



Grant Thornton

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Malta budget 2018

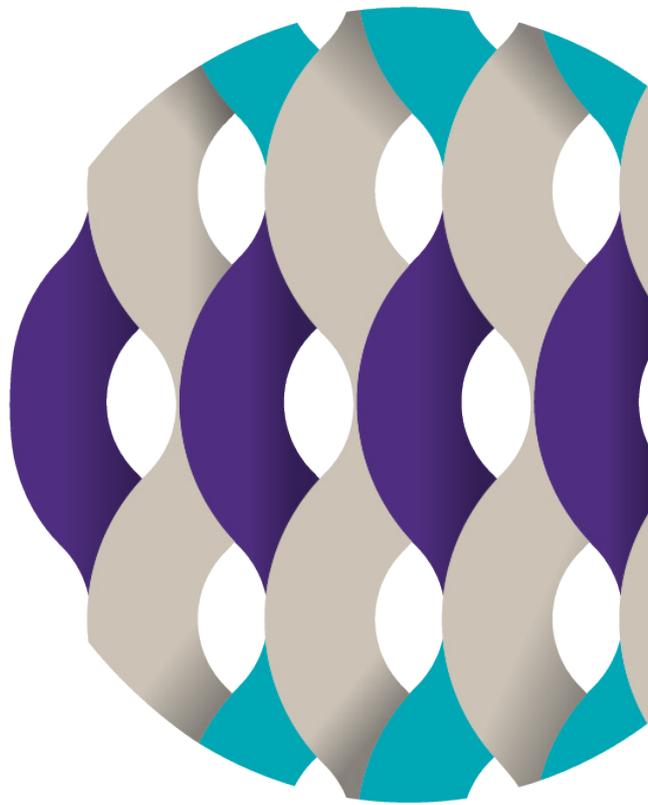
Highlights

October 2017



Consolidated fund

	2016	2017		2018	2019
	Actual €000	Budget €000	Revised €000	Budget €000	Actual €000
GDP	9,943,139	9,835,660	10,750,555	11,572,870	12,367,403
Total revenue	3,806,962	3,887,603	4,073,516	4,350,050	4,576,475
Surplus	112,920	(50,000)	88,000	54,000	57,000
Deficit as a % of GDP	N/A	0.50%	N/A	N/A	N/A
Public debt	5,727,907	6,092,971	5,905,450	5,874,915	5,910,556



Monday 9 October 2017 marked the presentation of the first budget of this government's legislature, one which focused primarily on social welfare. Interestingly, no new income, corporate or excise taxes were announced.

In 2016, the economy grew by 5.5% in real terms, increasing to 6.3% in the first 6 months of 2017. Finance Minister Edward Scicluna announced that for 2018, economic growth is expected to reach 5.6% in real terms. It was also highlighted that during 2017, credit ratings by a number of International Agencies were upgraded, with Fitch ratings upgrading the economy from A+ to A+ stable, DBRS upgrading the economic outlook from A stable to A positive, and S&P upgrading the economic outlook from stable to positive.

Scicluna noted that despite increases in employment and record low unemployment, inflation had remained low – 1% in 2016.

In addition, Malta's position in the Global Competitive Index (2017-2018) as published by the World Economic Forum advanced by 3 places and now stands at the 37th place.



unemployment

2016	4.7%
2017 (up to 3rd quarter)	4.1%
2018 (forecast)	4.2%



inflation

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Parents

Those travelling abroad as part of an adoption process will be given help amounting to €10,000. The measure will also apply to those who have already begun the adoption process.

Orphans will continue to receive special allowance until they turn 21, even if they get employed.

Foster parents will receive a €30 increase to their weekly allowance from €70 to €100 weekly.

In-work benefit will be raised from €350 to €450 per child where only one parent works.

A grant of up to €10,000 will be provided to cover the expenses adoptive parents incur in the process of adopting a child.

Pensioners

All pensioners, whether on a contributory or non-contributory pension, will get a flat €2 weekly increase.

A raise will also be given to those receiving an invalidity pension.

The threshold on non-taxable pensions will rise to €13,200 from the current €13,000. Other pensioners will benefit from a pro-rata rise of their threshold.

A new system for the calculation of pensions when social security contributions are missing will be introduced.

The €300 cash contribution given to adults aged 75 years and over, and who are still living in their own households will be extended throughout 2018.

The carers' allowance for those who stay at home to look after relatives will be increased by €8.15 a week.

Pensioners who have not yet reached the age of 65 and work as self-employed on a part-time basis will be eligible to deduct social security contributions on a pro-rata basis at 15% of their net income instead of the prescribed higher amount.

Leave

Employees will get an extra day of leave every year.

Negotiations are ongoing with employers' organisations on how to provide leave for public holidays when they fall on weekends.



Competitiveness

The Microinvest scheme has been extended to enterprises which employ less than 50 people on a full-time basis. Furthermore, the eligible qualifying cost under the said scheme will increase from €30,000 to €50,000 for those entities operating in Malta and to €70,000 if based in Gozo or mainly owned by women.

Entities investing in Gozo will benefit from a 30% refund of the employee's average wage up to a maximum of €6,000 per employee who is offered a minimum 3-year contract.

VAT

The concept of VAT grouping will be introduced to the financial services and gaming sectors.

VAT on the renting of bikes will be reduced from the current 18% to 7% as from 1 January 2018.

The threshold amount for small undertakings providing services exempt from VAT will be increased from €14,000 to €20,000.

Grants

The current 15.25% VAT refund scheme on bicycles and pedelec bicycles will be extended throughout 2018 and will also be open to bike-hiring companies.

Grants of up to €400 will be given on the acquisition of motorcycles, scooters and electric bikes.

A grant of €10,000 will be given to taxi drivers who will buy a wheelchair accessible taxi. This grant will be open to 10 applicants.

Transport

All youths between the age of 16 and 20 years will be entitled to use public transport free of charge during 2018.

Free transport will be available for all schoolchildren as of the next scholastic year.

As from next year all electric and hybrid vehicles with an autonomy of more than 80km will be exempt from the annual road licence tax for the first five years. Commercial companies, if eligible, may benefit from up to €200,000 over the period of 5 years.

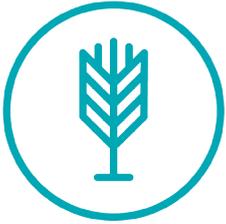


Education

Individuals under the age of 40 who follow a Masters or PhD will, after completing their studies, receive a two-year tax credit on a maximum income of €60,000.

SEC and Matsec exam fees will be halved in 2018, and removed entirely in 2019.

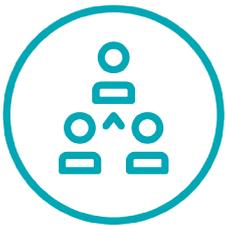
Four new schools will be built across Malta and Gozo.



Environment

A deposit and refund scheme system shall be introduced on all plastic and glass bottles.

As from next year organic waste will be collected separately throughout all the localities of Malta and Gozo.



Blockchain

The government already set up a taskforce to oversee the implementation of the Blockchain strategy. Further investment is intended for a new Blockchain Lab, training for civil servants to become familiar with this technology and also the setting up of a web-portal which will serve as a means of communication to those parties interested in blockchain and cryptocurrencies.



Property

The First-Time Buyers Scheme will be extended for another year.

Duty due on the acquisition of immovable property located in an Urban Conservation Area (UCA) or in Gozo will be reduced to 2.5% and 2% respectively.

A Second-Time Buyers Scheme will be introduced that will entitle buyers to a €3,000 refund on duty paid on the acquisition of the second home, if the property is bought as a primary home, after selling the first residential home.

The current 5% stamp dutyA reduced rate of stamp duty will be applicable on property purchased in Gozo.

The Housing Authority will be launching a scheme whereby people can receive a €25,000 lump sum to convert an unused residence for renting out as part of the affordable housing initiatives.

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

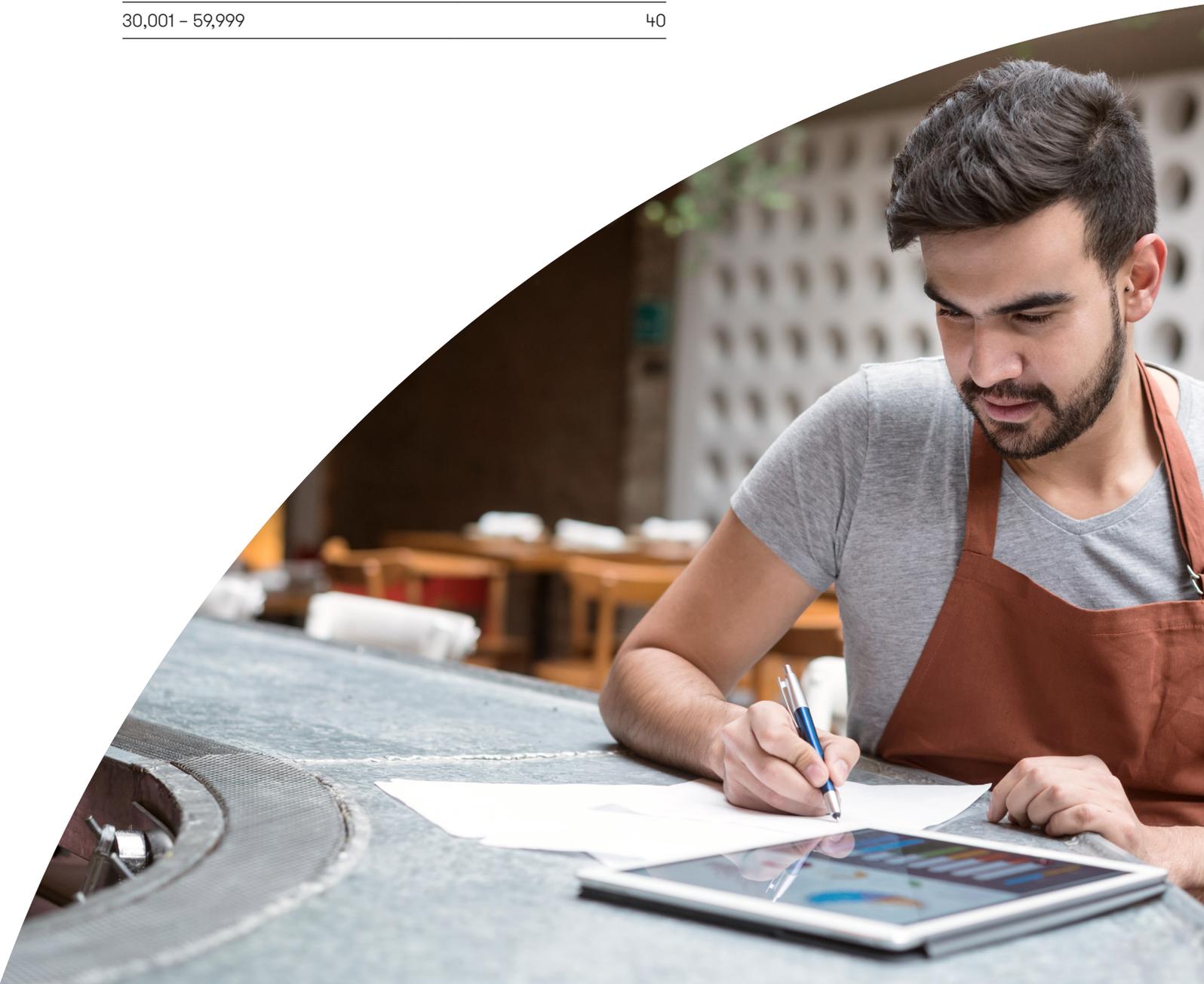
Income (€)	Refund amount (€)
0 – 15,000	64
15,001 – 30,000	52
30,001 – 59,999	40

Wages

Wages will be increased by €1.75 weekly as from next year, in line with the Cost of Living Adjustment Mechanism. This includes the increase given in advance last year. Students will get a pro-rata increase to their stipend.

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

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.





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