










Malta Budget 2023:

Key Highlights

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Mazars in Malta

Mazars is an internationally integrated partnership, providing audit, accountancy, advisory, and tax services. Operating in over 90 countries and territories around the world, the brand draws on the expertise of 44,400 professionals to assist clients of all sizes at every stage of their development.

Mazars' roots in Malta date back to 1998, having started its journey as a local firm called Attard Giglio & Co. The firm became part of the global Mazars' network, establishing itself as an advisory-driven firm with a strong reputation for quality advice and service. Today, Mazars in Malta, which operates from The Watercourse offices, within the Central Business District in Mriehel, is a multidisciplinary firm that offers a varied range of services which are spread over four lines:

- Audit and assurance
- Outsourcing
- Fiscal and corporate
- Advisory and Risk Management

Employing a pool of nearly 90 professionals, the firm can also draw on the resources and expertise of the global network to enhance its service offering.



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Introduction

The level of unemployment is forecast at 3.1% and the Maltese economy grew by 10.3%.

The Hon. Minister of Finance and the Employment Mr. Clyde Caruana delivered the Budget speech in Parliament earlier this evening.

As happened in the previous year, Minister Caruana did not highlight in his introduction macro-economic figures, but immediately began to explain the proposed 2023 Budget measures.

The main economic indicators for 2022 and the forecasts for 2023 and beyond were again included in annexes to the Budget speech. These indicators note an actual Budget deficit of €1.143 billion (7.8% of GDP) in 2021 to a forecast deficit of around €948 million (5.8% of GDP) in 2022.

The Maltese economy as well as the world economy has been negatively affected by a high rate of inflation. The Minister did however note that the inflation rate in Malta remained one of the lowest in the European Union.

A further point made by the Minister was that forecast unemployment is expected to be around 3.1% which again remains at a very low level.

The Budget speech included some new fiscal measures whereas extended a number of successful measures introduced in the past. Social and environmentally friendly measures were also explained during the Budget speech.

As always, the Budget will now be discussed in Parliament in the coming weeks.

1. Fiscal Measures





1. Fiscal Measures

Extension of prior year fiscal measures

- VAT exemption on the first €300,000 spent to refurbish one's residence.
- Exemption on the tax on capital gains made on the first €750,000 received when selling a property which has been vacant for 7 years or is situated in an urban conservation area.
- Grants ranging between €15,000 to €30,000 to first time buyers, which grant depends on whether the property is acquired in Malta or Gozo respectively have been extended by this budget for a further 2 years.
- Over a period of 10 years, first time buyers of immovable property will receive a grant equivalent to €10,000. This applies to properties acquired from 1st January 2022 onwards and whose value does not exceed €500,000.
- The Deposit Payment Scheme will be extended to include properties whose value amount to €225,000. This allows individuals to take an interest free loan equivalent to 10% of the value of the property, which amount is guaranteed by the state.
- The Covid-19 assistance scheme allowing for the transfer of certain unutilized capital allowances between group companies has been extended for the coming year.
- The Minister also announced that the reduced rate of duty to 1.5% on transfers between family members of business property or shares when transferred inter vivos shall be extended.
- The Minister also announced that tax refunds ranging between €60 to €140 shall be again issued.

New or amended fiscal measures

- Whereas little was said during the Budget speech by the Minister he did note that the Global Residence Programme and Malta Residence Programme need to remain attractive. Thus some change in this area may be expected in the year ahead.
- The Microinvest scheme shall be extended to incorporate Social Enterprises as defined by the Social Enterprise Act.
- The tax rebate applicable to parents of children under the age of 16 years who attend cultural, creative or sports activities shall be increased from €100 to €300 per year per child.
- Pensioners who are entitled to the maximum pension will still be exempted from the payment of income tax. In fact, the pension income which is exempted from tax will be increased in terms of the COLA to €14,968. Moreover in computing the rate of tax for pensioners earning taxable income, the pension income shall be reduced by 40% so as to determine the applicable tax bracket rate for the pensioner.
- Parents having children with special needs paying for their therapy will be entitled to a tax credit of €200 per year.
- Tax rates on royalty income derived by authors or co-authors shall be reduced from 15% to 7.5%.

2. Social Measures





2. Social Measures

- The Minister announced the extension of free medical treatment in certain areas such as diabetics, osteoporosis, multiple sclerosis, and other types of treatment.
- Free transport promised in the 2022 Budget was implemented in October 2022. The Minister also noted that further enforcement on Maltese roads is expected.
- The Minister announced the introduction of a service pension applicable to widowers of officials within the disciplinary forces who passed away either before the lapse of the 25 years of service or during the period between close of service and retirement age.
- The COLA increase for 2023 shall be granted to all employees and those receiving social benefits and shall amount to €9.90. COLA increase for pensioners shall be €12.50. The minister also announced that the method for calculating COLA increase for the more vulnerable shall be amended in the coming year.
- The children's allowances shall be increased by €90 per child in 2023.
- The Carers' grant, given to parents who are caring for their children with special needs and cannot go to work, will be increased to €4,500 per year.
- The Minister announced a number of further social measures covering pensioners' bonuses and widows' pensions.

3. Incentives to Businesses





3. Incentives to Businesses

The Minister also announced a number of incentives to businesses:

- A cash grant under the Business Enhance Scheme will be available to Small and Medium Enterprises. The total funds allocated for this scheme amount to €40 million.
- Companies investing in digital and sustainable projects shall be entitled for a cash grant of 50% of the investment, subject to a capping of €100,000.
- Gozo based businesses and start-ups shall continue to benefit from additional financial assistance of 10% in the form of tax credits. This amount shall increase to 20% if the company invests in projects aimed to reduce the carbon footprint of its operations.
- Malta Enterprise shall set up a new Business Incubation Centre targeted at those investments which are of an innovative nature. Moreover, a new one stop shop called Start in Malta shall be established and will be administered by Malta Enterprise.
- A tax credit of up to €40,000 shall be granted to those entities investing in digital, energy saving or waste reduction projects.

4. Capital Projects





4. Capital Projects

- The Minister noted that further investments in the country's infrastructure will be entered into. These include investment in land reclamation, investment in allowing merchant vessels to connect to the national grid and thus be in a position to keep their engines off resulting in reducing air pollution around the harbour area as well as:
 - a. An investment shall be made in the Pinto and Lascaris Wharfs to allow for the berthing of larger ships.
 - b. A €60 million fund has been allocated to Gozo's Sustainable Urban Development. The Minister noted that the Government shall be determining where these funds will be used in 2023.
- The Minister noted that the Government has signed a contract for works to commence on the Ferry terminal in Bugibba. Moreover, a request for proposals for a similar investment in Marsamxett shall be issued in the coming months.
- Further studies on the development of a Rural Airfield in Gozo have been undertaken.
- The Minister announced that a study has been completed whereby a second interconnector between Malta and Sicily shall be laid. The Budget allocation for this investment is €160 million.

5. Environmental Measures





5. Environmental Measures

Apart from announcing the set up of another agency which will monitor environmental measures and the investments in a number of family parks around Malta, the Minister noted the following:

- An investment of €1 million in electric buses.
- €12,000 shall be allocated to those individuals who scrap their car and purchase an electric vehicle.
- The Minister also noted that given that the plug in scheme for hybrid cars was extinguished in May and not all those who ordered the vehicles did indeed receive these vehicles in 2022, the €11,000 grant for such vehicles shall be guaranteed for all those who did order the necessary plug in vehicles in 2022 and who will receive them in 2023.
- The car scrappage scheme shall be extended for another year at €2,000 per vehicle scrapped.
- The Minister announced that existing initiatives on gas/petrol based motor cycles as well as exemptions from registration tax and road license cost for 5 years on plug-in hybrid and electric cars shall remain in force.
- €900 shall be granted to those owners of minivans, coaches and trucks installing photovoltaic panels on the vehicles.
- The Minister also noted that the existing schemes covering green energy shall again be extended.
- More charging points shall be established by 2024.
- The Minister announced an investment of €50 million in an organic processing plant which will allow the recycling of organic waste. Moreover, a Skip Management facility shall be opened in 2023.
- The gate fees in landfills shall be revised as from 1 January 2023.

6. Other Measures





6. Other Measures

The Minister also announced the following measures:

- Paid paternal leave shall be increased to 10 days whereas parental leave shall be increased to 2 months to those parents who are paid the sickness benefit rates.
- Scholarship programs and tax credits shall be extended for students reading at masters or doctorate level.
- Discussions with the appropriate stakeholders will be undertaken to determine whether it is possible for non core services to only be allowed on our roads after 9.00am.
- In order to ensure that the guidance provided by FATF and Moneyval is implemented, certain reforms shall be enhanced to ensure that entities such as the FIAU, the Malta Business Registry, the MFSA, the Commissioner for Revenue and the Asset Recovery Bureau are able to carry out their duties effectively.

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