

# Malta Budget 2023 | Highlights

October 2022



# Budget overview

Malta's budget for 2023 was presented on October 24<sup>th</sup> by Finance Minister Clyde Caruana.



Malta's budget for 2023, which was presented on October 24<sup>th</sup> by Finance Minister Clyde Caruana, is set out in the shadows of miscellaneous global economic circumstances - the Covid-19 pandemic, a war within European shores and their effect on the local and world-wide economy.

The revised estimates for 2022 show a marked increase in the deficit from the budgeted € 737 million to € 955 million, 5.8% of GDP, and Public Debt reaching 56.97% of GDP.

For 2023, the economy is expected to grow by around 3.5% in real terms.

	2021	2022		2023
	Actual €000	Budget €000	Revised €000	Estimate €000
GDP	14,681,315	15,162,724	16,337,000	17,537,383
Total Revenue	5,412,213	5,704,710	5,930,249	6,368,120
Surplus/ (Deficit)	(1,233,877)	(737,075)	(954,647)	(979,921)
Public debt	8,267,794	9,373,749	9,306,668	10,372,332



# People and Lifestyle



## People and Lifestyle

- COLA increase of €9.90 per week will be payable in 2023 to all employees, pensioners, those benefitting from social services as well as pro-rate increase on student stipends;
- Pensions will be increased by €12.50 per week, inclusive of the €9.90 COLA increase;
- Additional COLA mechanism – Those who are receiving social benefits and earn less than the Median Equivalised Income (2022 - €17,796) would be receiving an additional compensation from the Government before the end of the year, when:
  - Global inflation exceeds 2%
  - Individual inflation of 3 out of the 5 basic components in the Retail Price Index (Food; Accommodation; Electricity, water, gas and fuel; Home and home equipment maintenance costs; and Healthcare) exceeds the average of the previous 5 years.

The benefit would vary depending on the number of persons in and the income of a family.

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## People and Lifestyle

- Tax exemption brackets for pension income shall be increased to retain all pensions exempt from tax;
- Bonus of €1.50 per week for pensioners who retired after 2008;
- Tax exempt bracket for service pensions increased by €200 to €3,266;
- Widowers' pensions to increase by up to €3.54 weekly;
- €50 increase to the bonus to those of retirement age who do not qualify for a contributory pension. In 2023, the bonus will amount to €450 for those who have paid less than 5 years contributions and to €550 for those who have paid less than 10 years contributions;
- Children's allowance to be increased by €90 per child;
- Foster Care Allowance would continue being paid to those who decide to adopt the fostered child for the following four years, reducing linearly by 20% every year;
- The benefit being paid to those diagnosed as Coeliac to be increased by €20 per month;
- Tapering of benefits incentive to be increased by 10% for the 3 years;
- The Carers Grant will be increased from €500 to €4,500. The benefit will be paid every 3 months;
- €200 tax credit to be granted to parents of children with a disability;
- Those acquiring a "Drive from Wheelchair" care would benefit from a subsidy of up to 20%;
- €10,000 grant for first-time buyers of property valued less than €500,000. The grant will be paid over a period of ten years and will be applying on every purchase made after 1 January 2022;
- Deposit Payment Scheme extended to include properties of a value up to €225,000;
- Increase in the capping of the Rental Benefit to €500 for a one-bedroom residence, €600 for a two-bedroom residence and €700 for a three-bedroom residence;
- Another tax refund to those persons in gainful employment earning no more than €59,999 will be distributed next year. The refund will range between €60 and €140 with the highest refund being paid to those earning less;

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## People and Lifestyle

- For working pensioners, 40% of their income will not be taxable when compared to 20% of the pension income for the current year;
- A new in-work benefit for those working irregular hours and earn less than €20,000 will be introduced through a €150 grant;
- Authors and co-authors will see their tax rate on royalties reduced from 15% to 7.5%;
- Paternity leave has increased from one or two days to ten days paid leave. Two months of parental leave has also been introduced for each parent which will be paid in accordance with the sickness beneficial rates;
- Persons who are required to accompany family members within the same household for medical reasons are entitled to five days of unpaid leave;
- From the next scholastic year, students in year 7 will receive a new laptop as part of the Government's one-tablet-per-child policy;
- Scholarships and tax credits will be improved for students who wish to advance their studies to a Masters and Doctorate level, even through the use of the European Social Fund;
- The Youth Guarantee Scheme shall continue with an investment of approximately €10 million together with training schemes such as Training for Employment, Investing in Skills, Access to Employment and Vaste;
- There will be a €5 million investment in a 'Technology Extension Support' scheme that will rope in private investors participation. The Government intends also to 'broaden' participation in the Horizon Europe programme, EU's key R&D programme, and strengthen the National STEM Community Fund.

### Residency schemes

The government is proposing amending the legislation and guidelines governing residency schemes in Malta so as to ensure that these are in line with international standards whilst still attracting foreign investment to Malta.

### Lands

- The scheme offered to businesses which currently are leasing government property outside of Valletta will be extended and such businesses may have their lease extended up to 45 years;
- The government will also be assisting families which have their homes built on land which was given by way of rural leases and individuals will be given the opportunity to acquire the title to the land where they reside.

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## People and Lifestyle

### Free Medicine and Free Treatment

In 2023, the Government will be introducing additional free medication.

- Vaccine against Human Papillomavirus (HPV) will be given to all boys born during and after the year 2000;
- Free medication to those suffering from multiple sclerosis;
- A wider bracket of the population will be benefitting from medication against diabetes;
- People who are undergoing interventions involving the donation of gametes will start benefitting from steroids offered by the Assisted Reproductive Technology Clinic (ART);
- Urgent cases involving patients diagnosed with cancer will be given the required medication within a period of 12 weeks from the said diagnosis;
- Chemotherapy pumps that patients may use at home.

### New Services

During 2023, the Government will be introducing various new services such as the introduction of Oncological Clinics at the level of primary healthcare, the introduction of the Diabetes Centre at the Hal Qormi Health Centre, the introduction of Genitourinary (GU) Clinics together with the introduction of GP Appointment Clinics in Health Centres. With the help of the Remote Patient Monitoring Project, patients with high sugar level will continue to be monitored.

Services provided by the ART Clinic to couples having infertility problems to have their first child will be extended to couples who are unable to have their second child. The Pre-Implantation Genetic Testing (PGTM) as provided by the Embryo Protection Authority will also be offered.

The service provided by the Navigator Nurse at Sir Anthony Mamo Oncology Centre will also be extended so that as from the day of diagnosis, patients diagnosed with breast cancer and their family would be assisted as required.

Moreover, patients resident in Gozo who would have completed the cancer treatment will benefit from the services provided by the Holistic Needs Assessment (HNA) Clinic offered by the Gozo General Hospital.

In conjunction with the introduction of GU Clinics, Mater Dei Hospital will also be extending existing services by providing Point of Care (POC) testing with the aim of treating sexually transmitted diseases as soon as possible.

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## People and Lifestyle

### Capital Projects in the Healthcare Sector

- Construction of new Blood Bank;
- Construction of new Outpatients and underground carpark at Mater Dei Hospital;
- Censu Moran Regional Centre in Rahal Gdid;
- New Centre in Rabat, Gozo;
- Modernisation of wards at Mount Carmel Hospital;
- Restoration and modernisation of Health Centres and Polyclinics;
- Investment in the infrastructure of the Department of Accident and Emergency, the Department of Medical Imaging and the third Cardiac Catheterization Suite.

### Mental Health

Social wellbeing will be sustained through the provision of sheltered accommodation. Government will introduce a Therapeutic Centre for those diagnosed with mental health and victims of addiction.

Over the coming years, Government will be introducing a new hospital for Acute Psychiatric Care near Mater Dei Hospital to offer specialised services complementing those which are now being provided by Mount Carmel Hospital.

### Other measures

The scheme exempting from tax and duty the first €750,000 on transfers of immovable properties which were built more than twenty years ago and that are vacant for more than seven years, or for properties situated in UCA or which are built in a typical and traditional Maltese style and architecture, is being extended for the coming two years, 2023-2024.

The other tax incentives for those buying properties in UCA or that were vacant for several years, the scheme allowing people restoring old homes to claim back up to €54,000 in VAT, and the schemes reducing stamp duty for first-time and second-time buyers, and persons buying their properties in Gozo, will also be extended.

In addition, first time buyers acquiring properties under the said schemes, are entitled to benefit from a EUR 15,000 grant if the property is acquired in Malta or a EUR 30,000 grant if the property is acquired in Gozo;

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## People and Lifestyle

An agreement is being negotiated with operators to commit to the service necessary according to the needs of the Gozitan and Maltese people, including a new price schedule.

A new legal framework will be established so as to address current inefficiencies in the Maltese judiciary system.

The Government is also aiming to propose three legislative measures to strengthen the journalistic profession whilst also protecting journalists in their daily work.

As from 2023, the maximum amount of €5,000 for claims presented in front of the Consumer Claims Tribunal, will be further increased.

The incentives granted to members of the Malta Disciplinary Forces for their continued service will be extended, improving the service pension by 23% where such members continue in service for an additional four years.

A new pension will be introduced to widows whose spouses were officials of the Maltese disciplinary forces and who passed away prior to having spent 25 years in service or in the period between the end of service and the retirement age.

In 2023 all cities and villages in Malta will introduce community policing.



# Economy



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During the year 2021, the Maltese economy **grew by 10.3%**, 4.9% more than that of the European Union.

During 2022, the economy is forecast to **grow by 6% in real terms**. Additionally, it is estimated that Malta will register a **4% employment growth rate**, whereas the **unemployment rate would be maintained at 3.1%**.

Inflation rate for 2022 is forecast to **reach 5.7%** largely due to increases in the price of basic commodities (food and services). This could have reached a 12.8% inflation rate had the Maltese government not intervene and subsidize the cost of energy and cereals.

During 2023, the Maltese economy is forecast to **grow by 3.5% in real terms and 7.3% in nominal terms**. The economic growth forecast is driven by an expected increase in domestic demand, especially considering that private consumption is forecasted **to increase by 4%**. Capital investment by the government and the private sector will continue sustaining the increase in investment, forecasted **to increase by 5.9%**.

Exportation is expected **to grow at a slower rate of 2.5%**, whereas importations are forecasted to **increase by 2%**.

Through these forecasts, it is estimated that growth in employment should **increase by 3.4%** whereas **unemployment levels will remain relatively the same at 3.1%**. Inflation during 2023 is expected to decrease **to 3.7%** on the basis that the prices of basic commodities will subsist at a more moderate rate.





## Economy

### Assisting the start-up eco-system in Malta

A one stop shop under the brand Start in Malta will be introduced which will offer assistance services to start-ups who wish to establish themselves in Malta. It is also proposed that an international conference referred to as the EU Start-ups Summit is held in Malta with the aim of attracting further European start-ups to Malta.

### New Business Incubation Centre

A new Business Incubation Centre is to be developed which will serve to be a 'touch down facility' for innovative start-ups which are diversifying the Maltese economy.

### Investment in Small and Medium Enterprises

More cash grants of approximately €40 million will be offered to small and medium enterprises under the Business Enhance Scheme.

### Incentivising Enterprises to Invest

The scheme whereby group companies may also utilise the capital allowances which remained unabsorbed in Financial Years 2020 and 2021 due to the losses incurred during the Covid-19 pandemic against the taxable income of other companies which form part of the same group has been extended, and therefore the said allowances can be used in financial year 2022 (YA 2023).

### Rent subsidy

In the coming year the government will be extending the rent subsidy whereby Maltese businesses may be able benefit from a €50,000 rent subsidy per year, for the first three years of assistance. The period which companies may be able to benefit from this scheme has been extended from three years to six years.

### Investing in Social Enterprises

The Micro Invest Scheme will be extended to social enterprises established in Malta and such enterprises will be eligible to a tax credit up to a maximum of €70,000 over three years.

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## Economy

### Transfer of Family Business

The reduction in stamp duty from 5% to 1.5%, when family businesses are transferred *inter vivos* to the younger generation will be extended.

### Air Malta

A plan for the future of Air Malta has been developed which aims to manage better the expenditure of the company. This is currently being evaluated by the European Commission, however the government has ensured that Malta will retain a national airline in the coming years.

### Law Enforcement

The Government will enhance the support provided to the FIAU, Malta Business Registry, MFSA, Police Department, Office for the Commissioner of Revenue and Asset Recovery Bureau so as to ensure that these entities carry out their operations in the most effective way possible.



# Innovation and Sustainability



## Innovation and Sustainability

- No increase in energy prices - the Government is committed to absorb any increase in energy prices in 2023.

### Assisting businesses in Malta and Gozo to invest in digital and sustainable business models

- Malta Enterprise will be increasing the financial assistance in the form of cash grants offered to companies which invest in digital and sustainable projects, with the grant now covering 50% of the eligible investment, up to a maximum of €100,000.;
- Gozitan businesses as well as start-ups will continue to benefit from additional financial assistance in the form of a 10% tax credit, which can be doubled to 20% if companies invest in projects that reduce their carbon footprint;

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## Innovation and Sustainability

- Maltese enterprises will now be able to benefit from a maximum of €40,000 tax credit when investing in digital projects, projects which reduce energy and water consumption or in investments that increase efficiency by reducing the waste of raw materials or waste.

### Maritime Infrastructure

Projects for more sustainable air:

- Currently systems are being installed at the Grand Harbour for large vessels, for both passengers and freight ones to shut down their engines when they are berthed. Instead, they will be connecting directly to the national grid. In addition, Government intends to also introduce a similar shore-to-ship power project at the Freeport. The said project is estimated to cost €50 million, and it will reduce air pollution and improve the quality of life for the people living in the surrounding of the two harbours;
- The Government has also announced the signing of a contract for the extension of the quays at Pinto and Lascaris with the aim of improving capacity and to attract vessels of up to 330 metres.

### Land reclamation

- Further studies will commence in relation to land reclamation in order to determine their financial feasibility and environment impact assessments.

### Public Transport

- The Government will be investing millions of euros to electrify the public transport fleet

### Incentives for the acquisition of vehicles which pollute less our environment

- Malta managed to secure €50 million in European Union funds to be used for new electric vehicles;
- Incentives to buy an electric car are to increase to €11,000, rising to €12,000 in case of scrappage of old vehicle;
- Financial aid to incentivise the purchase of plug-in hybrids will also amount to €11,000;

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## Innovation and Sustainability

### Renewal of financial grant on scrapping vehicles in Gozo

- The €2,000 grant for scrapped vehicles in Gozo has been extended.

Other existing schemes which are being extended include:

- The grant in relation to the acquisition of small motorcycles and the grant for the conversion of vehicles from petrol to gas;
- Owners of electric vehicles and plug-in hybrid will be exempted from paying registration tax and annual road licence fees for a period of 5 years from the date of the first registration.

### Extended schemes for vehicles installing panels and a diesel particulate filter (DPG) and selective catalytic reduction (SCR) Systems

- Extended scheme in favour of vehicles such as minibuses, coaches and trucks will benefit from a maximum EUR 900 grant in order to install photovoltaic panels on the vehicle;
- Extended scheme in favour of minibus operators and coaches in relation to installing a DPF filter and SCR systems;
- Work will continue on the extension of the rural airfield in Gozo, extending the runway by 271 metres to 445 metres on land that is already committed for similar development, thereby allaying adverse environmental impact;
- During 2022, a route for the second cable interconnector with Sicily was identified and with an investment of more than €160 million this will aid to not only increase the supply of electricity but also give more flexibility in the way electricity is distributed to the country;
- Extension of schemes for the installation of solar panels and batteries for the storage of renewable energy, heat pumps water heaters and solar water heaters, and the restoration of wells of old houses;
- By 2024, a further 1,200 charging points will be installed across Malta and Gozo;
- Private companies and businesses who change their vehicle fleet to an electric one will be able to benefit from interest-free loans;
- An agency will be set up to coordinate a €700 million investment over a seven-year period to increase open green spaces;

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## Innovation and Sustainability

- During the first quarter of next year, a number of concessions would be issued for the building and operating of various car parks which are currently open car parks and will have to be transformed into underground car parks with the current parking spaces transformed into open public spaces;
- The Multi-Material Recovery Facility in Hal Far will start to operate in the beginning of 2023;
- An Organic Processing Plant will be launched to maximise the use of waste. This will yield both electrical energy as well as compost for the agricultural sector. The project will cost approximately €50 million;
- As from 1 January 2023, new gate fees will be introduced to reduce the amount of waste that ends up in the landfill;
- A new pipeline will be built to transfer water from the Reverse Osmosis plant in Cirkewwa to the reservoirs in Ta' Qali with an investment of €11 million, while another pipeline will be built to transfer water from Naxxar to Salini, budgeted at a cost of €3.5 million;
- The sewage plant in Sant'Antnin is expected to start operating by the end of 2023. The investment is estimated to cost €7 million and will increase the sewage capacity in the South of Malta.



# Sports and Culture



## Sports and Culture

- In the coming years, restoration will be completed on the Grandmaster's Palace while further investment will be made for the restoration of ramparts and churches in different localities.
- For the first time in Malta, Malta will be participating in the London Design Biennale 2024 edition to serve as a showcase for the sector and the artistic and creative field in our country.
- There is a pilot project currently in place whereby it is being ensured that children have at least one session of physical education every day.
- With an investment of €9 million, the Marsa Sports Complex will be refurbished to be at an international level stage.
- Preparations are in place for our country to successfully host the Games of the Small States of Europe in 2023.
- Preparations are also in place for the UEFA Under-19 European Championships in 2023.
- The tax rebate will increase from €100 to €300 per year for parents whose children attend sporting, artistic or cultural activities.



# Related experts



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Wayne Pisani heads the tax, regulatory and compliance practice within Grant Thornton and leads the financial services tax and regulatory team.

He advises an extensive client base ranging from private clients, including family offices and high-net-worth individuals, to NASDAQ listed companies. Working across several industry sectors, he deals with a wide range of cross-border regulatory, compliance and tax planning engagements involving both local and international financial institutions, asset protection, M&A and project finance transactions, driving the development of innovative solutions that support clients in their transition to more sustainable outcomes.

Wayne chairs the Financial Services Regulated Business Committee of the Institute of Financial Services Practitioners having been the president of the Institute and a member of the board of governors of FinanceMalta between 2018 and 2021. He is presently a member of the Malta Financial Services Advisory Council set up by the Minister for Finance and Employment and tasked with setting out a ten-year strategic plan for the Maltese financial services industry and 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 experienced and passionate digital finance specialist embracing the mantra to pursue "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". He is an active thought leader in the financial technology space, proactively exploring digitalisation opportunities to transition to more sustainable finance, aspiring for net zero and a more sustainable way of living. He is a lecturer with a number of institutes and the University of Malta, makes regular contributions at fintech conferences, and has a passion for the security and technological aspects of distributed ledger technology, sustainable development and the collaborative economy. 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 within the tax department, providing an array of accounting, VAT and corporate taxation services to a portfolio of local and international clients.

He began his career at a small audit firm as an associate servicing a portfolio of local clients. During the four years spent there he gained experience in financial and management accounting, VAT, payroll and other ancillary services. He then moved on to join a leading group of companies operating in the fashion industry as the group accountant.

He joined Grant Thornton in 2016. Since then he has led and overseen the department’s accounting team, working in a diverse range of industries from aviation and yachting to gaming entities. He also advises his clients on corporate tax and VAT issues.

Russell is a qualified accountant following the completion of the ACCA qualification in 2015. He successfully completed the Advanced Diploma in International Taxation offered by the Chartered Institute of Taxation in 2021, choosing EU VAT as an area of specialisation.

He is a member of the Malta Institute of Accountants and of the Indirect Taxation Committee of the Malta Institute of Accountants.



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