The Budget Measures Implementation Bill, 2014 has been presented before Parliament, following the presentation of the budget by the Government earlier in 2013.

Income Tax Amendments

Changes in relation to individual taxation

- The income that is exempt under the parent tax computation has been increased from €9,300 to €9,800.
- The top income tax rate has been reduced from 32% to 29% across all computations.

As from 1 January 2014, the following are the applicable revised income tax bands:

<table>
<thead>
<tr>
<th>Single Rates Euro</th>
<th>%</th>
<th>Married Rates Euro</th>
<th>%</th>
<th>Parent Rates Euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 8,500</td>
<td>0</td>
<td>0 to 11,900</td>
<td>0</td>
<td>0 to 9,800</td>
<td>0</td>
</tr>
<tr>
<td>8,501 to 14,500</td>
<td>15</td>
<td>11,901 to 21,200</td>
<td>15</td>
<td>9,801 to 15,800</td>
<td>15</td>
</tr>
<tr>
<td>14,501 to 19,500</td>
<td>25</td>
<td>21,201 to 28,700</td>
<td>25</td>
<td>15,801 to 21,200</td>
<td>25</td>
</tr>
<tr>
<td>19,501 to 60,000</td>
<td>29</td>
<td>28,701 to 60,000</td>
<td>29</td>
<td>21,201 to 60,000</td>
<td>29</td>
</tr>
<tr>
<td>60,001 onwards</td>
<td>35</td>
<td>60,001 onwards</td>
<td>35</td>
<td>60,001 onwards</td>
<td>35</td>
</tr>
</tbody>
</table>

The main changes to the income tax bands were mainly the following:

- Changes in respect of the applicability of the Parent Rates of Taxation

The qualifying age of children attending tertiary education and who are maintained by individuals benefiting from the parent tax rates has been increased from 21 to 23 years. Furthermore, reference to tertiary education establishments has been clarified to include any university, college or education establishment.
• Income from part-time self-employment

With effect from 1 January 2013 the deadline for the payment of the 15% tax due on part-time income from any trade, business, profession or vocation has been changed to 30th June of the year following that in which the income is earned.

• Amendments to the deductions applicable to individuals

The deduction in respect of fees paid for children attending regular sports, creative or cultural activities has been extended to cover activities organized by entities outside Malta, without requiring registration of the organizing entity for this purpose.

The deduction allowable for persons making use of childcare facilities for children below 12 years has been increased from €1,300 to €2,000 per annum.

The allowable deduction for alimony payments paid to the estranged spouse has been extended to include any such financial assistance determined by the Courts of a European Union or a European Union Area Member State or as agreed by a Public Deed of personal separation made under such Authority or as so ordered in a divorce judgment or decree issued by the Courts of such Member States. The allowable deduction shall be the lesser of the amount actually paid in accordance with the Court order or public deed or the individual’s chargeable income for the year.

• Amendments to exemptions applicable to individuals

The exemption in respect of sums receivable by way of a commutation of pension has now been limited to 30% of the sum received whilst retaining the full exemption in respect of capital sums received upon retirement or as a death gratuity.

The exemption in respect of sums paid for the maintenance of a child by a person to his estranged spouse has been extended to exempt also any such financial assistance as determined by the Courts of a European Union or a European Union Area Member State or as agreed by a Public Deed of personal separation made under such Authority or as so ordered in a divorce judgment or decree issued by the Courts of such Member States.

• Amendments impacting non-resident individuals

An individual or couple who is a national of a European Union or European Economic Area Member State and who proves to the satisfaction of the Commissioner for Revenue that 90% of the individual’s / couple’s worldwide income is derived from Malta is eligible for the application of the resident single income tax rates. With respect to couples, the resident married rates of taxation can be applied in Malta even if one of the spouses is not resident in Malta, provided that the other requirements in terms of the Income Tax Act are satisfied.

Where the conditions as mentioned above are satisfied, the provisions of the Income Tax Act that are applicable with regards to exemptions, deductions, credits and refunds shall be the same as those applicable to persons resident in Malta.

Such persons meeting the above conditions shall now be considered to meet the definition of a ‘recipient’ for the purpose of the Investment Income Provisions and the Dividend distribution provisions, thus due consideration is to be given when dividends are paid from a company’s untaxed account to a recipient, as defined.

A limitation has been introduced on the amount of tax payable by non-resident EU / EEA nationals who are subject to tax at the non-resident rates of taxation. The limitation is to be calculated by the application of the below formula:

\[
\text{Limitation} = \frac{(\text{Chargeable income})}{\text{Worldwide income}} \times \text{Income Tax using the single / married resident rates of taxation}
\]

• Changes to the taxation of rental income derived from residential tenements

Any person renting immovable property, being a residential tenement, to an individual or individuals who occupy such tenement as a home or residence might opt to be charged to taxed on the gross rental income at the rate of 15%. Such tax shall be final and no set-off or refund shall apply.

The applicable penalties for non-declaration of rental income have been increased such that undeclared rental income shall be subject to tax at the rate of 35% on the gross rental income, in addition to interest and additional tax payable under the Income Tax Acts.

• Changes with respect to the taxation and deductions applicable to intellectual property rights

The capital gains charging provision has now been amended to include profits arising from the transfers of debt claims and / or any intellectual property rights held as a capital asset.

It has also been clarified that in respect of intellectual property rights upon which a deduction has been claimed in terms of Article 14(1) (m) of the Income Tax Act, any sums receivable from any sales of such rights and all other income receivable in respect thereof shall be included as total income for the year when receivable.

• Changes to the Duty on Documents and Transfers Act

The bill proposes amendments aimed at simplifying the calculation of the duty due upon the acquisition of a primary residence by emphyteutical or sub-emphyteutical grants by persons not requiring an Acquisition of Immovable Property (AIP) permit. The duty shall now be calculated at the rate of 3.5% on the first €150,000 and at the rate of 5% thereafter on the taxable value as established in terms of Article 40 of the Act.

No duty shall now be applicable upon the sale of movables by auction.

The exemption from duty applicable upon transfers causa mortis to persons registered in terms of the Register for Persons with Disability has been extended to all immovable properties or any real right thereon.
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Contacts

Ms. Antoinette Scerri B.Accty (Hons), Dip. Tax, AIA, CPA
Email: antoinette.scerri@nexiabt.com

Nexia BT, The Penthouse, Suite 2,
Capital Business Centre, Entrance C,
Triq taz-Zwejt, San Gwann SGN3000. MALTA

Tel: +356 21637778
Fax: +356 21634383
info@nexiabt.com
www.nexiabt.com

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