Budget 2016

Highlights
Finance Minister Edward Scicluna has today Monday 12 October 2015 presented to Parliament his fourth budget of the legislature.

The Government is aiming to reach a deficit target of 1.6% cent of GDP for this year, and to continue on this path of fiscal consolidation and further reduce the deficit to 1.1% of GDP in 2016.

The main economic indicators are:

- Inflation should remain relatively low during this year at an average of 1% but is expected to increase moderately to 1.8% in 2016
- Unemployment - 5.6% down from 5.8% in 2015
- Economic Growth - estimated at 3.6% for 2016

<table>
<thead>
<tr>
<th>Consolidated fund</th>
<th>2014 Actual €000</th>
<th>2015 Revised €000</th>
<th>2016 Budget €000</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>7,941,342</td>
<td>8,458,759</td>
<td>8,983,418</td>
</tr>
<tr>
<td>Total revenue</td>
<td>3,387,209</td>
<td>3,630,138</td>
<td>3,613,244</td>
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<tr>
<td>Deficit</td>
<td>168,610</td>
<td>134,000</td>
<td>102,000</td>
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<tr>
<td>Deficit as a % of GDP</td>
<td>2.1</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Public debt</td>
<td>5,420,691</td>
<td>5,630,455</td>
<td>5,858,774</td>
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</tbody>
</table>
Tax measures

Income
No tax is chargeable to anyone whose employment or pension income does not exceed the minimum wage and government bonus.

Income from sports
The reduced 7.5% tax on income earned by football and water-polo players has now been extended to coaches and players of any sports discipline.

Property tax
15% withholding tax option on residential-lets will be extended to commercial lets. This is applicable to both individuals and companies but excludes intra-group rentals.

The stamp duty exemption for first time buyers will be extended again from 1 July 2015 until the end of 2016. Contracts made after 1 July 2015 will be entitled to a refund on the stamp duty paid.

A reduction of the final withholding tax from 8% to 5% on the sale of renovated properties in urban conservation areas was introduced.

Stamp duty is being reduced from 5% to 2.5% on the sale of properties in urban conservation areas.

Capital allowances
It is being proposed that capital allowances on industrial buildings be extended to include office buildings.

Other tax benefits
The rate of VAT on gym memberships, fitness centres, football nurseries and other similar activities was decreased from 18% to 7%.

Extra duties carried out by the police for organisations, individuals and companies will be taxed separately at the rate of 15%.

Environmental contribution
Tourists over the age of 18 years will be subject to a tax of €0.50c per night capped at a maximum of €5 per visit.

Discussions will be held on how this measure will be implemented.

<table>
<thead>
<tr>
<th>Tax rate</th>
<th>Single computation €</th>
<th>Parental computation €</th>
<th>Joint computation €</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0 - 9,100</td>
<td>0 - 10,500</td>
<td>0 - 12,700</td>
</tr>
<tr>
<td>15%</td>
<td>9,101 - 14,500</td>
<td>10,501 - 15,800</td>
<td>12,701 - 21,200</td>
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<tr>
<td>25%</td>
<td>14,501 - 60,000</td>
<td>15,801 - 60,000</td>
<td>21,201 - 60,000</td>
</tr>
<tr>
<td>35%</td>
<td>60,001+</td>
<td>60,001+</td>
<td>60,001+</td>
</tr>
</tbody>
</table>
Tax measures

**Duty on tobacco**
Duty on cigarettes will increase by €0.30c per packet.

**Duty on cement**
Duty on cement will increase by €5 per ton.

**Duty on fuel**
With effect from 1st January 2016, duty on unleaded fuel and diesel is set to increase by €0.03c per litre, whereas lubricants will increase by €0.02c per litre.

**Tax incentives for donations to the arts**
People who donate money to the arts will be entitled to a tax credit of 150% of the value of their donation.

**Fiscal Consolidation measure**
It is being proposed to introduce a consolidated group tax computation for companies owned by the same shareholders, by presenting one tax return for all the group.
Access to finance for SMEs
The Malta Stock Exchange is developing a proposal to set up a listing platform to facilitate access to finance and succession planning for SMEs.

Collateral
Businesses renting property from Malta Industrial Parks may be able to strengthen their title to the property and leverage further investment in their business.

Less bureaucracy
The bureaucratic procedure faced by start-ups wishing to open up in Malta will be reduced to a one-week average, down from the current three weeks. The fees for the online registration of companies will be reduced to €100.

Financial Assistance

Start-ups and family owned business: Malta Enterprise will launch fresh schemes to fund start-ups by up to €200,000 in direct correlation to the invested private equity; increased to €500,000 for innovative enterprise. Furthermore, these schemes may also apply to companies seeking crowdfunding.

Female entrepreneurship: Self-employed women and businesses in which the majority of the equity is held by women will be granted a maximum €50,000 tax credit, €20,000 more that the current Micro Invest scheme.

Training and transfer of knowledge: Financial assistance (grants or tax credits) will be available to facilitate the training and transfer of knowledge to new employees.

Employment of doctorate holders: Businesses that employ people who hold or are reading for a doctorate in science, IT or engineering will be given a maximum €10,000 tax credit.

SMEs in manufacturing sector: SMEs that rent out space from the private sector for manufacturing purposes will be granted a maximum €10,000 in financial compensation over a two-year period.

European funds:
Start-ups and family owned enterprise will have access to €50m in grants and €300 billion in loans (Investment Plan for Europe). Specific funds will also be made available for investments in innovation or purchase of equipment and machinery.
Enterprise incentives and projects

Projects
The Malta Film Commission is exploring the possibility of launching a call for expressions of interest for the setting up of a PPP to develop and operate the Kalkara film studios including the possibility of a sound stage.

Gozo sub-seabed tunnel:
Geological studies will be commissioned later this year to assess the viability of the project.

Education Malta: similarly to Finance Malta, Education Malta will be set up as a PPP to promote Malta as a destination for the setting up of educational establishments

Property Malta will be set up to promote Malta as an island of high-quality property

White Rocks: The Faculty of Architecture will be advising on best use of the land earmarked for the project
Social measures

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Cost of living
Cost of living increase, the burden of which is to be absorbed by the employers is €1.75 per week.

In-work benefit
In-work benefit for those parents where only one parent is gainfully employed and earning between €6,600 and €12,700 will now be entitled to receive €150 per child under the age of 23.

This incentive increases up to a maximum of €1,000 per child if both parents become gainfully employed with a joint income ranging from €10,000 to €20,000.

Pensions
As from 1 January 2016, pensioners on minimum pension are to receive an increase of between €4.15 and €8.92 per week, the highest receivers being those aged over 75.

Married couples on minimum pension who are not affected by the measure will receive a weekly increase of €4.15 over and above COLA adjustment.

Disabled persons
Companies which employ more than 20 persons and who do not abide by the respective legislation will have to pay a contribution of €1,600, up from €800, for every disabled person not employed.

Students
Gozitan students studying in Malta will receive an allowance of €300 per year.

Donations
Donations of not less than €2,000 by corporate entities to the Community Chest Fund during 2015 will be fully tax-deductible (previously only 50% was deductible).

Income of children
Income of children will not be taken into account for the means test of the head of the family. This means that €16.30 per week will not be lost for each child who is working and still living with the parents.

Housing subsidies
The Housing Authority scheme for subsidies on constitution works to owners or tenants will be increased from €10,000 to €11,000 while the maximum benefit under the dangerous constructions scheme will be increased from €7,000 to €8,000.
Sustainability

Transport

- Grants of 15.25% on bikes and electric bikes up to a maximum of €250 were introduced.
- Transport Malta will invest €13 million in roadworks, €3 million more than it invested in 2015.
- A tidal system pilot project will be introduced in a number of roads.

Vehicle licences

- As from 1 January 2016, road licence for motorcycles with engine capacity of 125cc is being reduced to a flat rate of €10. Registration tax will be removed on such motorcycles.
- Cars with a mileage of over 160,000km will need to be VRT tested every year instead of every two years.
- Electric and hybrid cars will be exempt of CVA.

Subsidies on electric and hybrid motor vehicles

- As of 1 January 2016 a €7,000 rebate will be given to those who scrap their cars, over 10 years old, and buy an electric vehicle. If the old car is not scrapped the rebate will be €4,000.
- Subsidy on the purchase of hybrid cars will be between €3,000 and €2,000 as long as an old car is scrapped.
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