An additional day of vacation leave for all employees as from 2018;

**Minimum Wage:** An increase in the minimum wage after the first year of employment will be introduced. The increase shall be of €3 per week during the second and third years of employment;

**Community Workers Scheme:** Employees under this scheme will get an increase of €200 per month in their salary for 2018;

**Means Test:** Alimony payments will no longer be included in the means test calculation for entitlement of free medicine;

**Sickness Benefits:** Widows and widowers who are employed and who receive the widowers’ pension will also be entitled to sickness benefits;

**Tax Reductions:** In 2018, a tax refund varying between €40 and €68 shall be given to taxpayers whose income is less than €60,000 per annum. Based on the gross income for the previous year, the refund shall vary as follows:

<table>
<thead>
<tr>
<th>Gross Income Range</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0 - €15,000</td>
<td>€60</td>
</tr>
<tr>
<td>€15,001 - €30,000</td>
<td>€50</td>
</tr>
<tr>
<td>€30,001 - €59,999</td>
<td>€40</td>
</tr>
</tbody>
</table>

**Single Computation**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0 - €20,000</td>
<td>€68</td>
</tr>
<tr>
<td>€20,001 - €40,000</td>
<td>€56</td>
</tr>
<tr>
<td>€40,001 - €59,999</td>
<td>€44</td>
</tr>
</tbody>
</table>

**Married Computation**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0 - €15,000</td>
<td>€64</td>
</tr>
<tr>
<td>€15,001 - €30,000</td>
<td>€52</td>
</tr>
<tr>
<td>€30,001 - €59,999</td>
<td>€40</td>
</tr>
</tbody>
</table>

**Parent Computation**
Social Measures

**Adoption:** Persons who will be adopting a child from a foreign country will benefit from a *refund of up to € 10,000* to cover expenses incurred in the adoption process including travelling fees. This will also apply where the adoption process has already started but not yet finalised;

**Orphan Allowance:** The special allowance given to orphans who are over 16 years of age but less than 21 years will *no longer be forfeited even if the person is in employment*;

**Foster Care Allowances:** These will be *increased from € 70 to € 100 weekly*;

**Drug Addicts’ Allowance:** To be *increased from € 30 to € 40 weekly*; and

**Social Loans:** An increase in social loans aimed for people who would like to buy the property that they are currently renting from the state, whereby the government shall enter into a *new arrangement with Bank of Valletta for another 300 applicants* to benefit from such loans.
Pensions

Pension Increase: Contributory and non-contributory pensions will be increased by €2 weekly whilst remaining tax-free if pension income does not exceed €13,200. Service pensions will also be increased by €200; and

Social Security: Persons who reach retirement age, but do not have enough social security contributions paid to obtain a full pension and who continue to work and contribute towards social security, can have their pension entitlement re-assessed after attaining the age of 65 years so that they can benefit from a full pension depending on the amount of contributions paid. Pensioners under 65 years of age who are employed or self-employed on a part-time basis may pay social security contributions at 15% on their net income.
**Income Tax & VAT Measures**

**MicroInvest Scheme**
The maximum tax credit made available under the MicroInvest Scheme shall be **increased from €30,000 to €50,000** for companies based in Malta:

The maximum tax credit for those **companies based in Gozo**, or those **based in Malta but having a majority shareholding by self-employed females**, shall be **increased to €70,000**:

This scheme has also been extended to companies who employ up to a **maximum of 50 employees**.

**Electronic Submission of Forms**
Social security forms and VAT returns can now be submitted electronically by companies and enterprises **employing 10 people or more**;

**Article 11 VAT Registration**
The ‘services’ turnover threshold to qualify as a small undertaking for VAT purposes is being **increased from €14,000 to €20,000**; and

**Income Tax Exemption**
Persons under the age of 40 who **successfully complete a post-graduate course** at the level of MQF 7 or MQF 8, equivalent to a Masters or Ph.D., shall not pay income tax for up to two years after the completion of their respective course. This applies to those who begin their academic course from the 2017/2018 academic year onwards.

Furthermore, students who opt for any other benefit related to their studies, such as get qualified, shall not be eligible for this scheme.
Administrative Measures

VAT Grouping
A **new regulatory framework** for the regulated gaming and financial services sectors shall be introduced next year to incentivise growth in these sectors. This shall involve the introduction of a VAT Grouping concept for the financial services. The concept will **allow independent, legal entities having a permanent establishment in Malta**, and which share financial, economic and organisational ties, to **register as one taxable person in Malta**. Consequently, acquisitions and supplies between members of the group will **fall outside the scope of VAT**.

Payment Set-offs
A system shall be implemented, whereby **payments that companies are due from the Government may be offset against payments that the company owes to the Government**.

This measure should help to improve the cash flow of those companies that provide goods or services to the Government, although it is understood that in some cases this may not be possible due to legal or administrative obstacles that may be encountered.

Fiscal Evasion
An **increase in the penalties** against any type of fiscal evasion and unfair competition. The Joint Enforcement Task Force shall further strengthen its efforts to continue to identify companies and business that are evading tax.
**Housing & Property**

**First-time Buyers:** The exemption of stamp duty on the first €150,000 of the value of residential property acquired by first-time buyers shall be extended for 2018;

**Second-time Buyers:** These will also benefit from a refund of stamp duty up to a maximum of €3,000 upon the acquisition of a second home in the case that the individual sells their residential home to purchase another, whilst not owning any other immoveable property. This benefit is increased to a maximum of €5,000 if the buyer suffers from a disability;

**Restoration Aid:** This will be provided for the restoration of property in urban conservation areas;

**UCA Property:** The stamp duty due upon the acquisition of property in an urban conservation area will be decreased from 5% to 2.5%;

**Property in Gozo:** The stamp duty due upon the acquisition of residential property in Gozo shall be reduced from 5% to 2%;

**Emphyteutical Grants:** A redemption scheme shall be introduced for emphyteutical grants;

**Skema Nikru biex Nassistu:** The Housing Authority shall launch a new scheme that will grant owners of vacant properties, a maximum aid of €25,000 for each residence that is to be refurbished. The works must be performed within 6 months from the granting of the aid and upon completion, the owners must enter into a 10-year commitment with the Housing Authority to rent the property for residential purposes; and

**Return of Government Property by Pensioners:** Pensioners who return their Government-rented property to the Government once they move into an old peoples’ home will benefit from a 20% less reduction in the payment taken from their pension to cover the old peoples’ home contribution.
Other Measures

**Citizenship**
Continuation of the Malta Individual Investor Programme and the introduction of an Act allowing the granting of citizenship on the basis of exceptional merit;

**Employment in Gozo**
To incentivise employment in Gozo, a refund of 30% of the average pay of an employee employed in Gozo for a minimum period of three years will be offered up to a maximum refund of €6,000;

**Free or Subsidised Examinations**
During 2018, half of MATSEC and SEC fees will be financed by the Government. These fees will be waived from 2019 onwards; and

**Excise Tax**
Excise tax on steel rods and bars to be matched with the rate for similar products.
Blockchain

**Taskforce:** The Maltese Government has appointed a Blockchain Taskforce to evaluate the proposals for the implementation of the National Blockchain strategy.

**Blockchain Lab:** This will be set up at the Malta Information Technology Agency.

**Blockchain Hub:** This is going to be set up to serve as a web portal for communication for all those interested in blockchain technology and cryptocurrencies, as well as to incentivise start-ups to use this technology. The hub will also help startups that are working on this technology and will provide the necessary support; and

**Web Portal:** This will be launched for stakeholders in blockchain and cryptocurrencies.
A **working group has been established** to outline the strategy of the manner in which Malta can attract UK companies to relocate on the island including:

- investment companies;
- aviation and maritime companies;
- payment services institutions;
- e-money institutions; and
- digital economy entities.
Transport

**Free Tal-Linja Card:** Youths between the age of 16 and 20 shall be given a free bus card valid for one year;

**Free School Transport:** The Ministry for Education shall conduct a study that will include conversations with all those involved in school transport with the aim of implementing collective transport for free to and from church and private schools as from the scholastic year 2018/2019;

**Bicycles and Electric Bikes:** A VAT refund shall be granted on the purchase of bikes and electric bikes, together with a €400 grant. The VAT refund will also be applicable to companies who purchase the same for rent;

**Bicycles for Hire:** Tourists and individuals using hired bikes as a method of transport shall enjoy a reduction in the rate of VAT charged on the service from 18% to 7%;

**Motorcycles:** A €400 grant shall be available on the purchase of motorcycles;

**Registration Tax:** An exemption from registration tax of electric, hybrid and battery-operated vehicles exceeding 80km;

**Road Licencing:** A five-year exemption for electric, hybrid and battery operated vehicles exceeding 80km commencing from year of registration. State-aid rules apply for corporate entities; and

**Wheelchair Taxis:** Grant of a maximum of €10,000 when wheelchair accessible taxis are bought.

**Scrappage Scheme:** An extension to the motor vehicle scrappage scheme and introduction of grants in respect of vehicles converted from petrol to gas.
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