



2020

MALTA BUDGET

Highlights



Weekly cost of living increased by €3.49



Vacation leave entitlement increased by one day to 27 days per annum



Exempt pension income up to €13,798



15% tax rate on qualifying income from overtime work



Measures to target anti-money laundering and tax evasion, in view of the MoneyVal report



Reduced tax rate of 15% on the first €100k of profit on the assignment of a promise of transfer of immovable property



Social security pensions increase by a total of €7 weekly inclusive of €3.49 COLA



Extension of reduced stamp duty rate on certain donations and property transfers

Performance of the economy

4.7%

During the first six months of the year, the Maltese economy has grown by more than three times the EU average rate of 1.4%.

1.7%

The 12-month moving average rate of inflation in August 2019 stood at 1.7%. Inflation is expected to reach 1.9% in 2020.

€14bn

GDP for 2020 is expected to be €14bn representing an increase of 4.3% in real terms.

€4.6bn

Estimated tax revenue for 2019 is expected to be €4.6bn and is expected to rise to €5bn by 2020.

3.4%

The unemployment rate as at June 2019 stood at 3.4%, whilst the unemployment rate for 2020 is expected to be 3.5%, remaining below the EU average rate.

1.5m

Inbound tourists up to July 2019 amounted to 1.5m, which increased by 4.2% from 2018.

€3.49

The weekly cost of living increase for 2020 is €3.49 per week. In line with recent years, this increase will be granted in full to employees and pensioners and pro-rated to students.

€5.7bn

Government debt as at the end of 2019 is expected to amount to around 43.1% of GDP (i.e. €5.7bn) and is expected to reduce to 40.4% of GDP by 2020.

6.5%

During Q1 of 2019, the property price index increased by 6.5% when compared to the same quarter of 2018.

1.4%

The surplus for 2019 is expected to amount to around €48.5m (1.4% of GDP) up from €33.3m as had been expected in 2018. For 2020, this is expected to grow to around €114m.

4.3 times

The income distribution in Malta is relatively fairer when compared to the EU average with the wealthiest 20% of the population having an income which is on average 4.3 times higher than that of the poorest 20% of the population.

25

A record number of 25 new financial instruments were listed on the Malta Stock Exchange in 2019.

Income Tax

Reduced rate of tax on overtime

- Starting from 2020, the first 100 hours of overtime in relation to employees with a basic salary of not more than €20,000 (and not in a managerial post) will be taxed at 15%.

Tax refund to employees

- The tax refund paid in the previous two years will be granted again to employees earning less than €60,000. The refund will vary between €40 and €68 depending on the level of income and tax status of the employee.

Exemption on pension income

- The maximum amount of exempt pension income will be increased to €13,798 with persons claiming married rates being entitled to a further €2,000 tax free in respect of income from other sources.

New service offerings by the Office of the Commissioner for Revenue

- New online services for VAT and Private Employer (PE) registrations.
- Pensioners may opt not to pay provisional tax but to have an amount deducted from their pension.
- Married couples may opt to file separate income tax returns.
- Taxpayers to receive tax statements (on a provisional basis) in an effort to reduce the filing of tax returns.
- Tax refunds to be paid within six months.

Tax on assignment or cessation of rights over property

- As from 1 January 2020, the first €100,000 of any profits or gains arising on the assignment or cessation of any rights acquired under a promise of transfer of immovable property or any rights thereon will be subject to a tax at the rate of 15%. Any profits or gains exceeding €100,000 will continue to be subject to tax at 35%.

Tax measures relating to Gozo

- Improvement to the iStartup tax credit to further incentivise new businesses setting up in Gozo.
- Fiscal incentives to be granted in respect of relocation expenses incurred by those companies relocating their operations to Gozo and also to those companies creating new employment opportunities in teleworking and back office sectors.

Other Taxes

Stamp duty

- An extension of the reduced duty rate on certain intra-family transfers of business property and securities.
- First-time buyers of immovable property will now be exempt from stamp duty on the first €175,000 of the value of the property (previously €150,000).
- Continued reduction or refund of stamp duty on the purchase of a new residential home for “Second-Time Buyers”, in Gozo (reduction from 5% to 2%) and in Urban Conservation Areas (reduction from 5% to 2.5%).
- The reduced rate of 3.5% on inherited immovable property being the residential property of the heirs shall now be applicable on the first €175,000 of the value of the immovable property.

Customs

- The Government will continue investing in new security equipment at the Malta International Airport and at the Grand Harbour to prevent tax evasion, illicit activities, entry of illegal goods and to promote fair competition.

VAT

- The VAT exemption on the provision of education and educational research will be extended to approved vocational training and retraining.
- The grant equivalent to the VAT amount on the acquisition of bicycles and pedelec bicycles is being extended for another year.
- The VAT exemption on special apparatus bought for people with disabilities will increase by €400 up to a maximum of €1,000.

Other measures

- Cash payments for the purchase of property, cars, yachts, and diamonds cannot, as from next year, exceed €10,000. This measure seeks to combat tax evasion and stimulate fair trade.



Social Measures

Cost of living increase

- The cost of living increase for 2020 amounts to €3.49 per week. Such increase will be granted to all employees, to pensioners and to those receiving social benefits.
- Students will also be granted such cost of living increase on a pro-rata basis.

Measures relating to employment

- An additional day of leave to all employees’ annual leave balance.

Pensions

- All social security pensions to be increased by €3.51 per week. Thus, together with the cost of living adjustment of €3.49, the weekly increase for pensioners should be of €7 (€364 per year).
- Similarly to previous years, the portion of any service pension which is not to be reduced from the retirement pension is being increased by a further €200.
- Recalculation of certain service pensions once recipient reaches pension age.
- Invalidity pension revised upwards to match the minimum national wage.



Other social measures

- An additional bonus of €35 to households with more than one person; reduced to €15 for single person households.
- Incentives to persons working in the public sector, who opted to keep on working past retirement/pension age.
- Persons not qualifying for a minimum pension shall continue benefiting from a bonus of between €200 and €300, even after 75 years of age.
- Increase in allowance granted to widowed pensioners having children under 18 years of age. Such allowance shall be increased to €10 a week irrespective of whether the widowed pensioner is working or not.
- Allocation of €13 million for the continuation of the fund created to cater for inequalities suffered by persons in the past due to changes in the pensions system.
- Increase of €50 per annum in the supplementary allowance granted to persons of 65 years and over and who are at risk of poverty.
- Extension of the €300 grant scheme to all persons of 75 years and over in addition to a further €50 grant to persons over 80 years of age living in their house. This scheme will be extended to elderly persons living in private residential homes.
- Re-issue of Savings Bonds for pensioners who are over 62 years of age.
- Introduction of a €300 bonus for every new-born or adopted child.
- Payments made to persons with severe disability will increase by €11.40 per week, from €150 to €161.40 per week.
- Various initiatives to aid vulnerable people benefiting from non-contributory sickness benefits, uninterrupted sickness benefit and disability assistance amongst others.
- Crediting of up to eight years of contributions granted to parents of children with rare diseases.
- People suffering from fibromyalgia and chronic fatigue syndrome (CFS/ME) and those undergoing treatment at the Sir Anthony Mamo Oncology Centre will be entitled to enhanced sickness benefits.

Other Measures

Housing

- The Government will be financing the 10% deposit (up to €17,500) interest free and repayable over a 15-year period to certain individuals under 40 years of age requiring assistance to acquire a residence.
- Various measures will be introduced to increase, upgrade and maintain properties available for social housing purposes.
- The establishment of a new authority to regulate and monitor the construction industry.
- An online system will be set up to facilitate registration of properties with the Land Registry.
- A new waste collection for beverage containers shall be introduced and will include the installation of reverse vending machines around Malta and Gozo.
- Measures to remove single-use plastics by 1 January 2021 by prohibiting the importation and production of such plastics.
- Further measures to regulate the construction industry including a cash incentive by Malta Enterprise for the acquisition of new eco-friendly machinery.
- Measures to increase the usage of renewable energy sources, including solar panels, heat pumps and solar water heaters shall be reintroduced in 2020.

Sustainability

- Further work towards achieving a carbon-neutral environment by 2050, among others, by continuing to use the EU Emission Trading Scheme in terms of the Effort Sharing system.
- Measures to improve waste management including the development of a new plant to convert waste to energy and other measures that target different types of waste and additional studies on the quality of air and biodiversity.
- Measures to introduce special electricity rates for individuals charging their electric car from their residence.
- A new subsidy of 25% of the cost (capped at €1,000) shall be introduced in relation to purchase of rechargeable batteries for renewable energy.

Infrastructure

- Investment of €100 million to continue works aimed at upgrading the road network (including various fly-overs and the Central Link Project) and other improvements to cycling lanes.
- Exemption from registration tax on eco-friendly vehicles (including electric and hybrid cars) will be extended by another year. Additional charging pillars will also be installed.



- Improvement of the public transport system including an increase in the number of buses, free school transport in Malta and Gozo, free use of the “Tal-Linja Card” for young people and elderly and extension of “on-demand buses”.
- The scheme providing incentives for investment in bicycle racks and eco-friendly vehicles will be extended by another year. This includes the refund of VAT and other assistance.
- Scrappage schemes and grants in respect of vehicles converted from petrol to gas to be extended by another year.
- Extension of free transport to students attending state, independent and church schools at primary and secondary level.
- A grant of a maximum of €850 per individual to study a foreign language abroad.
- The ITS together with the Emirates Academy of Hospitality Management will start offering a Masters degree in Heritage Interpretation and a Bachelor degree in the field of diving.
- Measures to continue narrowing the gap between the skills being taught by educational establishments and industry requirements.

Health

- Continued investment in the infrastructure of Mater Dei Hospital, Mount Carmel Hospital and regional centres.
- Investment in robotic surgery and new medication.
- Plan to open a new hospital for mental health.
- Investment in the restoration of the National Library, in culture and national heritage.

Education

- Continued investment in technology in educational institutions, including the University of Malta.
- Following the *One Tablet per Child* Scheme, a pilot project will be launched to extend the use of technology to middle schools.

Other Measures

Economic measures

- The Malta Stock Exchange is to continue implementing initiatives to encourage the issuance of Green Bonds aimed at funding environmentally friendly projects.
- Initiatives aimed at supporting the growth of video games development and esports industries through the strengthening of courses to equip individuals with the skills that are required to work in these industries.
- Grants will be given to enterprises that employ persons with special needs.
- Extension of the current Malta Enterprise Schemes for the agriculture and fishing sectors, together with new incentives for such industries to be more innovative under the ‘Innovation Aid for SMEs’ Scheme.
- A new strategy for tourism aimed at attracting higher-end visitors to Malta and ensuring the sustainable growth of this industry in Malta.
- Increased investments aimed for more growth in the aviation industry, such as a master plan for more efficiency at the airport, the use of the latest technology by the Malta Air Traffic Services and increased economic activity in the drones sector (Remotely Piloted Aircraft Systems).

- Various initiatives for Gozo including allocation of funds for Gozo to be used as meetings and conferences destination, extension of support scheme for students and employees studying and working in Malta, acquisition of a fourth vessel by Gozo Channel and installation of a second fibre optic cable. Furthermore, work continues on the planning process for the Gozo Tunnel.

Other

- Measures to target anti-money laundering and tax evasion, in view of the MoneyVal report. Further coordination by the National Coordination Committee where 20 competent authorities will need to address the MoneyVal recommendations. As part of this initiative, a new authority - the Financial Organised Crimes Agency - shall be created to assist the Economic Crimes Unit.
- Measures to improve the machinery used by the Customs Department to target anti-money laundering, financing of terrorism and counterfeit products.
- Reform in sectors involving human trafficking, domestic violence and vulnerable persons.



Contact us



The notes are designed to keep readers abreast with financial and tax developments. They are not intended to be a definitive or comprehensive analysis of the subject and should not be acted upon without prior consultation with the Partners or Senior Consultants of the firm. For further details please do not hesitate to contact:

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