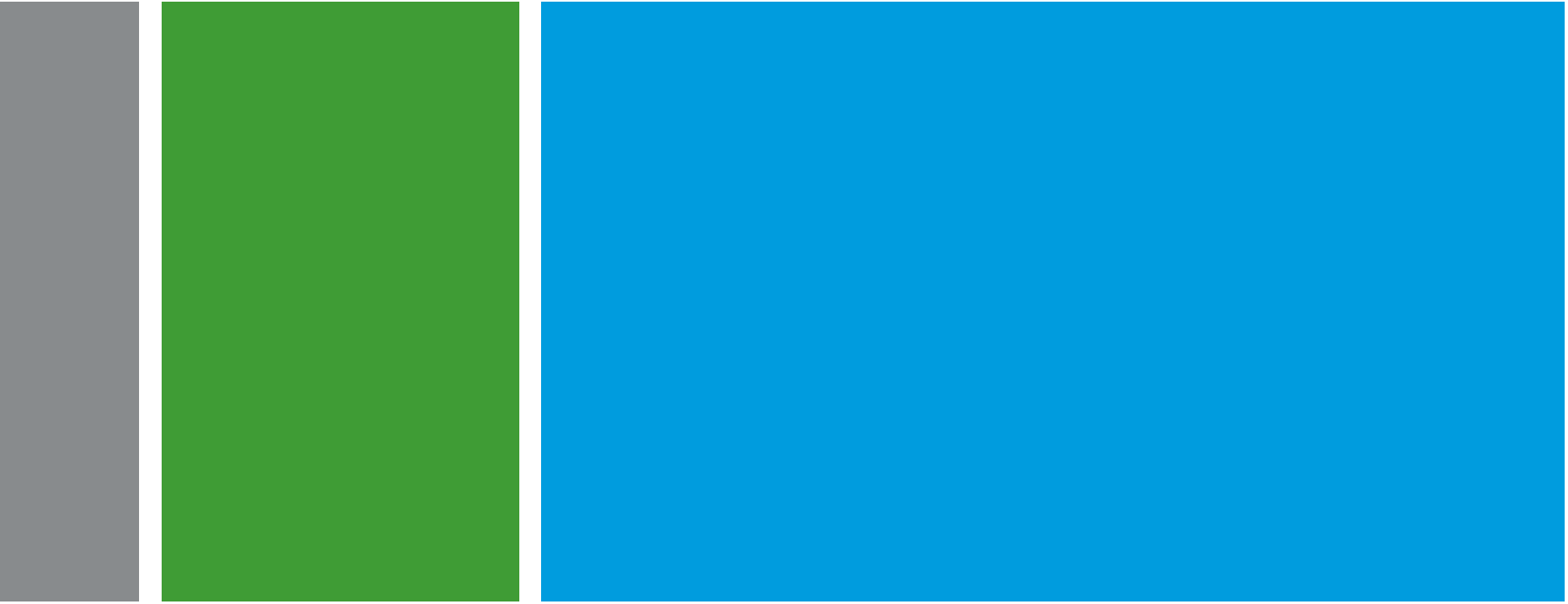


THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING



BUDGET 2019

The Economic Outlook

COLA

€2.33
€4.50 for pensioners



ECONOMIC GROWTH

6.7% in real terms
(2017)



NATIONAL DEBT

Down to 47% of GDP



PROJECTED SURPLUS

1.3% in 2019



Country performance

- Government's vision is to ensure that Malta is on the forefront of the EU economically and in terms of social policy.
- Positive results achieved to date are testimony of success as the country has experienced a surplus in public funds; lowered unemployment rates and national debt; increases in exports, private consumption, tourism and investment; as well as the setup of a Fund for social investment for the younger generation among other accomplishments.
- Various social measures introduced over the past years are also showing results with the attainment of a 71% rate of participation in the workforce being at its highest historically and unemployment at 3.8% being at the lowest recorded.
- A substantial reduction of families with material deprivation down to 8% in 2017 from 20% in 2012.
- Registered growth in real terms of 6.7% in 2017 (5.4% for the first 6 months of 2018) surpassing the EU rate of 2.2%.
- Growth projections are predicted at 5.3% in real terms and 7.7% in nominal terms with an expected surplus of 1.3% in 2019.
- Inflation is expected to stand at 1.9% and national debt anticipated at 43.8% of GDP (47% in 2017).
- The benefits emanating from the Malta Individual Investment Programme are not only financial. The Programme has attracted new investments, foreign talent and human resources. The successful applicants have also donated substantial sums to Maltese charities.

Social measures

- Families who earn an annual gross salary of less than €20,000 shall be eligible to an increase in the children's allowance at a maximum rate of €96 per child.
- Non-contributory medical assistance shall increase by €5.14 per week. This is awarded to married individuals whereby both adults suffer from chronic diseases and are already receiving such assistance.
- Members of the security forces of Malta shall be entitled to benefits in cases of fatal incidents or permanent disabilities.
- Contributory and non-contributory pensions shall be increased by €2.17 per week
- Service pension deductible from the social security pension shall be increased by €200. Furthermore, the sum entitled to pensioners who commit themselves to receive a global sum shall be deductible in full from the social security pension.
- Refund for wedding expenses shall increase to a maximum of €2,000.
- €300 annual contribution to persons aged 75 or over and are still living in their home to be sustained.
- The bonus received by individuals who did not pay enough social security contributions to be entitled to a minimum pension shall increase to €200 per year for individuals who paid such contributions for more than 1 year but less than 5 years. The bonus for individuals who paid such contributions for more than 5 years shall increase to €300 per year.
- An increase in pension for individuals who are eligible to retire but decide not to do so is now eligible to people working within the public sector as well.
- Assistance for persons suffering from severe disabilities shall increase to €150 per week. The allowance for children with disabilities shall increase to €25 per week.
- Self-employed individuals who terminate operations and start registering for employment shall be entitled to unemployment contributions based on social security previously paid.

Housing and rent

- Measures are going to be introduced to support the property market in order to address social housing problems which have arisen from rising rental rates and real estate prices.
- A White Paper 'Renting as a Housing Alternative' was presented for consultation to promote increased stability and transparency in the market by proposing:
 - Fixed period contracts
 - Obligatory registration of rental agreements
 - Minimum notice period for both lessor and lessee
 - Enforcement measures against irregularities and abuse
 - More efficient litigation procedures
- Rent subsidy shall no longer be subject to a means test but two eligibility criteria will need to be satisfied concurrently.
 1. Gross income (including wages and interest) must not exceed established benchmark
 2. Existent rent exceeds benchmark for that family

Maximum assistance shall range from €3,000 to €5,000 depending on the circumstances of the family.
- A reduced rate of tax upon sale of the property shall be introduced to incentivise property owners to rent out properties at more affordable rates for a period of 7 years.
- An Equity Sharing scheme is being proposed for persons over 40 years of age who may be finding difficulty in financing the purchase of their homes. It will be possible for banks to issue loans for up to 50% of the property price with a repayment plan over a number of years during which the Government will be paying the element of interest.
- Schemes introduced in previous years including lower duty for first and second time buyers, vacant properties in Urban Conservation Areas, properties purchased in Gozo and the restoration of property shall be extended.
- The Home Equity Release working group has concluded its mandate and this will allow pensioners to improve their standard of living. Further details are expected in the coming weeks.

Infrastructure and the environment

- There shall be a Joint Innovation Centre to develop the Safe City concept, which requires the use of advanced technology, advanced surveillance equipment to ensure security. This type of technology shall be used in localities that require further security measures such as Paceville.
- A new park and ride shall be set up in Rabat, Gozo. The Government is also planning of building a tunnel between Malta and Gozo, studies for this tunnel are underway.
- Free transport for parents whose children attend independent or church schools
- Free Tal-Linja Card incentive to persons aged between 16 and 20 is to be extended for the current year, and introduced to full time students aged over 20 years. Persons aged 14 and over will also be benefitting from such scheme. Discussions to begin with CRPD Agenzija Sapport, to grant free card to disabled persons
- Maximum incentive of €400 and VAT refund extended when purchasing electric bicycles, motorcycles and scooters.
- Exemption from registration tax on electric or hybrid vehicles to be extended by a year.
- Schemes in relation to scrappage of vehicles and grants to persons converting their vehicles to gas to be extended by a year.
- To initiate process to have a Multi-Material Recovery Facility to recycle different materials that end up being disposed and also continue the process on the facility of Waste-to-Energy in relation to waste management.
- A tree will be planted for every child born as well as for every new car imported to the Maltese Islands. Further investment in National Parks and also the establishment of the idea of having the first Geopark in Malta.
- Water and electricity and fuel prices to remain stable for a long period of time.
- Free energy audits will again be provided to families and other entities to use water and electricity in a more efficient manner by replacing old appliances with new ones.

Welfare and the labour market

- The process of applying for the issuance of a work permit and a temporary work permit shall be simplified. A new unit shall be set up to ensure that the regulations relating to work and residence permits are enforced.
- The Government has extended the financial incentive by which a refund of 30% of the minimum salary (capped at a maximum of €6000) shall be granted to workers working in Gozo.
- An additional day of leave to be awarded to employees to make up for feast days that fall in a weekend to be sustained.
- Employees that earned a minimum wage during 2017 shall receive a further €3 per week in the coming year.
- A two-year €600,000 programme to be embarked on for re-development of abandoned open spaces and pitches.
- All secondary students along with two adults will be entitled to visit the Heritage Malta museums free of charge.
- A national action plan will be launched addressing human and drug trafficking.
- An educational campaign highlighting the importance of a balanced and nutritious diet will be launched.
- All MATSEC and SEC fees will be eliminated.
- New health services will be launched to strengthen the mental health sector including plans for a new hospital specializing in Psychiatric Outpatients close to Mater Dei Hospital.
- Development works planned on a new outpatients' block in Mater Dei including a new underground car park having a capacity of 500 car spaces.
- A collaboration with the Hospice Movement and the Church of Malta will support the launch of St Michael Centre; which will provide help and support to patients and respite to their relatives.
- A new committee will be launched that will assist with medicine costs for patients with rare illnesses, whereby treatment is currently not provided for in Malta.
- The Maltese Medical Authority shall continue to develop a regulatory structure for the medical use of Cannabis in Malta, so Malta can be considered as a go to jurisdiction in such area.

Fiscal and financial incentives

- The duty reduction (from 5% to 1.5%) granted to parents when transferring their family business to their descendants shall be extended for another one year.
- Employees shall again be awarded a tax refund which is calculated based on the annual salary of the individual.
- Employees registered as single persons for tax purposes who receive income from part-time work in excess of €9,100 bracket but not the minimum wage will no longer be taxed.
- The Individual Investment Programme shall be strengthened. Furthermore, the Malta Residence and Visa Programme shall be extended and shall continue to be improved so that Malta continues being competitive with other jurisdictions.
- Voluntary organizations with revenue of less than €10,000 would be exempt from tax.
- The tax free bracket for pensions have increased to €13,434. Government savings bonds targeted to pensioners to be re-issued.
- The introduction of tax incentives towards the investment in the third pillar pension and occupational pension scheme. The first €2,000 shall be exempt from tax. Furthermore the tax reduction rate on such private pensions has increased to 25%.
- Allowances for parents whose children attend independent schools have increased.
- A VAT refund of up to €70 shall be given to individuals who purchase and install reverse osmosis or similar processes. VAT on eBooks and musical instruments shall be reduced to 5%
- A higher investment in the customs procedures to ensure security and combat illegal and illicit activities, ensure fair competition and eliminate tax and duty evasion.
- The adoption of ATAD 1 effective from 1st January 2019 and ATAD 2 to be implemented in 2020 will bring about anti-tax avoidance measures such as interest limitation, exit tax and controlled foreign company (CFC) rules.

The digital economy and business support

- Fintech Accelerator has been launched by the Malta Stock Exchange to provide financial assistance to those companies within the sector.
- The Malta Stock Exchange shall also collaborate with the blockchain and cryptocurrency industry.
- The Malta Digital Innovation Authority has been launched with the aim to protect both the customer and investor.
- The MFSA shall also have a special unit focusing on fintech.
- Malta shall also work to promote and attract companies within the e-Sports sector.
- Certain aspects of blockchain will be given a legal personality through the introduction of new legislation.
- Tech.mt will focus on marketing Malta as a hub for digital economy and disruptive technology.
- Malta Development Bank shall offer schemes and facilities for further investment by SMEs and infrastructural projects.
- Malta Enterprise shall offer assistance with respect to business advisory services for local SMEs, whose commercial activity depends mostly on the UK.
- A new Act shall be introduced with respect to the Free Zones which shall facilitate new investment in services concerning international logistics in the Freeport.
- Seed Investment Scheme shall continue to promote and assist start-ups.
- Start-up visa scheme shall also be introduced to facilitate the process for foreign start-ups to choose Malta.
- Fiscal incentives shall be given to the film industry to attract international productions.



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