



THE MALTA CHAMBER
OF COMMERCE,
ENTERPRISE AND INDUSTRY

Annual Budgetary Estimates Review – 2017

Budgetary Review jointly prepared by RSM Malta & Chamber of Commerce

This document is designed to inform readers about the outcomes and measures of the 2017 Budget Speech in the most timely manner possible. While every effort was made to ensure correctness and accuracy, please appreciate that this document was produced under very tight time frames. It is not intended to give a definitive or comprehensive analysis of the subject. More details will be circulated in due course.

DISCLAIMER

Economic performance

- The improved sentiment, low interest rates and a labour market which is slowly picking up augurs for an outlook of continued moderate growth for the European Union. This is further supported by the outlook that emerging markets are expected to experience a slowdown in growth.
- Anticipated deficit for 2016 will be at 0.7% of GDP (expected to fall to 0.5% in 2017)
- Malta's inflation rate has been stable at around 1% throughout 2016
- Unemployment in Malta stood at 4.9% for the second quarter of 2016 (8.7% in the EU). Employment growth in this quarter marked a 3.5% over the previous period.
- Growth in real terms has been of 4.1% when compared to 2.2% in the EU, further supported by improved GDP of €4,456.9 million
- Difference between central Government recurrent revenue and expenditure down to €79.1 million (a decrease of €61.9 million over same period last year)
- EU Commission's Spring forecast for Malta's deficit showing an expected decrease to 0.9% of GDP in 2016 and further to 0.8% of GDP in 2017
- COLA to be at €1.75 per week. In accordance with the Retail Price Index, increase should have been of €1.16 per week. A €0.59 per week increase is being anticipated. COLA is being provided in full to pensioners and those on social benefits. Student stipends will be increased on a pro rata basis.

Fiscal measures

- Investors who receive dividends from companies listed on the Malta Stock Exchange will be allowed a relevant refund of tax at source. This applies where investment is not more than 0.5% of share capital of the company.
- A reduction in capital transfer duty from 5% to 1.5% applicable for a 12 month period as from 1st January 2017 is being allowed when a business is being transferred from a parent to a child
- Exemption from duty on first €150,000 for first-time buyers is being extended for another year
- Two schemes are being launched for first time buyers who purchase property which requires restoration – capped to a maximum of €100,000 on expenses incurred.
- Reduction of capital transfer duty on residential property purchased in Gozo to 2%. Promise of sale must be entered into by 2017 and contract by end of 2018.
- Construction materials including beams, steel structures, rods, nets, glass panels and tiles will be subject to duty as from 1 January 2017. This will also apply to the importation of lintels and planks.
- Eco Contribution being removed from batteries, mattresses, detergents, toiletries, motor vehicle filters and plastic containers used in the kitchen.
- As from 1 January 2017 excise duty is to be levied on toiletries based on the volume of the product in order to compensate for impact on environment. Excise duty also to be imposed on garbage bags which are not bio-degradable.
- A joint enforcement task force shall be established and shall be operated in conjunction with the VAT Department, Customs Department and the Tax Compliance Unit.
- A fiscal incentive will be given to entrepreneurs who sell their shares in a company to the public through a listing on the Malta Stock Exchange – capital gain shall be tax exempt.

Further fiscal measures

- Malta recognises the importance of its corporate taxation system and shall implement further measures to strengthen Malta's attractiveness to international investors, including the possibility of having group tax consolidations.
- Further measures to enhance transparency and exchange of information in line with international principles will be introduced.
- Financial services shall be reinforced with the implementation of a Resolution Authority and a Financial Services Arbitration. There shall be developments in the legislation on collective investment funds and securitisation so that the financial sector in Malta continues to grow in a dynamic manner.
- The Malta Individual Investment Programme shall continue to be offered throughout 2017 given that Malta is highly benefitting from the investment.
- Malta Enterprise shall offer a fiscal credit on expenses relating to the renovation of hotels and restaurants capped at €50,000 for restaurants and €200,000 for hotels. Another scheme shall provide fiscal aid to a maximum of €10,000 to restaurants who engage chefs for a temporary period, experienced in international cuisine.
- The 15% tax rate on domestic and commercial rental income is to be retained. Lease agreements for three months or more shall be registered with the tax authorities. Failure to register the contract will lead to penalties.
- Tax incentives will be granted to employers who contribute to voluntary private pensions for their employees.

Measures for enterprise

- Malta Enterprise to launch new business schemes granting financial assistance of up to €25,000 in the form of tax credits for the establishment of sustainable business in the research industry
- Persons who have graduated over the last three years and who have established a company with a turnover not exceeding €80,000 will be granted the option of exempting the company from audit for the first two years. Those who choose to have an audit will be allowed a tax deduction of 120% of the audit fees up to a maximum of €700 per annum.
- Trade Licenses for certain shops and commercial premises are being abolished as of 1st January 2017. Set-up time for new business to be reduced from 30 days to 3 days.
- Changes in the opening hours of shops will be implemented.
- Amendments to the Industrial Relations Act will be implemented in 2017 to promote equal pay for equal work – spot check inspections are to be carried out.
- During 2017 the Gaming Authority will be implementing legal reforms targeting the needs of the gaming industry thereby introducing further regulated gaming whilst not oppressing innovation in the sector and strengthening the players' protection.
- European Gaming Institute of Malta to be set up to ensure that training being given is recognised by industry.
- Introduction of register for insolvent enterprises or persons

Measures for infrastructure

- Property Malta is being established to act as a mechanism to attract foreigners to reside and invest in the Maltese Islands by purchasing holiday homes.
- Commercial fees in relation to projects and industrial developments in industrial zones will be replaced by reduced planning fees.

Investing in Education and Training

- Repeating students shall be eligible to receive a stipend, whereas full-time students under 24 years of age engaged in self-employed activities shall be able to pay social security contributions pro rata at a rate of 15% on net income.
- Investment in the University of Malta by way of an extension of the materials engineering lab and the buildings of the Mathematics and Physics faculties.
- Development of modern buildings to house the Institute of Engineering and Transport, the Library and the Learning Support Unity within MCAST.
- More investments in the maritime services courses and in the resources of the institute of creative arts within MCAST.
- Introduction of Research Framework so as to improve the level of education through research that is relevant and through fruitful collaboration between students and industry.
- Apprenticeships reform to ensure high-quality training.
- Jobsplus to extend the following schemes:
 - Work Exposure Programme
 - Traineeships
 - Access to Employment
 - Investing in Skills
 - Work Placement Scheme
 - Training Pays
 - Community Work Scheme
- Work Programme Initiative to provide further assistance to individuals under 25 years of age who have spent over 12 months searching for employment.
- Youth Guarantee Scheme extended to ensure that Malta continues to have the lowest youth unemployment rate.

Energy and infrastructure

- Enemed shall modernise the Has-Saptan storage plants and develop a new filling station – €50million investment.
- New Scheme to support investments in large scale photovoltaic installations of over 1 megawatt with premium feed-in tariffs.
- Incentives for business operators to carry out energy audits shall be extended.
- Malta Enterprise to develop a scheme to assist high energy consuming companies with investments in energy efficient systems and machinery.
- New Solar Bonds will be sold to the public to finance rental of solar panels installed by commercial establishments.
- New tax deduction of 150% on expenses incurred by companies to offer free transport for their workers. Maximum deduction of €35,000 per year or €50,000 if operated jointly with another company.
- All Government Departments employing over 50 people are to establish plans for sustainable transport.
- Free public transport for youths who turn 18 in 2017.
- Pinto Wharf to be expanded and widened – providing a second quay for cruise liners to berth.
- New tax deduction amounting to 120% of project's value for businesses that invest in community based projects approved by respective Local Council.
- Extension of lease scheme for business operators renting Government owned property . Businesses will benefit from a temporary emphyteusis period of 45 years.
- The present capping on payments in instalments for application pertaining to large scale development projects shall be removed.

EU Presidency

- Malta shall be hosting the Presidency of the European Council in 2017. Priority shall be given mainly to issues relating to immigration, maritime, transport, tourism and SMEs. In 2017, there shall also be the re-launch of MEUSAC which shall aid with the Malta's Europeanisation process.

Culture and Valletta 2018

- A National Fund for excellence in culture and creativity administered by Arts Council Malta will be established whereby artists and professionals will benefit from grants in order to attend training programs for continuous development of their profession including cultural leadership.
- In 2017 a process will be set up in order for the private sector to submit proposals for the regeneration of the Fisheries and the building in the vicinity of Barriera Wharf, Evans Building and Examination Centres near Fort St Elmo.

Health and Social measures

- Discussions to be held with social partners for the introduction of special leave payment over and above statutory sick leave for employees receiving cancer treatment.
- A consultation process will be initiated to consider the use of parental sick leave .

About Us

RSM Malta

RSM Malta was established by a team of reputable certified public accountants and auditors with decades of working experience in the profession. Our set up enhances business efficiencies, reduces internal bureaucracy and underpins our client focused culture. It also assists our clients in readily connecting to partners and directors providing both leading advice and great value for money. The firm is a member of RSM International, the world's 6th largest provider of audit, tax and consulting services to entrepreneurial growth-focused organisations globally. As an integrated team, we share skills, insight and resources, as well as a client-centric approach that's based on a deep understanding of your business. This is how we empower you to move forward with confidence and realise your full potential. This is The Power of Being Understood.

The Malta Chamber of Commerce, Enterprise and Industry

The Malta Chamber of Commerce, Enterprise and Industry is the independent voice of the private sector. Its principal mission is to actively represent companies from all economic sectors in Malta and ensure that entrepreneurs enjoy the best competitive environment and regulatory conditions possible for the conduct of business. The Chamber constantly champions the need for competitiveness-enhancing measures with the pertinent authorities in Malta as well as in Brussels. Housed within its historic Exchange Buildings in Valletta, the Chamber serves as a natural home for SMEs and large enterprises alike and across all business sectors. Through its active internal structures, the Chamber enables effective communication across all stakeholders as well as ensuring a series of value-added services to business not least in the field of internationalisation. The Chamber is part of the Enterprise Europe Network and is affiliated to Eurochambres and BusinessEurope.