Highlights
The measures announced by the Minister of Finance in the budget speech for 2015 include:

- Highest rate of tax applicable to individuals earning less than €60,000 reduced from 29% to 25%
- Tax credit up to a maximum of €250k to persons investing seed capital in start-ups
- Final tax on property transfers will be reduced to 8% (10% for property acquired before 1 January 2004 and 5% in other cases)
- Tax credit of up to €4,500 and other incentives to be provided to employers who employ disabled persons
- Gradual phasing out of eco contribution
- Various opportunities for public private partnerships
- Exemption from stamp duty on certain deeds of partition of immovable property
- Final tax on transfers of immovable property to entirely replace tax on capital gains – no opt out possibility but current exemptions to be retained
- Removal of exemption from VAT registration for persons with an annual turnover not exceeding €7,000
- Increase in rates and scope of excise duty
The economic in 2014

2.1%  
The deficit for 2014 is expected to reduce to 2.1% of the GDP. In 2015, the deficit is expected to reduce to 1.6%.

GDP for 2014 is expected to be €7.9bn, representing an increase of 4.9% (in monetary terms over 2013).

13.7%  
In September 2014, the number of people registering for work amounted to 6,120 compared to 7,092 a year earlier. This represents a decrease of 13.7%.

1,821  
The female labour supply during the 12 months to June 2014 increased by 1,821 compared to an increase of 305 in the male labour supply.

6.5%  
On a per capita basis expenditure by tourists increased by 6.3% to €907.80 during the first 8 months of 2014.

0.6%  
The rate of inflation as at September 2014 was recorded at 0.6%, compared to an EU average of 0.3%.

8.4%  
Tourist departures up to August 2014 increased by 8.4% over the same period last year to 1,157,238 visitors.

9.3%  
The total industry turnover index up to July 2014 declined by 9.3% when compared to same period in 2013.

Income Tax

Income tax brackets for individuals

- The highest rate of tax applicable to individuals earning less than €60,000 annually is being reduced from 29% to 25%. The income tax rate reduction will continue not to apply to dividend income.
- The tax exemption applicable for pensioners and persons, whose income does not exceed the minimum wage, will be increased to take into account the cost of living.
- Water polo players will now also benefit from a reduced tax rate.
- A tax programme (targeting United Nations pensioners), will be introduced to promote investment in Malta. This programme will be in-line with other similar programmes already in place.

<table>
<thead>
<tr>
<th>Tax rate</th>
<th>Separate computation (£)</th>
<th>Joint computation (£)</th>
<th>Parent rates (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0 - 8,500</td>
<td>0 - 11,900</td>
<td>0 - 9,800</td>
</tr>
<tr>
<td>15%</td>
<td>8,501 - 14,500</td>
<td>11,901 - 21,200</td>
<td>9,801 - 15,800</td>
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<tr>
<td>25%</td>
<td>14,501 - 60,000</td>
<td>21,201 - 60,000</td>
<td>15,801 - 60,000</td>
</tr>
<tr>
<td>35%</td>
<td>Over 60,000</td>
<td>Over 60,000</td>
<td>Over 60,000</td>
</tr>
</tbody>
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Exemptions and deductions

- Introduction of tax exemption on students’ stipends.
- With effect from year of assessment 2015, 50% of donations of at least €2,000 to the Malta Community Chest Fund will be allowed as a deduction against the chargeable income of companies (subject to certain conditions).
Parents of children who attend church and private schools who opt to make use of school transport may now claim a tax deduction of €150.

**Tax credits – seed investment programme**
- A tax credit will be introduced to promote investment in start-up companies equivalent to the capital invested in such companies up to a maximum of €250,000.

**Taxation on transfers of immovable property**
- As from 1 January 2015, the final tax on transfers of immovable property acquired after 1 January 2004 will be reduced from 12% to 8% of the transfer value while the rate in respect of transfers of immovable property acquired before 1 January 2004 will be 10%. It will no longer be possible to opt out of the final tax system and therefore to be taxed on the profit. Furthermore, no deduction of expenses will be allowed in arriving at the transfer value. The tax is payable on the date of the contract of sale.
- Individuals who do not trade in immovable property and who transfer such property within 5 years from the date of acquisition will be taxed at 5% (instead of 8%) on the transfer value.
- The current rules will continue to apply for transfers of immovable property if such transfers were already notified to the Commissioner for Revenue through a promise of sale or transfer notice up to 17 November 2014.
- Exemptions currently applicable on certain transfers of immovable property such as transfer of property which has been occupied as a residential property for at least 3 years, transfers between group companies, sales by court order and transfers upon separation will continue to apply.

**Equal rights for partners in a civil union**
- Income tax legislation will be revised to ensure that partners in a civil union registered under the Civil Unions Act enjoy equal treatment to married couples for income tax purposes.

**Other tax measures**

**Duty on Documents and Transfers**
- The stamp duty exemption on partitions will be extended to deeds of partition of immovable property where the value of the share of the property acquired is equal to the value of the share of property held prior to the partition.
- The one-time exemption from the payment of duty on the first €150,000 of the value of immovable property granted to first-time buyers acquiring immovable property in 2014 will be extended for contracts executed up to 30 June 2015.
- Duty on policies of insurance (other than life insurance policies) shall be increased by one cent for every Euro or part thereof subject to an increased minimum duty of €13.
- No stamp duty will apply on the transmission causa mortis of assets held in a trust where the beneficiary is a disabled person.
**Motor vehicle licence and registration taxes**
- From 1st January 2015, vehicle licence rates to be increased (rates vary depending on various factors). However, licence rates for cars registered from 2009 onwards and which have carbon emissions of not more than 100g/km will not be increased
- Registration tax on quad bikes will be substantially reduced so as to encourage use of smaller vehicles that pollute less. Registration tax will be based on the engine capacity
- Removal of registration tax on motor bikes classified as "vintage" and having an engine capacity of less than 250cc

**Indirect Tax**

**Excise Duty**
- From 18th November 2014, excise duty on cigarettes and tobacco products is being increased by 6% to 12% depending on the type of product
- From 1st January 2015, the following changes to the Excise Duty Act are being proposed:
  - Introduction of excise duty on feed destined for use by fish farms;
  - Introduction of excise duty of €0.20 per litre on all wines;
  - Excise duty on mobile telephony services is being increased from 3% to 4%;
  - Excise duty on cement is being increased by €8 to €35 per 1000kg.

**Value Added Tax**
- The exemption from registration for persons established in Malta for VAT purposes whose turnover does not exceed €7,000 in a calendar year is being removed. Accordingly, such persons will now be obliged to register for VAT and to issue fiscal receipts in respect of supplies made
- A systems audit will be mandatory for persons seeking to obtain an exemption from the requirement to issue fiscal receipts. Guidelines will be issued in this regard in order to assist traders identify which cash registers and printers are in conformity with the applicable fiscal rules

**Reduction in VAT on digital books**
- To facilitate dissemination of material in electronic format, the VAT rate on audio books and on books published on CDs, DVDs, SD-Cards and USB drives and similar media is being reduced from 18% to 5% with effect from 1st January 2015. This measure seeks to align the VAT treatment of such digital books with that currently attributed to printed matter/books
- Introduction of a VAT refund mechanism to enable non-EU tourists to obtain a refund of VAT paid in Malta on supplies purchased during their stay in Malta

**Refund of VAT paid on car registration tax**
- The government will continue to implement the measure announced during last year’s budget relating to the refund of excessive VAT on car registration tax over a period of seven years commencing in 2014. In 2015, a new scheme will be introduced for vehicles registered between 1 May 2004 and 31 December 2004 that were eligible for the said refund scheme
Measures to combat tax evasion

• The government will continue the process to merge the tax departments. This process will be aided by the IMF’s Fiscal Department
• Government will continue to combat tax evasion. In this respect, a number of anti-abuse measures are being introduced including: (i) the launch of a pilot project to enable the Inland Revenue Department to obtain and analyse information already available in the public sector; (ii) enhanced training for tax inspectors particularly with respect to certain innovative software programs which facilitate tampering of records; and (iii) promoting use of electronic payments
• In order to ensure a level playing field whilst ensuring adherence to the Single Market, the Government intends to introduce an enforcement unit which will form part of the Armed Forces of Malta and will encompass the functions presently performed by the Revenue Security Corps. This unit will work in tandem with (and not replace) the Customs Authorities

Social Measures

Measures for disadvantaged persons

• Incentives will be given to employers who employ disabled persons. Employers will be exempt from paying the respective social security contributions and will also be granted a tax credit equivalent to the wage of such person, up to a maximum of €4,500
• Other measures aimed at encouraging employment of disadvantaged persons include a 50% reimbursement of the employee’s wage, up to a maximum of €5,000 (increases to €10,000 in the case of disadvantaged persons who are also single parents). This will be calculated pro rata where part time employees are employed on a full time basis
• Reinforce the law whereby 2% of persons employed by companies (employing more than 20 employees) must be persons with disabilities. Penalties apply if this requirement is not met

• Persons with disability who find work will still be entitled to receive their full disability pension, irrespective of the wage earned by such person
• Plans to develop residential homes for disabled persons and to increase provision of respite services to them

Unemployment benefits

• Through the European Social Fund, Government will be financing various schemes under the Youth Guarantee Scheme (YGS). Entitlement or continued entitlement to unemployment benefits in the case of persons younger than 23 years, including single mothers of babies older than one year, will be conditional to the unemployed person joining the YGS (prescribed time limits may apply in certain cases)
• From 1 January 2015, unemployed single parents who commence employment will continue to receive 65% of their unemployment benefits in the first year of employment, which rate will be tapered down to 45% in the second year and 25% in the third year. Their employers will also benefit from 25% of the unemployment benefit for the first three years of employment.

• A similar tapering of benefits will apply as from 1 January 2015 in the case of single parents who get married or who enter into a civil union.

• The current social benefit scheme for single parents of children younger than 18 years will be extended to include single parents of children younger than 23 years.

Pensions

• Certain fiscal incentives are being introduced in respect of Third Pillar Pensions and the individual savings account scheme.

• The first €1,666 of a service pension is not taken into account in reducing the retirement pension. This represents a further increase in the said combined pensions by €200.

• Persons having missing social security contributions will be entitled to pay retrospectively up to 5 years of their missed contributions. Such adjustment will no longer be limited to the last 5 years prior to such payment. This should have a positive impact for pension entitlement.

• Pensioners will continue to receive the COLA in full.

• Employees with the Civil Protection Unit will be entitled to a retirement pension after 25 years of service.

Other social measures

• The Maternity Benefit payable by the Government and which is applicable for the last 4 weeks of the maternity leave will increase by more than €6 per week as from 1 January 2015.

• In the case of self-employed women, the maternity benefit will increase by more than €73 per week over the first 14 weeks of entitlement.

• A new fund is to be set up in order to cover the cost to pay the maternity leave benefit payable by the employer. The employers will finance such a fund on the basis of the total number of employees. Hence in this manner the burden will be spread over all employers and not fully borne by those employing women. This measure is targeted to bring a more level playing field for both men and women seeking to be employed.

• Extension of leave entitlement in the case of adoption of children to be in line with maternity leave.

• A grant of €300 will be paid to persons of 75 years and over.
• A bonus of €200 will be paid to those persons aged between 62 and 74 years who have retired from work and are not entitled to receive a pension but who have paid at least 5 years of contributions. The bonus will be reduced to €100 where contributions paid are more than 1 year but less than 5 years.

• An additional bonus of €35 per year, paid by the Government, will be granted to low income earners, pensioners and persons receiving social benefits. This additional bonus will also be granted pro-rata to part timers and students.

• A new scheme called the in-work benefit is to be introduced. This benefit is applicable to:
  - Employed parents earning between €10,000 to €20,400 and having children up to 23 years old, will be entitled to receive a maximum amount of €1,000 per child annually;
  - A single working parent earning between €6,600 and €15,000 will be entitled to receive a maximum amount of €1,200 per child annually.

• Low income earners are entitled to a supplement of €400 for each child (€200 from the 4th child onwards) with the condition that each child must have an attendance rate of at least 95% at school.

• The Minister has confirmed the continuation of free childcare and Breakfast Club services.

• Beneficiaries of undue social benefits will be given the chance, up to the end of February 2015, to regularise their position and only incur a one-time minimal penalty.

### Other measures

#### Employment Schemes

• A work programme will be introduced to assist persons having been unemployed for a long period. The programme should assist employers in recruitment, the provision of training (through EU funding) as well as reimburse part of the employees’ wages, up to a maximum of €2,750 per employee over a three-year period.

• ETC will create a Virtual Labour Market which, through technology, will provide a virtual platform for matching potential employees with employers.

#### Other Schemes

• The creation of an independent arbitration body in the financial services sector to address customer complaints.

• The Government aims to co-ordinate a number of new initiatives between public and private entities such as in the health, commercial, tourism and sports sectors, and the improvement of accessibility to a number of coastal, rural and urban areas, amongst others.

### Option to pay NI contributions in arrears
The Government will continue its efforts to reduce Air Malta’s losses by focusing mainly on the creation of new routes and fleet renewal.

Cruise liners staying overnight in Malta will be allowed to operate their casinos for their passengers against a license fee. An exemption from such fee will apply for cruise liners visiting Malta and Gozo.

A foundation will be set up to encourage conventions and congresses to be held in Malta.

**Implementation of the Family Business Act**
- The Family Business Act should provide benefits to businesses registered under this Act. The Act should incentivise the transfer of a business between family members and will provide a clear definition of “family business”.

**Incentives for the film industry**
- Introduction of various incentives during 2015 to continue to promote the film industry.

**ICT measures**
- Malta Gaming Authority will replace LGA and will set up a Gaming Academy to meet the industry’s employment demands. The Authority will also continue promoting Malta as the jurisdiction of choice for the gaming industry.
- During 2015, the Malta Communications Authority (MCA) should finalise the analysis of the viability of another submarine fibre optic cable between Malta and alternative jurisdictions on mainland Europe.
- Search for potential strategic partners to commercialise the space allocated to Malta by the International Telecommunications Union for satellite communication.
- Increase the number of free Wi-Fi hotspots across Malta and Gozo to 300 by 2016.
- As part of Digital Malta, the MCA will continue its efforts in opening CoderDojo centres and organising training courses in internet usage as well as other courses covering eAging, internet banking, WebCheck Initiatives, etc.

**Education**
- Following the evaluation of the pilot project announced last year, to be undertaken in March 2015, a tablet will be provided to all students who, in October 2016, would be in their 4th year of primary school or higher grades. This will apply to students in government schools, church schools and private schools.

**Real Estate**
- A White Paper will be launched in order to discuss the regulation of real estate agencies and property consultants in Malta.
- Government will launch an initiative to allow the public to order architectural plans online.

**Islamic Finance**
- Legislative amendments are to be introduced in the Islamic banking sector in order to attract more financial institutions to Malta.

**Retailers**
- Valletta shop owners will be given the opportunity to apply for a title of emphyteusis instead of rent.
Gozo employers’ incentives
• Every employer who employs a full-time employee or changes the status of a part-time employee to a full-time employee in the tourism industry will receive a partial refund of social security contributions. The refund will amount to €1,000 for each additional full-time employee.
• Training programme for employees in the tourism industry in off-peak months, between November and March to improve the quality of services offered in the tourism industry in Gozo. Training will take place for 2 days every week and employers will receive €30 per training day.
• Grant of €100 per month to employers upon employment of every employee from ITS.

International Arbitration
• Commitment to establish Malta as an International Arbitration Centre.

Cultural Projects
• Implementation of a finance programme of €200,000 to aid the export of creative work and artistic mobility, with the objective of increasing participation in the Creative Europe programme.

Eco- Contribution reform
• Initiatives are being introduced in order to reform the eco- contribution regime. By 30 June 2015 all operators will be required to join an already approved scheme or devise a plan on how they will align themselves with the WEEE Directive. It is planned that by 1 September 2015 eco- contribution will no longer be collected on electronic products such as mobiles, TVs and fridges. Additional reform in this sector is planned to take place during 2016 but will involve discussions with interested parties.

Crane permits
• The permit fees paid in respect of cranes and other machinery used in construction are being revised. The fee for tower cranes measuring up to 10m² will be €10 per day and that in respect of tower cranes exceeding 10m² will be €15 per day.

Swimming pool licences
• Swimming pool licences will increase by 15%.

Gas, petrol and diesel
• Gas prices will remain stable at €18 until April 2015.
• Excise duty on leaded petrol (which is only used in airports) will increase by 2c/litre, on unleaded petrol will increase by 1c/litre and that on gas oil, diesel, biodiesel, heavy fuel oil and petroleum will increase by 2c/litre. These increases are effective from 1 January 2015.
• As from 1 January 2015, the price of unleaded petrol will decrease by 2c to €1.42/litre and the price of diesel will decrease by 1c to €1.35/litre. These prices will remain unchanged up to the end of March 2015.

Precarious work
• Regularisation of salaries of individuals employed by contractors. In 2015, those individuals employed by contractors working on government projects will be entitled to a salary not less than a salary paid to a government employee with the same job.
Incentives on means of transport

• A scrappage scheme (effective 1 December 2014) will be re-introduced whereby a rebate of between €700 to €900 will be given to persons who scrap their old cars in replacement of a new one.
• Furthermore, a new scheme will be introduced whereby a rebate of 15.25% on the price of bicycles and pedelec bicycles will be given to individuals purchasing such alternative means of transport.

Water and electricity

• The reduction in water and electricity bills of 5% and 25% respectively which was previously introduced will continue to apply for residential users. Furthermore, commercial users will also benefit from such reductions with effect from March 2015.

Renewable energy

• A new initiative will be introduced for companies to carry out energy audits and a solar farm policy will be introduced in order to better regulate the installation of large installations of solar panels.
• Residences that had previously invested in photovoltaic solar cells and received a 50% grant may, until 30 April 2015, benefit from a feed-in tariff of 22c on new panels installed at the same residence.
• The period to apply for the feed-in tariff applicable for businesses that are still in the process of implementing photovoltaic panels has been extended to 30 April 2015.