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ABOUT MAZARS

In providing tailored solutions to the individual needs of our clients, Mazars Tax examine and offer a comprehensive range of tax services to national and international clients with a particular emphasis on helping them to structure their businesses and financial affairs tax efficiently.

Mazars provides a full range of tax services to small and medium sized enterprises, private and publicly quoted companies and individuals. Our approach entails coming forward with ideas and solutions that bring added value to clients, based on a comprehensive understanding of each client’s particular business. We are part of the International Mazars organisation, one of Europe’s largest independent firm of accountants and advisors, and as such are ideally placed to provide advice on cross border transactions and international tax issues.

Our areas of specialisation include:

CORPORATE TAX SERVICES
PERSONAL TAX SERVICES
INTERNATIONAL TAX SERVICES / CROSS BORDER TRANSACTIONS
EMPLOYERS TAX SERVICES
VAT COMPLIANCE AND ADVISORY
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INTRODUCTION

Earlier this evening, Minister for Finance Professor Edward Scicluna presented the 2015 Budget. In his introductory address the Minister noted that the Maltese economy had grown at the rate of 3.2% whereas unemployment stood at the level of 5.8%. Inflation stood at the rate of 0.6%. The country’s deficit in 2014 stood at 2.7% whereas the targeted deficit for 2015 is set at 2.1% of the Gross Domestic Product.

Based on the above results the Minister noted that for 2015 economic growth has been forecast at 3.55% in real terms with unemployment stabilizing at below 6%.

Similar to previous Budgets, today’s measures have emphasized on education, employment creation, and sustained social services. The total forecast Government revenue for 2015 is €3.55 billion, whereas Government spending shall hover at around €3.7 billion.

The minister pointed out that the aim of the budget was to reward hard work and to ensure that abuses of social services are curtailed. Moreover the Budget is also to serve as a further attempt to reinforce the investigative section of the Inland Revenue.

The Budget shall now be discussed in Parliament over the coming weeks.
1. INCOME TAX

REDUCTION IN INCOME TAX
Income previously taxable at the rate of 29% shall now be taxable at the rate of 25%. This shall apply for all tax computations, being single, married and parent.

Persons (employees or pensioners) earning a minimum wage shall not be subject to pay any tax.

Water polo players, like footballers shall be subject to a reduced rate of tax.

PRINCIPAL RESIDENCE
Persons owning more than one property are to state which property is their principal residence and which would thus be exempt from tax on sale thereof.

PROPERTY TAX
The system of taxation for transfers of property has been altered whereby one no longer has the option to determine whether to select a 12% rate of tax on the value of the property or 35% on the gain. Tax on property transfers shall now stand at 8% of the value of the property without allowing for any deductions. The only exceptions to this are two fold:

(i) When one is not in the trade of selling property the rate of tax shall fall to 5% so long as the property is transferred within 5 years from acquisition.
(ii) For property acquired before 1 January 2004 the tax rate shall stand at 10% of the property’s value.

Tax is due to be paid on the contract date.

The current exemptions which are contemplated by our laws covering sale of one’s principal residence which has so been one’s principal residence for a period of at least 3 years, intra group property transfers and transfers arising by court order or via a separation shall remain exempt.

COMBATTING TAX EVASION
All individuals providing an economic activity shall be obliged to register for VAT, whatever the value of the economic activity provided.

An internal exercise shall tax place within the Inland Revenue to allow for the sharing of information to ensure a stronger investigative arm to the Inland Revenue.

A form of specialized investigative unit modelled on the Italian “guardia di finanza” shall be set up.

AMENDMENTS TO THE INCOME TAX ACT
The income tax act shall be amended to ensure that the same tax rights shall be granted to couples registered under the civil unions bill, to those granted to married couples.

SEED CAPITAL
The government is working on initiatives which will give easier access to finance to small and medium enterprises, which move away from the traditional bank lending. These initiatives will include fiscal incentives and venture capital funds. Private investors will be given a tax credit equivalent to the amount of capital invested in shares in newly set up companies, up to a maximum of €250,000 in a year.

FAMILY BUSINESS ACT
The Family Business Act will be set up to incentivise the transfer of business between family members.

TAX CREDITS FOR EMPLOYING PEOPLE WITH SPECIAL NEEDS
Every employer who employs an individual with special needs shall be exempt from the payment of social security contributions and shall be entitled to a tax deduction equivalent to the disabled individual’s salary. The maximum tax credit shall amount to €4,500 per disabled individual employed.

TAX DEDUCTION FOR COMPANIES MAKING DONATIONS TO THE MALTA COMMUNITY CHEST FUNDS
With effect from Year of Assessment 2015, when a company donates an amount of at least €2,000, it shall be entitled to a tax deduction equivalent to 50% of the amount being donated.

TAX DEDUCTION FOR MAKING USE OF SCHOOL TRANSPORT
The Government shall introduce a tax deduction equivalent to a maximum of €150 for the parents of children who attend private or church schools and make use of the school’s transport.
2. INDIRECT TAXES AND DUTIES

ECO TAX AND DUTY
Certain ECO taxes on certain products such as tyres, and certain types of oil have been removed and replaced by Excise tax. Excise tax has also been introduced on fish farm food as well as a 20c per litre excise tax on wines.

Duty on cigarettes, tobacco, mobile phone services, cement insurance policies have also increased by varying percentages.

Duty on unleaded petrol shall increase by 1c per litre and duty on gas oil, diesel, biodiesel, heavy fuel oil and petroleum shall increase by 2c per litre. However the price of fuel as from January 2015 shall be reduced by 2 cents per litre and the price of diesel shall be reduced by 1 cent per litre. These reductions in prices are fixed for the period 1st January 2015 to 31 March 2015.

DUTY EXEMPTION FOR FIRST TIME BUYERS
The first time buyers (defined as persons who never owned immovable property before 1 January 2015) has been extended until the 30 June 2015. The value of the exemption remains fixed at €150,000.

DUTY BUSINESS DIVISIONS
The Minister noted that jointly owned property divided between the existing owners shall be exempt from duty so long as there is no value shifting following the division.

ECO TAX CONTRIBUTION
The Minister pointed out that the Eco tax system shall be reformed with the main objective being an eventual elimination of this tax on electronic goods. Importers would however need to enter into an approved waste collection system by the end of June 2015. The first phase of this exemption from Eco Tax shall come into effect on the 1 September 2015. More exemptions shall be contemplated in 2016.

VEHICLE LICENCES, CRANES AND OFFICE FEES
The licence payable on cars has been revised upwards unless the car is considered to be a non-polluting vehicle. ATVs and vintage engines of less that 250cc shall experience a complete elimination of duty.

Tower cranes used in construction shall experience a daily charge of €10 or €15 depending on their size. Services provided by government departments will experience a slight increase and the swimming pool licence fees shall increase by 15%.

VAT REFUNDS TO TOURISTS
A system to allow third country tourists to claim VAT refunds on their consumption in Malta will be launched.

REDUCTION IN VAT RATE FOR DIGITAL BOOKS
With effect from 1 January 2015, the VAT rate applicable on digital books, audio books or other books published on CDs, DVDs, SD-cards, USB drives and similar manners shall be reduced from 18% to 5%.
3. FINANCIAL SERVICES INDUSTRY

FINANCIAL SERVICES ARBITRATOR
The office of an arbitrator in the financial services industry will be set up. The office, which will be independent of the Malta Financial Services Industry, will have extensive powers to find solutions to consumers in an effective and an impartial way.

DEVELOPMENT BANK
The creation of a Development Bank is in progress, with the aim of providing access to funds and invest in strategic projects.

GAMING INDUSTRY
The growth of the gaming industry in Malta will be encouraged through 3 pillars:
(a) In an attempt to reposition the place and the role of the authority in the industry, the Lotteries and Gaming Authority (LGA) will be renamed to Malta Gaming Authority;
(b) A Gaming Academy will be set up to address the problem of gaming companies in not finding Maltese personnel;
(c) A foundation, called Gaming Malta, will be set up in collaboration with the Chamber of Commerce, the Malta Remote Gaming Council, the Chamber of Advocates and the Malta Institute of Accountants. Gaming Malta will be responsible to promote Malta as a gaming jurisdiction, and will be a catalyst for the necessary advancements in the sector.

ISLAMIC BANKING
The Minister noted that Islamic Banking does indeed constitute a niche within the financial services sector. Thus changes in relevant legislation are expected to be made in order to attract international players in this industry.

CRUISE LINERS
Cruise liners visiting Malta will be allowed to open their on board casinos for passengers at night against the payment of a license fee. Cruise liners which opt to visit Malta as well as Gozo will be exempt from paying such license fee.
4. SOCIAL MEASURES

ONE TIME TAX EXEMPT BONUS
The Government intends to pay a one off tax exempt bonus of €35 per employee, pensioner and person relying on social benefits. This bonus shall also be given on a pro rata basis to students and part time workers.

WORK BENEFIT
When both parents are working and are earning a low income, and have children below the age of 23 a benefit of €1,000 per child shall be paid.

A working single parent looking after his children shall be entitled to a maximum benefit of €1,200 per child. The benefit shall be calculated on the basis of one’s income net of National Insurance.

The entitlement is noted below

| Couple earning between €10,000 to €20,400 | Pro rata of €1,000 per child |
| Single parent earning between €6,600 to €15,000 | Pro rata of €1,200 per child |

YOUTH GUARANTEE SCHEME
This scheme intends to provide traineeships and work trials for students. This scheme has been extended to unemployed persons below the age of 23 who shall be entitled to unemployment benefits so long as they attend a training course organized by the scheme.

COLA ADJUSTMENT
The cost of living adjustment was announced at €0.58 per week. Students shall also be entitled to this increase.

ABUSE OF SOCIAL BENEFITS
Persons who may be taking social benefits to which they are not entitled are advised that they are to regulate their position up to the end of February 2015. They will also be subject to a minor fine.

CHILD Care FACILITIES
Free child care facilities have been extended for a further year. Project Malta is undergoing discussions with the Foundation of Tomorrow’s Schools to identify possible sites where to build a Child Care Centre in a central location in Malta.

SINGLE PARENTS
Working single parents shall be entitled to 65% of their social benefits in the first year of employment, 45% in the second year and 25% in the third year. Their employers shall also enjoy a 25% rebate of the social benefit for 3 years. The child must be below the age of 23 for this benefit to be given.

Single parents who opt to get married or enter into a civil union shall not lose their social benefits immediately but the reduction in such benefit shall be straddled over 3 years, based on the above percentages.

TRAINING AID FRAMEWORK
The minister announced that €2.5million shall be allocated to business who opt to recruit employees which will be offered training.

WORK PROGRAMME SCHEME
The Minister announced that the private sector and the ETC shall launch a work programme scheme aimed at ensuring that persons who have been out of employment for a long period shall find it easier to find a job. The work programme scheme shall allow employers to receive €2,750 per recruited specified employee over a 3 years.

MATERNITY LEAVE AND FUND
The rate of maternity leave paid by the state shall be increased by €6 per week. Self employed women shall also be entitled to maternity leave payments equivalent to €73 per week for a 14 week maternity period.

A maternity leave fund shall be set up whereby private companies shall be obliged to pay a contribution based on the number of employees to this fund. The fund will then finance maternity leave payments.
GRANT TO ELDERLY
A grant of €300 per person over the age to 75 shall be given.

CHILD BONUS ATTACHED TO SCHOOL ATTENDANCE
The Government intends to pay a supplement amounting to €400 per child (€200 from the 4th child onwards) to low income earning families provided that each child attends at least 95% of scholastic days. This is aimed at increasing the level of education of the children as well as their psychological well-being.

HOMES FOR INDIVIDUALS WITH SPECIAL NEEDS
The Minister announced that there shall be the development of 10 new residential homes for individuals with special needs. A project is being introduced aiming to improve the homes of disabled individuals in order for them to be able to keep on living in their own residential problems without any difficulties.

FISCAL INCENTIVES FOR TRUSTS AND FOUNDATION SET UP TO SUPPORT INDIVIDUALS WITH SPECIAL NEEDS
The Government shall introduce an incentive aimed to make the best use of financial resources and assets which individuals with special needs inherit from their ascendants.

Such Trusts shall be exempt from tax.

FULL PENSION FOR INDIVIDUALS WITH SPECIAL NEEDS ENGAGED IN EMPLOYMENT
Individuals with special needs engaged in employments shall still benefit from the full pension which they were receiving prior to engaging in employment.

PENSIONS
The minister announced that the mechanism for a third pillar pension and an individual savings pension shall be introduced yet details were not disclosed in the speech.

A person who has not paid his NI contributions shall be entitled to pay upto 5 years contributions which do not necessarily have to be the last 5 years.

Persons aged between 62 to 74 years who had not paid sufficient social security contributions shall receive a bonus of €200 so long as they have paid 5 years contributions or €100 so long as they have paid between 1 year to 5 years contributions.

ENFORCEMENT OF THE 2% LAW
The actual implementation and enforcement of the 1967 legislation whereby a company with more than 20 employees shall have at least 2% of its employees having some form of disability. Any employer not abiding by this rule shall contribute an annual sum of €2,400 for every disabled individual which he should be employing. The annual maximum contribution shall amount to €10,000. For 2015 the employer shall pay one-third of the amount due, for 2016 the employer shall pay two-thirds of the amount due whilst for 2017, the employer shall pay the full amount.

All contributions from such initiative shall be collected by the National Fund for the Integration of Disabled Individuals to be used for training and employment of such individuals.
5. HEALTH AND ENERGY

ENERGY AND WATER – REDUCTIONS FOR BUSINESSES
The Government shall extend the reduction in electricity and water bills to businesses. There shall be introduced a reduction of 25% on electricity bills as well as a reduction of 5% on water bills with effect from March 2015.

ENERGY AUDITS AND SOLAR FARM POLICY
The Government shall implement a plan for businesses to have energy audits aimed at environmental, social and financial benefits. A solar farm policy shall be introduced in collaboration with the Planning Authority aimed to regularise the installation of solar photovoltaic panels.

RENEWABLE ENERGY
For those who have previously invested in solar photovoltaic panels and benefitted from the schemes offered by the Malta Resources Authority, there shall be the possibility to increase the number of panels by 30 April 2015 and benefit from original Feed-In-Tariff of 22c.

An extension for businesses which are still implementing their solar photovoltaic panels projects and which are obtaining assistance from the EU or the Government of Malta, to 30 April 2015 for applying the Feed-In-Tariff.

For those who have solar photovoltaic panels in their residential homes there shall be an introduction of a payment of a marginal cost for the portion of electricity which is not being consumed by that household.

An extension to Feed-In-Tariff Scheme for allocation of capacity from 4 Megawatts to 10 Megawatts. Applications shall be received from 1 December 2014.

HEALTH SERVICES
The Government shall introduce a screening scheme during 2015 as part of the National Cancer Plan.

During 2015, there shall also be developed lifestyle programmes targeted for individuals which are suffering from diabetes.

A White Paper in relation to organ donation shall be issued which shall lead to the first legislation in this respect.

The Government has set up Medical Plus, a company which shall enter into arrangements with specialist from Mater Dei Hospital aimed at increasing the amount of operations taking place during working hours as well as increasing these during weekends.
6. OTHER MEASURES

FILM INDUSTRY
The film industry will be promoted by introducing specialised courses for film makers and investments in infrastructure, including sound stages. A call for international partners interested to manage the Rinella Film Studios will be made.

SCHEME FOR VALLETTA SHOP OWNERS
Valletta shop owners will be given the possibility to apply for ground rent title, rather than a mere rent title. This scheme will give more security to the shop owners, and thus encourage them to invest further. It is not excluded that this scheme will be launched for retail outlets established in other parts of Malta and Gozo.

ENTERTAINMENT CAPITAL PROJECTS
The Government intends to enter into a private public partnership for the Marsa race track to be run on a more professional basis. An expression of interest shall be launched for the development of a motorsports track and for the upgrade of a shooting range.

PROJECTS MALTA
In an attempt to encourage the synergies between the private industry and the government, a company called Projects Malta was set up with the objective to identify public private initiatives. Projects Malta is expected to launch projects in the health commercial tourism and sports sector.

Together with other government entities project Malta will then to help Maltese enterprises to exploit international markets. This will be done via an organization called Trade Malta

GOZO
Projects aimed for Gozo and the Gozitans include:

(a) The Gozo Medical and Healthcare Hub will be established which will transform Gozo in an international centre for medical services and medical educational services.

(b) The accessibility to Gozo is to be improved through the building of an airstrip. The feasibility study with respect to the study of a bridge or a tunnel between Malta and Gozo is expected to be published shortly.

(c) An employer in Gozo who engages new employees, or who switches part time employment with full time employment will benefit from a partial refund of social security contributions. This will amount to €1,000 for each additional full time employee. Employees in the Gozitan tourism industry will be offered training sessions for two times a week between the period of November and March, whilst the employer will receive a payment of €30 per day. A grant amounting to €100 per month per student will be given to employers who engage students of the Institute of Tourism Studies (ITS).

(d) An SME park will be established in Xewkija

(e) New law courts in Gozo will be built

REGULARISATION OF THE PROPERTY INDUSTRY
In support of the property industry, a White Paper will be presented in the coming weeks that will propose that real estate agents and consultants in the industry will be regularised.

REVISION OF EMPLOYMENT LAW
With conjunction with Department of Industrial and Employment Relations and the MCESD, Employment legislation is to be revised and updated to improve employee’s rights

TRANSPORT
The Government shall introduce a new operator to handle Public Transport and shall invest an amount equivalent to €23 million as Public Service Obligation in this new operator.

The Government shall invest in system called Intelligent Traffic Management System whereby traffic shall be managed on a real time basis. Drivers shall be provided with better guidance to avoid traffic congestion.

There shall an introduction of new website and Mobile Application to promote car pooling and car sharing.

The Government shall continue with the VAT refund for car registration as well as the Car scrappage Scheme.
Mazars is present in 5 continents.

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