



Grant Thornton

Malta Budget 2021

Highlights

October 2020



Overview

Malta's budget for 2021, which was presented on October 19th by Finance Minister Edward Scicluna, focuses on the country's recovery from the COVID 19 pandemic.



As a result of the Covid-19 pandemic, during 2020 the economic growth shrunk by 6.1% in nominal terms and 7.7% in real terms compared to that of the Eurozone rate of 9%. Finance Minister Edward Scicluna said when delivering the Budget speech, that the country's debt-to-GDP is projected to increase to 55% next year.

Economic growth in real terms is expected to be around 5%. Total revenue for next year is projected to reach €5.2 billion. Revenue from tax alone is projected to increase by 12.5% on the back of economic growth. Total expenditure for next year is estimated to be €5.95 billion, which is almost similar to the 2020 expenditure level. Capital expenditure is expected to decrease by 20% to €793 million next year. Employment is projected to grow by 2.3%, while unemployment is estimated to be 4.0%. Inflation is projected at 1.3%.

	2019	2020		2021
	Actual €000	Budget €000	Revised €000	Budget €000
GDP	13,390,045	14,102,790	12,543,906	13,351,391
Total Revenue	4,972,883	5,451,747	4,681,188	5,198,002
Surplus/(Deficit)	9,357	113,995	(1,220,825)	(751,139)
Public debt	5,708,981	5,560,073	6,895,749	7,825,460



Economy

- No additional taxes will be introduced in 2021
- The tax refund paid in the previous three years will be granted again to employees earning less than €60,000. The refund will vary between €45 and €95 depending on the level of income and tax status of the employee
- The wage supplement granted to businesses hit by the pandemic, will be extended until March 2021
- Government will be allocating €120 million of EU funds to sustain those jobs effected by the pandemic
- The VAT Exemption Threshold is being increased from the present €20,000 to €30,000
- A second round of €100 vouchers will be issued in 2021, €60 of which can be spent in accommodation, hotels and restaurants while €40 can be spent on retail and services
- New incentives, to be administered by Malta Enterprise for SME's investing in technology and innovation, will cover 50% of the costs incurred up to a maximum of €200,000 for each organisation. Malta Enterprise will extend the current schemes namely, Micro Invest, Business Development and Continuity Scheme, Research & Development 2020 Scheme, R&D Feasibility Study Scheme and Business First
- All existing schemes for Gozo will be further extended



Workers and pensioners

- Weekly cost of living increased by €1.75
- Vacation leave entitlement increased by one day to 28 days per annum to compensate for public holidays falling on weekends;
- In-Work Benefits thresholds will be increased to:
 - €35,000 for couples where both spouses are in gainful employment
 - €23,000 for single parents in gainful employment
 - €26,000 for couples where one spouse is in gainful employment
- Re-issuance of Savings Bonds for pensioners who are over 62 years of age
- Persons investing in a Third Pillar Pension will enjoy an increase of €1,000 in the annual financial investment which is exempt from tax to a maximum of €3,000 per annum
- Social security pensions increase by a total of €5 weekly inclusive of €1.75 COLA
- The maximum amount of exempt pension income will be increased to €14,058 and persons claiming married rates will be entitled to a further tax-free entitlement of €3,600 in respect of income from other sources.



Parents

- An additional supplement will be paid to those families already receiving children's allowance. A supplement of €70 for each child will be received by families whose income does not exceed €25,318 while all other families will receive €50 for each child
- Foster care allowance will increase by €520 per annum
- A €1,000 grant will be available to couples who decide to adopt a child locally
- Parents who quit work to care for a disabled child older than 16 will be able to access a €300 grant
- Families qualifying for the supplementary allowance will benefit from an increase. Such households will also be eligible to a €150 grant previously allocated to families at-risk of poverty
- A €6,000 yearly grant will be allocated to individuals hiring a carer to look after a person with a disability



Environment

- New Investment Tax Credits for farmers and fishermen to be announced
- Introduction of attractive package to investors to issue “Green Bonds” to be used to finance projects which promote renewable energy
- As from 1 January 2021 imports of single use plastics will be prohibited. As from January 2022, sale of such products in the market will also be prohibited
- €1.5m will be allocated for vehicle scrappage scheme, where the grant will vary according to the Co2 emissions of the vehicle, with the maximum grant threshold being €7,000. Those eligible for this scheme are private individuals, companies and NGOs
- Extension of measures relating to registration tax and exemption from road renewal license for a period of 5 years from first registration for electric vehicles and plug-in electric vehicles
- Provision of a grant for vehicles to operate with gas, instead of fuel, increased to €400. Eligibility criteria requires a Co2 reduction of 25%
- Total VAT refund on purchase of electric bicycles, motorcycles, scooters and bicycles assisted with electric motor is being extended. Maximum refund of €400



Health

- New medicines for chronic and mental illness will be added to state-provided medicines list
- Increase of beds for the elderly in public and private hospitals
- A new centre for palliative cancer care will developed in conjunction with Hospice Malta
- The government will unveil a strategy to eliminate hepatitis C



Property buyers and owners

- First-time buyers of immovable property will now benefit from a stamp duty **exemption** on the first €200,000 of the value of the property (previously €175,000)
- The reduced rates of stamp duty (1.5%) and property transfers tax (5%) on transfers of immovable property applicable on the first €400,000 will be extended to 31 December 2021

Related experts



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Austin joined the firm in 1982 and was initially mainly involved on audits in Malta. He later underwent training at the Milan office of the then Deloitte Haskins and Sells for 15 months following which he resumed his duties in the Malta office. He was admitted partner at Grant Thornton Malta in 1993 and is currently Head of Tax Services. During the past 20 years Austin has taken up further studies and specialised in the local and international taxation and in the financial services sector. Apart from being in charge of the local tax and VAT services, Austin is also responsible for services given to foreign owned companies setting up businesses in Malta and has provided tax advice to international clients involved in cross border business ventures. Austin is a Fellow of The Chartered Association of Certified Accountants, a Fellow of the Malta Institute of Accountants and holds a Practicing Certificate in Auditing. He is currently a member of the Tax Experts Group within Finance, as well as a member of the Direct Tax Committee of the Malta Institute of Accountants, and of the Council of the Institute of Financial Services Practitioners. Austin regularly attends tax conferences organized by Grant Thornton International and is a regular speaker at local conferences related to VAT and tax matters, including those organised by the Malta Institute of Management and the Malta Institute of Accountants.



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Wayne Pisani heads the regulatory and compliance function within Grant Thornton and leads the financial services tax and regulatory team where he deals with a wide range of asset protection and cross-border regulatory and tax planning engagements for clients ranging from private clients, including family offices and high-net-worth individuals, to NASDAQ listed companies.

He is the president of the Malta Institute of Financial Services Practitioners and a governor of FinanceMalta. He is also a member of the International Fiscal Association, the International Bar Association and the Maltese Chamber of Advocates.

He was admitted to the Bar in 2001 following a Bachelor of Arts degree in Law and International Relations, and a Doctorate in legal studies from the University of Malta in 2001 after researching and submitting a thesis on "Merger control: a comparative study of regulatory systems for potential implementation into the Maltese legal system." Wayne also read for a Master of Arts degree in Financial Services at the University of Malta, graduating in 2003 after submission of a thesis entitled "The Impact of Information Technology on Financial Services". In 2018, having successfully submitted a research project on "Tax arbitrage in ICOs: a European perspective", published in the EC Tax Journal, he was awarded an Advanced Diploma in International Taxation by the Chartered Institute of Taxation.

Wayne is a published author and an active thought leader in the financial technology space, making regular contributions at fintech conferences, and has a passion for the security and technological aspects of distributed ledger technology. He is also a joint contributing author to "European Competition Laws: A Guide to the EC and its Member States, the leading legal compendium with respect to Competition law in Europe", published by Lexis Nexis and revised annually.



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Since 2003, Michael has been involved in Indirect and Direct tax matters, initially at the Inland Revenue Department's Tax Investigations unit, followed by his employment with Grant Thornton's tax advisory department in 2007. Since joining Grant Thornton, Michael has been involved in providing tax assistance to a portfolio of local and international clients with special reference to the preparation of tax assessment, tax planning and consultancy services, Value Added Tax compliance, expatriate and personal tax services, tax litigation and investigations, and also buyers' and vendors' cross-border due diligence assignments. Michael is an ACCA affiliate and has recently completed his studies with the Chartered Institute of Taxation where he obtained an Advanced Diploma in International Taxation. Michael is also a member of the Malta Institute of Accountants and the Malta Institute of Taxation.



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Russell leads Grant Thornton's team of accounting professionals where he applies his expertise in accounting, VAT and taxation matters, whilst also assisting the firm's international clients. Prior to joining Grant Thornton he occupied similar roles with other accounting firms, as well as that of group accountant for a leading group of companies operating in the fashion industry.

A global reach



We discover what is important to you and make it important to us

Our culture is built on a genuine interest in our clients – their challenges, growth ambitions and wider commercial context. You get the attention you deserve from approachable, senior professionals who ask the right questions, listen and provide real insight and a clear point of view.

The bottom line

- A relationship-led approach with more time and attention from partners and senior advisers
- A deeper understanding of your business for more meaningful advice and recommendations.

Agile and responsive service

Our size and structure creates advantages for you. We adopt a flatter structure, with shorter decision making chains, empowered teams and no complex chain of command. We have all the necessary processes and controls in a streamlined, efficient and responsive environment.

The bottom line

- A faster response when you need quick answers and clarity
- Anticipating the answers you will need before you ask.

Pragmatic solutions to help you improve and grow

Our teams bring ideas to the table, going beyond the technical issues to recommend ways to make your business better. We balance a desire to do what's best for you in the future with an experienced sense of what is going to help you now.

The bottom line

- Helping you think ahead and think more broadly
- Proactively identifying opportunities for improvement and growth

Collaborative teams with a different mindset

Our people are open, accessible and easy to work with. We work through the issues alongside you and challenge your ideas where necessary, whilst keeping an independent perspective. Our collaborative style also enables us to assemble teams across service lines, industries and geographies to tailor our capabilities to your requirements.

The bottom line

- Teams and solutions built around your needs not our structures
- A better working relationship with you and your team



Our distinctive client
experience sets us apart



USD5.72bn
(2019 revenue)



56,028
people



756
offices



143
countries



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