

Malta budget 2019

Highlights

October 2018



Consolidated fund

	2017	2018		2019
	Actual €000	Budget €000	Revised €000	Budget €000
GDP	11,139,698	11,572,870	11,998,572	12,923,943
Total revenue	4,291,165	4,350,050	4,626,808	5,013,813
Surplus	392,717	54,000	127,000	165,000
Public debt	5,670,611	5,874,915	5,624,701	5,660,073



The Budget 2019 will maintain the momentum of Malta's economic growth, with the financial surplus projected to reach 1.3%, or 0.5% if one excludes the Individual Investor Programme.

Finance Minister Edward Scicluna said when delivering the Budget speech that the country's debt-to-GDP is projected to drop to 43% next year. Economic growth in real terms will be around 5.3%, reaching €12.9 billion (nominal). That is almost double his first budget in 2013.

Recurrent revenue is next year projected to rise by 8.4%, reaching €5 billion. Revenue from tax alone is projected to increase by 8.5% higher on the back of economic growth. Expenditure next year will be €4.98 billion, up 8% on this year.

Capital expenditure will rise by 26% to €662 million. Employment is projected to grow by 3.7% while unemployment is estimated to be 4.3%. Inflation is projected at 1.9%.



unemployment

as at August 2018

3.8%

2019 (forecast)

4.3%



inflation

2019 (forecast)

1.9%

Business incentives

Family businesses

The reduction in rate of duty on 'Intra-Family' transfers from 5% to 1.5% facilitating the transfer of family businesses has been extended for another year. The preferred duty rate of 1.5% can be applied on the transfer of properties used for conducting business activities and which has been used for commercial purposes for the last three years or more. It can also be applied for intra-family donations of company shares and other types of marketable securities.

SMEs and self employed

Self-employed people forced to close their companies will be eligible for unemployment benefit.

Start ups

A plan of action to help start-ups grow will be another of the government's aims. A start-up visa will be introduced in order to attract international companies.

Disruptive technologies

Government will publish a feasibility study on a regulatory framework for disruptive technologies like Artificial Intelligence, the Internet of Things and other technologies which complement blockchain.

A new agency, Tech.mt, will be set up to promote Malta as a destination for such disruptive technologies.

Gozo businesses

For the next three years, companies creating jobs in Gozo will continue to benefit from a 30% refund on the workers' salary.

All Gozitan employees working in Malta will be able to get a partial refund on their ferry ticket, which to date has only been available to government workers

The film industry

Fiscal incentives for film industry will increase, while modernisation work will take place on the Rinella tanks and film studios.



Brexit

Malta Enterprise will be launching a scheme that will offer business advisory services to aid local SMEs whose main commerce comes from the United Kingdom.

Furthermore, the government will be focusing on helping attract investment to Malta once Brexit takes place.

Pharmaceutical industry

The Medicine Authority will continue to work to ensure the sector is patient centred whilst also continuing to work on the regulatory framework for medical cannabis to ensure that Malta has jurisdiction in this field.



Wages

All workers will get a €2.33 weekly increase as part of the cost-of-living adjustment next year. An additional €3 per week will be given to workers who have been on the minimum wage for more than a year. Students will get a pro-rata increase in their stipend.

Employed people will also get an additional day of annual leave as of next year, bringing the total to 26 leave days per year.

A €3 year-on-year adjustment to the minimum wage for the first 2 years will be introduced.

For the second year running, workers earning up to €60,000 will as from next year receive a partial refund of their tax, but tax brackets will not be modified. All workers will receive cheques of between €40 and €68 [refer to the adjacent tables]. Cheques will also be issued to workers who do not pay income tax.

Single Computation

Income (€)	Refund amount (€)
0 - 15,000	60
15,001 - 30,000	50
30,001 - 59,999	40

Married Computation

Income (€)	Refund amount (€)
0 - 20,000	68
20,001 - 40,000	56
40,001 - 59,999	44

Parent Computation

Income (€)	Refund amount (€)
0 - 15,000	64
15,001 - 30,000	52
30,001 - 59,999	40



Parents and couples

Parents earning up to a combined gross total of €20,000 a year, will have their allowance increased to €96 per child, benefiting 24,600 children.

Parents of children in independent schools will get an additional tax rebate of €300 intended to make up for increase school fees. The rebate will next year stand at €1,600 for each kindergarten child, €1,900 for those in primary school and €2,600 for those in secondary education.

The marriage grant will increase by €250, up to €2,000 as from January 2019.

Persons with a disability

Persons with a disability who are unable to work will receive a €10 raise in their allowance to €150 per week, with more becoming eligible for this assistance.

The allowance for children with disability will rise by €5 to €25 per week.

The Carers' Allowance for those who live with their elderly parents will also be raised - to between €90 and €140 per week - with no means testing. There will be no medical assessment when the elderly person being cared for is over 85 year of age.

Pensioners

Pensions, inclusive of the cost of living adjustment, will rise by €4.50 per week, which measure will benefit 92,000 pensioners. Pensions will be tax-free for the first €13,400 in income.

Elderly people who did not accumulate enough social security contributions to benefit from a pension will see their allowance increase from the current €150 to €200 and from €250 to €300, depending on their eligibility.

Pensions will be tax-free for the first €13,400 in income, whilst tax exemptions for third pillar pensions are to rise to €2,000.

Government workers eligible to retire before 65 will also be given the opportunity to postpone their retirement and benefit from increased pension allowances, as is already the case in the private sector.

VAT measures

VAT charged on e-books and online news subscriptions will be reduced to 5%

VAT refund on pedelec bicycles, bicycles and motorcycles has been extended.



Housing

Existing housing schemes, including the first and second-time home buyers' scheme, schemes for properties in Urban Conservation Areas and an offer of paying lower duty when buying property in Gozo, will be retained for 2019.

The government will also issue new regulations on property equity release, whereby people can leave their home to the government in return for being able to stay in a home of the elderly free-of-charge.

An incentive for persons aged 45 years or over will be introduced allowing them to buy a residence jointly with the government, with the government paying the loan on half of the property. At the end of 20 years, the person will have a right to buy the second half from the government at an agreed-upon price. If they can't afford it, they can rent it. At the end of the process, once they die or the property is inherited by their children, they can choose to buy it from the government. If they choose not to, government will buy the other half itself and use the property for social housing. More details will be announced at a later stage.

Rent subsidies

Keeping in mind the government's aim to help lower-middle-income earners who rent property, means testing is to be scrapped when calculating rent subsidies.

The rent subsidy will be raised to €3,000 for single persons, from €1,600, and up to €5,000 for a family with two children, subject to a number of conditions which will be announced in the nearby future.

Landlords will also be receiving incentives if they choose to rent out their properties on long lets below market price. They will receive a substantial discount on capital gains tax due when the property is eventually sold after the rent expires.

Education

Courses offered by the University of Malta, MCAST and other higher-education institutions are going to be revised, with a view to making subjects which are necessary for the current economic reality more attractive to students.

Through a revision of courses' classification, students will be incentivised to choose those subjects which lead to jobs which the country needs trained people to occupy, the Budget indicates. There will also be a greater push towards encouraging students to follow subjects in the areas of science, technology and mathematics.

SEC and MATSEC examination fees will be removed as from next year.



Bus fares

Teenagers aged 14 and 15, full-time students aged over 20 and anyone in possession of a disability card will soon be able to ride public transport for free. This follows a similar incentive introduced over the last two years providing free bus transport to all those aged between 15 and 20 years.

Roads

Plans are in place to issue a call for public-private partnerships for the building of car parks in various localities, with the idea of using vacant private lots into public car parks, especially in localities where parking is scarce.

Existing schemes related to transport, such as tax exemptions on electric vehicles, scrapping vehicles, converting cars to run on LPG and incentives to encourage motorcycle use will all be retained.

The government is allocating a record €100 million for the roads sector.

Transport incentives

Purchase of bicycles, motorcycles, scooters and pedelecs will be VAT exempt for another year, whilst existing incentives for buyers of electric and plug-in hybrid cars, as well as the existing Car Scrappage scheme will also be extended by another year.

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Austin Demajo

Partner - Tax

T +356 9943 7892

E austin.demajo@mt.gt.com



Wayne Pisani

Partner - Tax and Regulatory

T +356 9942 3253

E wayne.pisani@mt.gt.com