



**MALTA BUDGET
REVIEW 2020:
Key facts at your fingertips**

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ABOUT MAZARS MALTA



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INTRODUCTION



HIGHLIGHT

The Minister of Finance highlighted the growth in GDP of 4.3% and an expected fiscal surplus of 1.4% in 2020.

The 2020 Budget speech was always likely to start off with emphasising Malta's economic success over the past years. The Minister of Finance, Hon. Prof. Edward Scicluna, highlighted the growth in GDP of 4.3% and an expected fiscal surplus of 1.4% in 2020.

The low level of inflation and unemployment were also highlighted in the course of the introduction of the Budget speech.

Whereas little incentives seem to have been proposed for the manufacturing, financial services and tourism sectors, the Minister noted that Malta Enterprise will be actively engaged in promoting new industries in order to attract new investments to the island.

New proposed industries were highlighted by the Minister such as the space sector and the drone sector.

Finally, the Minister emphasized the country's commitment the recommendations listed in the Moneyval report.

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

1. FISCAL MEASURES



HIGHLIGHT

The rate of duty on the transfer of a family business shall remain at 1.5% for a further year

STAMP DUTY

As has been common practice in the prior year Budgets, it was noted that schemes for reduced rates of duty for first time buyers, second time buyers, property acquisitions in Gozo and the acquisition of property in Urban Conservation Areas shall again be extended. The Minister however also noted that the reduced rate of duty for first time buyers shall apply to the first €175,000 and not €150,000. Moreover, this rate of duty on the first €175,000 shall also apply in two further cases:

- a) The purchase of one's residential home even when such a person is not a first-time buyer; and
- b) Persons who live in an inherited home.

Moreover, the rate of duty on the transfer of a family business shall remain at 1.5% for a further year.

INCOME TAX

The tax rate on overtime shall be reduced to 15% on the first 100 hours of overtime worked and this rate is conditional to the employee not being employed in a managerial role and earns less than €20,000 from one's full time employment.

Pensioners earning €13,798 shall be tax exempt and for a couple living on a single pension the tax exempt rate shall be €15,798.

Third Pillar Pension tax incentives granted to both the employer and the employee will be extended for a further year.

The rate of tax on profits made on the transfer of any promise of sale shall be reduced on the first €100,000 of profit to 15% from 35%.

ADMINISTRATIVE FISCAL MEASURES

The Minister also noted that the Inland Revenue Department shall extend e-services for certain administrative services; tax refunds will be settled within 6 months; and less tax payers will need to submit their tax form given that provisional tax forms shall be issued by the department. Moreover the need for pensioners to pay provisional tax shall also end, with tax being deducted at source for the pensioners' pension.

A new measure will be introduced whereby married couples can opt to file separate tax returns.

1. FISCAL MEASURES (cont.)



HIGHLIGHT

In addition to the existing incentives, companies operating in the agricultures and fisheries industries will benefit from a scheme entitled “Innovation Aid for SMEs”

MALTA ENTERPRISE

Malta Enterprise is expected to provide incentives up to €200,000 to construction operators to replace equipment with new machinery which pollute less. The old machinery is to be scrapped.

In addition to the existing incentives, companies operating in the agricultures and fisheries industries will benefit from a scheme entitled “Innovation Aid for SMEs”. Through this incentive, farmers and fishermen may be able to claim a tax credit calculated on the cost of a full-time employee qualified in research, development and innovation with the objective to focus on a new activity in their business.

OTHER FISCAL MEASURES

The scheme exempting electric and hybrid cars from the payment of registration tax will be extended.

The government scheme which provides a full VAT refund on motorcycles, scooters and electric bikes is to be extended.

Tax refunds for people earning up to €60,000 will be rolled over for a further year, resulting in tax refunds of between €40 to €68 per employee.

2. SOCIAL MEASURES



HIGHLIGHT

Over 75-year-old pensioners who did not make sufficient contributions to earn a minimum pension shall be receiving a Bonus of between €200-€300 per annum

COLA & BONUSES

The COLA increase was announced at €3.49 per week. Pensioners however will also receive a further increase in their pension of €3.51 per week.

A special bonus of €15 for a single person household shall be granted which payment shall rise to €35 for households with more than one individual.

Over 75 year old pensioners who did not make sufficient contributions to earn a minimum pension shall be receiving a bonus of between €200-€300 per annum.

Elderly persons who are living in their home or with relatives shall be again granted an allowance of €300 per annum. This shall be extended to €350 should these persons be 80 years or older. This same benefit shall also be granted to pensioners who live in residential homes which they self finance.

The Minister announced that a new bonus of €300 shall be granted for every child born or adopted in 2020.

SOCIAL HOUSING

A new measure shall be introduced whereby the government shall provide persons below the age of 40 who do not have sufficient means to pay the 10% deposit on the purchase of their own home, with an interest free loan, payable over 15 years. The maximum amount which the government shall finance shall be of €17,500.

Subsidies on rental payments for both social and affordable housing shall be again granted in 2020 yet the persons entitled to this benefit shall be those earning a salary of €19,000 (currently €14,500) in the case of a single person and €32,000 (currently €28,600) for a couple with two children.

OTHER SOCIAL MEASURES

Free public transport shall be provided to persons over the age of 75.

The Minister announced that patients requiring medical treatment which spans over various intervals shall be entitled to sickness benefits from the first day of their treatment and not the fourth day.

Malta Enterprise is expected to launch a scheme to assist business employing individuals with special needs. The scheme will consist of a grant to cover expenses which go beyond the legal obligations of employers, e.g. professional fees to facilitate their integration at the workplace.

Moreover incentives in the form of VAT exemptions on equipment used individuals with special needs shall be granted and pension shall be increased to €161.40 per week.



3. FINTECH & INNOVATION



HIGHLIGHT

The Finance Minister stated that new niches are currently being studied in the Fintech industry, including Regtech and Blockchain

NEW TECHNOLOGIES

The Finance Minister stated that new niches are currently being studied in the Fintech industry, including Regtech and Blockchain.

There is the intention of further investing in Artificial Intelligence (AI), including student scholarships, and the establishment of the AI Innovation Hub.

Other investments in the Fintech area will include the Internet of Things and investment in technology to prevent cyber-attacks. Further measures are expected to be introduced to aid the Video game development and e-sports industries.

The industry of Remotely Piloted Aircraft Systems (Drones) is being targeted as a new niche in the economy with the objective being attracting foreign investors in research and new innovative technologies.

The government has the intention to draft the legal framework for companies operating in the space industry to invest in Malta.

iGAMING INDUSTRY & eSPORTS

The Maltese Government will be continuing in its effort to strengthen the iGaming industry in Malta, with a specific focus to attract investors operating in the e-Sports sector.



4. THE ENVIRONMENT



HIGHLIGHT

A Beverage Container Recycling Scheme is expected to start at the end of 2019

SINGLE USE PLASTIC

The importation of single use plastics will be banned as from 2021 whilst their distribution prohibited as from 2022. Moreover, grocers will be aided to invest in green corners which will allow them to sell by weight with customers urged to make use of re-usable containers to be filled. The Government shall be subsidizing 50% of the expenditure, capped at €3,000.

A Beverage Container Recycling Scheme is expected to start at the end of this year

GREEN BONDS

The Malta Stock Exchange will be implementing initiatives to promote the issuing of Green Bonds with the objective to incentivize investments in green projects.

WASTE TREATMENT

The Minister announced that new facilities to allow for the recycling of organic waste shall be set up.

GREEN ENERGY

Reduced electricity tariff rates will be introduced for those individuals that shall be charging their electric vehicles from charging points installed in their own residence.

The early adopters of the feed-in-tariff scheme which contract have expired will be given a maximum grant of up €1,000 to install a battery at home which will store energy.

All petrol stations are expected to be equipped with charging points for electric cars and gas supply.



5. OTHER MEASURES



HIGHLIGHT

The Minister stated that a new Financial Organised Crimes Agency will be launched to complement the Economic Crimes Unit

FINANCING FOR SMEs

The Malta Development Bank (MDP) has since its inception provided SMEs with better access to bank financing, favourable interest rates and lower collateral. The MDP is currently negotiating similar schemes with more banks as well as the introduction of SME financing schemes between MDP itself and banks. It also aims to provide financing to infrastructural projects with a social dimension.

GOZO

In an attempt to attract new niches of employment in Gozo, the Government is promising to offer incentives to the private sector as well as to provide fiscal incentives to companies which opt to relocate to Gozo and to companies creating jobs in teleworking and back office industries in Gozo.

LATE PAYMENTS OF NI

The Minister noted that employers who have failed to make all the necessary NI payments to the department will be given the possibility to regulate their position. Yet any form of further delay in the payment of such contributions shall not be tolerated.

AML MEASURES

The Ministry of Finance stated that the Government drew up a detailed plan to implement the recommendations listed in the Moneyval report. He also stated that a new Financial Organised Crimes Agency will be launched to complement the Economic Crimes Unit in its fight against money laundering and terrorism.

As from next year purchasing of property and luxury goods cannot be paid in cash if the amount being paid exceeds €10,000.

EXTRA DAY OF LEAVE

An additional day of vacation leave will be granted in order to compensate employees for public holiday falling on a weekend

Mazars is present in all continents.

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