

# Budget 2010

Budget Newsletter November 2009

# Highlights

## Budget foreword

Finance Minister Tonio Fenech has today Monday 9 November 2009 presented to Parliament his second budget of the legislature.

A summary of the Consolidated Fund as presented in the budget statement is shown in the table below.

The revised estimated deficit for 2009, previously expected to reach 1.47%, is approximately 3.79% of GDP.

Public Debt for 2009 is expected to reach €3,845 million and is expected to increase to €4,068 million and €4,259 million in 2010 and 2011 respectively.

The main economic indicators are:

- GDP - approximate 2% decrease

in 2009 and estimated increase of 1.1% in 2010

- Inflation - 3.5% at end September 2009, a reduction of 0.2% compared to September last year, and forecasted to be 2% in 2010
- Unemployment – 7,521 registered unemployed persons at end September 2009.



Table 1: Consolidated Fund

Consolidated Fund	2009		2010 Budget €000
	Budget €000	Revised €000	
Revenue	2,551,318	2,466,648	2,674,937
Recurrent expenditure	2,302,233	2,421,492	2,484,142
Capital expenditure	347,931	303,156	429,595
Structural deficit	98,846	258,000	238,800
Deficit as a % of GDP	1.47	3.79	3.93

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## Tax measures

As already announced a few weeks ago, the Inland Revenue Department, the VAT Department and the Department of Customs will be merged to allow for information sharing and be more effective in fighting tax evasion.

It is also planned that a system of set-offs is introduced in the financial system.

The long awaited Taxpayers' Charter is to be prepared and is expected to be published in 2010.

As from 1 June 2010, VAT and tax refunds will not be processed for those taxpayers that default in filing their VAT and tax returns.

## Anti-avoidance

New anti-abuse provisions are to be introduced to counter aggressive tax planning.

## Tax on property sales

Under the current rules, taxpayers selling a property within 5 years of purchase may opt to pay tax on capital at either 12% of the value of the property or at the normal rates on the actual gain. This 5 year period is being extended to 7 years for

2010 and 2011.

## Childcare

Employers providing child care services to their employees' children will be granted certain incentives which are yet to be published.

## Tax deduction

From 2010, the tax deduction (capped at €1,000) granted to taxpayers whose children attend registered centres will be extended to children over 3 years old and also to those attending these centres during the summer months.

## Deduction for alimony payments

The deduction for alimony payments will from 1 January 2010 similarly apply to payments made in terms of an order or judgement made by a foreign court. The deduction is subject to the scrutiny of the Commissioner of Inland Revenue.

## Excise tax

Excise tax on cigarettes is being increased by 15cents. Excise tax on other tobacco products will be increased proportionately.

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### Married couple – joint computation

No change in tax bands	Income (€)	Tax rate %
	0 - 11,900	0
	11,901 - 21,200	15
	21,201 – 28,700	25
	28,701+	35

### Single persons or separate computation for married couples

No change in tax bands	Income (€)	Tax rate %
	0 – 8,500	0
	8,501 - 14,500	15
	14,501 – 19,500	25
	19,501+	35

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The 2010 budget embraces the green initiatives introduced over the past years and concentrates certain aid to those families in need.

### Incentives to families

All households will continue to benefit from the photovoltaic incentive scheme and eligible applicants will continue to receive a grant of up to 50% of the capital expenditure, limited to a maximum of €3,000; 3.8 million euro is being allocated for this scheme.

The solar water heaters rebate scheme is being retained subject to a number of new qualifying limitations. 4.2 million euro is being allocated to cover 40% of the expenditure, limited to €560.

This grant will only be made available to:

- Families entitled to the energy benefit
- Those receiving supplementary assistance
- Families with income less than €23,923

- All Gozo residents
- Low income families
- First time property buyers where the value of the property does not exceed €20,000

### Changes to Eco-contribution

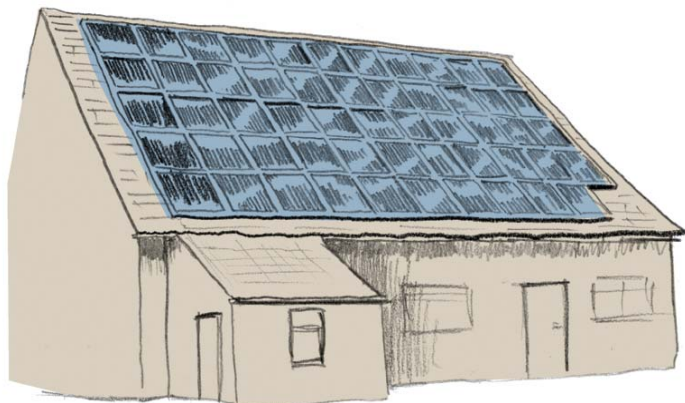
It is proposed that producers who are taking measures to bear our country's national obligation to reduce packaging waste will be given refunds, or even exempt them, from paying eco-contributions.

### Energy Prices

The new rates for water and electricity have not yet been announced. However, the table below sets out a one-time compensation payable to families provided that the annual consumption of electricity does not exceed 10,000 units.

Family size	Compensation
1	€5
2	€80
3	€105
4	€130
5	€155
6	€180
7	€205

## Energy matters



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## Commercial vehicle registration tax

As announced in last year's budget speech, the commercial vehicle registration tax reform was to be introduced in the second stage following private vehicles.

The polluter pays principle is now extended to commercial vehicles and the revised system is to reward Euro 5 and Euro 4 commercial vehicles; being the least polluting of commercial vehicles, registration tax will not be charged on these vehicles.

With respect to vehicles marketed by importers, a two year transition period is being introduced whereby these vehicles will be subject to the current registration tax system.

The proposed system takes into consideration the vehicle euro-standard and maximum authorised mass load. Vehicle value will not be taken into consideration. Euro 5 and 4 commercial vehicles with a maximum authorised mass over 3,500 kg will attract no registration tax, and will benefit from reduced road licence fees for the first nine years. Registration tax of Euro 3 and lower standard commercial vehicles will be levied related to weight and not value. Furthermore, licence fees of Euro 3 or lower standard commercial vehicles will be increased.

The new system will see a reduction in registration tax for clean and efficient Euro 4 and 5 commercial vehicles and thereby making it more feasible and cost effective for businesses to renew their heavy vehicles.

As a transitory measure, owners who register their commercial vehicles by the end of this year will be granted a four year mitigation period until the new licence rates become effective.

## Fighting contraband of diesel

Fuel used in Malta will be marked with a DNA marking and specific colours reflecting the use of the fuel.

Customs officials will be empowered to carry out on the spot checks on vehicles, petrol pumps and storage place.

Stricter penalties are to be implemented for those found guilty of using or trafficking in illegal fuel.

## Commuted Parking Payment Scheme

MEPA is to utilise the funds accumulated in terms of the Commuted Parking payment Scheme to provide for vehicle parking facilities across the country, with special emphasis to localities where parking is difficult and to commercial areas.

## Registration tax on boats

The registration tax on boats is being reduced.



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## Incentives for industry

The scheme is applicable to small and medium sized companies that will invest in the following sectors:

- International competitiveness
- Innovation
- Research and Innovation
- E-business

The initiatives will encourage:

- foreign investors who already operate in Malta to channel more of their existing operations through Malta, including legal & financial services, back office work, logistics, research & development, marketing & sales and prototyping
- new companies to establish shared services centres, such as call centres, software development, digital gaming, human resources, accounts, financial administration, market research & publications over the internet
- enterprises to re-invest their own profits in projects approved by Malta Enterprise.

## Research and innovation

Science and technology projects approved by the Ministry of Finance and the Maltese council for science and technology will be granted refunds of 15.2% of the expenditure incurred on such project.

An exemption from tax will be given to persons and/or entities that derive royalties and similar income deriving from patents arising from in-house developed “Intellectual Property”.

## Support to small businesses and self-employed

Support is targeted to self-employed persons and enterprises employing up to 10 persons and also sole traders. The scheme concedes a 40% tax credit which is subject to a maximum of €25,000 and will apply to costs incurred for:

- improvements of shops and facilities
- investment in new machinery, technology and systems that will enhance their operations, including energy saving systems and the production of alternative energy
- investment in order to be compliant with Health and Safety, Environment and Accessibility regulations
- generation of new job positions and/or employing apprentices as from 11 November 2009

The tax credit will be increased to 60% if the above mentioned investments are carried out in Gozo.

A further incentive will be granted to businesses that incur expenses on improvement in workplace accessibility to new employees suffering from a disability.

## Incentives for the arts

A number of fiscal incentives will be introduced for creative works which include ICT, films, arts and design, as well as performing arts and others, which create high value-added work, and support to other similar sectors within the economy.

Fiscal incentives yet to be published will include:

- Fiscal benefits for qualifying costs to eligible Maltese authors on the costs of publishing their literary works;
- Tax credits to cover qualifying costs spent on computer animation, special effects, films and television programmes, as well as production services;
- Fiscal benefits for qualifying costs incurred on interactive digital media productions and qualifying costs on sound recording houses, including costs incurred to bring productions to our country.

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## Levy on credit cards

The annual credit card levy of €6.31 is to be removed as from next year.

## Child in care benefit

The benefit will increase from €40 per week to €70 per week. In addition, the age limit for eligibility is being increased to 21 for those still studying or following an ETC approved training program.

## Cost of living

The cost of living increase effective from 1 January 2010 is €5.82 weekly. Pensioners will benefit from the full cost of living adjustment.

The weekly minimum wage will as from 1 January 2010 amount to €52.29.



### Disclaimer

The information contained herein is based on our interpretation of the Budget 2010 and should not be used as a substitute for professional advice. No liability for errors of fact or opinion is accepted.

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