



Malta Budget 2015 Summary The key to what lies ahead



Malta Tax Firm of The Year International Tax Review European Tax Awards 2014

Winning a prestigious award gives us immense pride, but there is no superior satisfaction than being able to offer our clients practical solutions that are adapted to the needs of their business. In embracing these challenges, we celebrate the achievement of our vision to be the Standard of Excellence.

www.deloitte.com/mt

Deloitte.

Stay connected

© 2014. For information, contact Deloitte Malta.

About this summary

Introduction

The Hon. Minister of Finance Prof. Edward Scicluna, presented his 2015 Budget Speech on 17 November 2014. This publication highlights the key fiscal measures and latest economic statistics on the Maltese economy.

Contents

- General overview
- Economy and employment
- Government finances
- Cost of living adjustment and other social benefits
- Maternity leave
- Social security contributions
- Disabled persons
- Income tax measures
- Duty on documents
- Other fiscal incentives
- Value Added Tax
- Eco-contribution
- Transport
- Other

Disclaimer:

This publication reflects high level announcements made in the Budget Speech on 17 November 2014, which are typically implemented through detailed legislative amendments and tax guidelines that have yet to be published. Clients are advised to seek appropriate professional advice following the publication of such detailed amendments or guidelines and prior to implementing any actions based on the information given in this publication.

Malta Budget 2015

Summary

General overview



The Minister of Finance declared that the Budget for 2015 is based on the strategy of making work pay

In his introduction to the 2015 Budget Speech, the Minister of Finance declared that the Budget for 2015 is based on the strategy of making work pay. This strategy aims to incentivise and reward work effort, discourage dependency on the social security system whilst at the same time introducing measures to strengthen social cohesion and reduce poverty for families on low income. Strengthening the skills and educational levels of the workforce and enhancing the competitiveness of the Maltese economy continues to be a priority of the Government.

In the Budget for 2015, the Government laid out the following key economic objectives:

1. Achieving one of the highest economic growth rates in Europe;
2. Increasing productive employment and maintaining a low unemployment rate;
3. Continuing to reduce utility tariffs;
4. Reducing burdens on industry and families;
5. Incentivising job creation and those seeking employment;
6. Creating a business friendly environment that encourages creativity and research; and
7. Creating opportunities through public-private partnerships.

Economy and employment

The Maltese economy is expected to grow by 3.0% in real terms during 2014, with a projected growth of 3.5% in real terms in 2015. During the second quarter of 2014, the unemployment rate in Malta stood at 5.9%. This compares favourably to the unemployment rates of 11.6% and 10.3% recorded in the Euro Area and the European Union respectively. The inflation rate in September 2014 stood at 0.6%. The average inflation rate for the year is expected to be 0.7% and should increase to 1.5% in 2015. Over the course of 12 months, over 6,000 new jobs have been created, with 4,000 full time jobs being created in the private sector.

2015

Economy (projected growth) **+3.5%**

2014

Economy (expected growth) **+3.0%**

Government finances

Total Government revenue for 2014 is expected to reach €3,360 million (2013 - €2,992 million) whilst total expenditure is expected to be €3,435 million (2013 - €3,215 million). The 2015 projections forecast total Government revenue of €3,555 million whilst total expenditure is expected to reach €3,704 million. The deficit to GDP ratio is estimated at 2.1% for 2014 and is projected to reduce to 1.6% during 2015. During 2014, the debt-to-GDP ratio is expected to increase to 70.1% from a level of 69.8% in 2013. In 2015, the debt-to-GDP ratio is expected to fall to 69%.

2015

Deficit to GDP ratio (projected)	1.6%
Debt-to-GDP ratio (projected)	69.0%

2014

Deficit to GDP ratio (estimate)	2.1%
Debt-to-GDP ratio (estimate)	70.1%

Cost of living adjustment and other social benefits

Cost of living adjustment

The cost of living adjustment will be €0.58c per week

The cost of living adjustment, calculated on the basis of the mechanism agreed with social partners will be €0.58c per week and will be received in full by pensioners. As a result, the minimum wage shall increase from €165.68 to €166.26 per week.

Adjustment in stipends

As from 1 January 2015 stipends will be increased by the cost of living adjustment, on a pro-rata basis. In addition, the maintenance grant payable at the start of each scholastic year, the stipend itself and the supplementary grant given to students coming from low income families will be exempt from tax.

Additional bonus

A one-time non-taxable additional bonus of €35 will be granted to employees who will not benefit from the income tax reductions that will come into force in 2015



A one-time non-taxable additional bonus of €35 will be granted to employees who will not benefit from the income tax reductions that will come into force in 2015. The bonus will also be granted to all pensioners, persons in receipt of social benefits and, on a pro-rata basis, to part-timers and students. The additional bonus will be borne by the Government even with respect to employees in the private sector.

Tax exemption on minimum wage earners and pensioners

The necessary changes will be made to the Legal Notice exempting from tax those persons who are on a minimum wage and pensioners whose pensions do not exceed the equivalent of the minimum wage, so as to ensure they remain tax exempt notwithstanding the increases in their wage or pension resulting from the measures announced in this Budget.

Malta Budget 2015

Summary



In-work benefit

The in-work benefit is a new measure introduced by this Budget. Parents who are gainfully occupied and whose combined annual income is between €10,000 and €20,400 will be entitled to an annual in-work benefit ranging between €200 and €1,000 for every child who has not reached the age of 23.

A single parent who is gainfully occupied and earns between €6,600 and €15,000 per year will be entitled to an annual in-work benefit ranging between €120 and €1,200 per child.

Child supplement

Families whose household income is less than €11,900 will receive a child supplement of €400 for every child until the second child, and €200 from the third child onwards, which supplement will be tied to school attendance, regular medical check-ups and the child's participation in sport and cultural activities.

Maternity leave

Revision of the method of funding maternity leave

A special fund will be set up, to which all private enterprises will contribute according to the number of employees

A special fund will be set up to which all private enterprises will contribute according to the number of employees. This fund will finance maternity leave. As a result, maternity leave in the private sector will not be paid directly by the respective employers but instead will be paid through this fund. This measure should further help employment in the private sector to be more gender neutral.

Maternity Leave Benefit rate

At present, women in employment benefit from the Maternity Leave Benefit, which covers from the 15th to the 18th week of their maternity leave. As from 1 January 2015, the rate of this benefit will be increased and paid at a rate equivalent to the National Minimum Wage.

Maternity leave for self-employed

Women in self-employment will have their maternity benefit rate increased to the minimum wage for their 14 weeks of maternity leave.



Social security contributions

Social security contributions vis-à-vis pension entitlement

Those persons who are still in employment and who have not paid enough social security contributions to entitle them to a pension will be given the opportunity to pay a maximum of five years from their missing contributions so that they become eligible to receive a pension.

In addition, persons who have retired without a pension because they have not paid sufficient social security contributions will be entitled to an annual bonus of €100, if they have paid social security contributions for one to five years and an annual bonus of €200 if they have paid social security contributions for a period in excess of five years. Persons who are aged between 62 and 74 will be eligible to receive this annual bonus.

Disabled persons

Disabled persons in the labour market

This Budget has introduced fiscal incentives for employers employing disabled persons. More specifically, an employer who employs a disabled person will be exempt from paying social security contributions for such employee and can also be eligible to a tax deduction in respect of the disabled person's wage, up to a maximum of €4,500 for each disabled employee.

Fiscal incentives for trusts and foundations set up to help disabled persons

Incentives for trusts and foundations will be introduced with the aim of helping disabled persons and shall include an exemption from tax on capital gains and the elimination of stamp duty on transfers of residential property to a trust or foundation established for such purpose.

Incentives for trusts and foundations will be introduced with the aim of helping disabled persons

Income tax measures

Reduction in personal income tax rates

The plan to reduce overall income tax levels is being continued through a reduction of the 29% tax bracket to 25% in 2015, thereby increasing the 25% tax bracket up to €60,000 annual income. This change should not impact taxation on dividend income by individuals.

2015 Rates	Single Computation (€)	Joint Computation (€)	Parental Computation (€)
0%	0 - 8,500	0 - 11,900	0 - 9,800
15%	8,501 - 14,500	11,901 - 21,200	9,801 - 15,800
25%	14,501 - 19,500	21,201 - 28,700	15,801 - 21,200
25%*	19,501 - 60,000	28,701 - 60,000	21,201 - 60,000
35%	60,000 +	60,000 +	60,000 +

*Reduced from 29% with effect from 2015

Taxation on immovable property transfers

The current tax regime applicable to transfers of immovable property situated in Malta is a combination of the 12% final withholding tax regime introduced in 2006 which is a final tax levied on the property transfer value, and in certain instances, an income tax of 35% (or progressive rates in the case of individuals) being charged on the gain derived from the property transfer.

As a measure to reduce bureaucracy, ensure consistency and enhance tax revenues, the current system will be overhauled such that the following final withholding tax system will apply with effect from 1 January 2015.

The general rule is that transfers of immovable property will be subject to an 8% final withholding tax, to be levied on the transfer value, subject to the following exceptions:

1. Transfers of immovable property acquired prior to 2004 will be subject to a 10% final withholding tax; and
2. Transfers of immovable property, made by individuals who are non-property traders within five years from the date of acquisition of such property will be subject to a 5% final withholding tax.



The general rule is that transfers of immovable property will be subject to an 8% final withholding tax, to be levied on the transfer value

Malta Budget 2015

Summary

Transfers of property made on or after 1 January 2015 would be taxed under the current tax system in cases where the 'konvenju' (promise of sale) for the said property transfer has been registered with the Commissioner for Revenue by 17 November 2014, being the date of the Budget Speech.

Certain tax exemptions available under the current tax system should also remain available under the new property tax system. These include exemptions on transfers of one's main residence, intra-group property transfers, and transfers made between spouses consequent to a separation or divorce.

Choice of main residence for tax purposes

With the aim of curbing abuse and simplifying the tax system within the context of property transfers exempt under the main residence tax exemption, a system will be introduced where individuals would be required to elect and state their main residence according to transparent rules and conditions.

Preferential tax rate extended to waterpolo players

Following the measure relating to football players announced in the Budget for 2014, waterpolo players shall also be taxed at the preferential rate of 7.5% on their income derived from the sport.

Duty on documents

Insurance contracts

Stamp duty on insurance policies will be increased from €0.10 to €0.11 for every euro or part thereof of the agreed yearly premium, with a minimum duty charge of €13 (from the current minimum of €11.65).

Stamp duty on life insurance policies will remain unchanged.

Extension of the stamp duty exemption on first time property buyers

In order to incentivise first time buyers, the law was amended to provide that during 2014, no duty is payable on the first €150,000 of the value of an immovable property (representing a duty saving of up to €5,250) purchased for residential purposes by persons who never owned any immovable property, directly or indirectly, prior to 1 January 2014.

This measure will now be extended to 30 June 2015.

Duty exemption on property division between co-owners

A duty exemption will be introduced for divisions of immovable property where the owner acquires a divided share which has the same value as that of the undivided portion. This measure would permit property divisions without excessive taxes.

Exemption on property transfers between co-owners

A tax and duty exemption will be introduced for transfers between two individual co-owners where the property has been acquired for the purpose of establishing therein or constructing thereon their sole ordinary residence.

Other fiscal incentives

Benefits for those who provide employment and offer training to their employees

Through the re-launch of the European Social Fund, employers will be able to access the Fund when they employ disadvantaged persons or provide training for their employees.



Incentive for cruise liners' overnight stays

Cruise liners remaining in Malta overnight may, after obtaining approval from the Lotteries and Gaming Authority and upon the payment of a fee, open their casinos to registered passengers. In addition, and in order to promote Gozo, cruise liners which choose to visit Malta and Gozo will be exempted from paying the fee.

Reduction in utility rates for industry

As from March 2015, utility rates for industry will be reduced by 25% in the case of electricity and 5% in the case of water.

Incentives for the film industry

A set of incentives will be introduced in connection with specialised courses for the local film industry. Further incentives will also be introduced in relation to the investment in infrastructure for films.



A set of incentives will be introduced in connection with specialised courses for the local film industry

Seed investment programme

As a measure to assist start-ups, tax incentives will be introduced in the form of tax credits for investors, equivalent to the level of share capital invested in a company, up to a maximum of €250,000 per annum.

Venture Capital Funds

In terms of the Venture Capital Fund (Tax Credit) Regulations (a Legal Notice issued under the Income Tax Act) tax credits are currently available with respect to qualifying investments in Designated Venture Capital Funds.

As a measure to further promote investments in this field, this Legal Notice will be revised for the better implementation thereof, and for such incentives to be available to a wider range of Venture Capital Funds operators.

United Nations Pension Programme

The Government will launch a United Nations Pension Programme designed to attract foreign pensioners retiring from international organisations to reside in Malta.

Malta Budget 2015

Summary

Value Added Tax

Reduced VAT rate on e-books



The VAT rate on books will be reduced from 18% to 5%

The VAT rate on books disseminated through electronic means such as audio books or published on CDs, DVDs, SD-Cards or USB drives will be reduced from 18% to 5% to bring them in line with the VAT rate that applies to books published in paper format.

VAT registration

As from 1 January 2011, a person whose turnover from his economic activity did not exceed €7,000 was no longer obliged to register or remain registered for VAT. In an effort to curb tax evasion, this measure will be repealed and as from next year, every person who carries on an economic activity has to be registered with the VAT Department irrespective of the level of turnover.

As from next year, every person who carries on an economic activity has to be registered with the VAT Department irrespective of the level of turnover

Eco-contribution

Waste Electrical and Electronic Equipment ("WEEE")

The eco-contribution payable on electrical and electronic equipment, such as refrigerators, television sets, monitors and similar equipment shall be removed with effect from 1 September 2015. Operators in this sector will be required to join a waste recycling scheme by 30 June 2015 or else provide a plan on how they intend to abide by the WEEE Directive.



The eco-contribution payable on electrical and electronic equipment, such as refrigerators, television sets, monitors and similar equipment shall be removed with effect from 1 September 2015

Transport

Ex-gratia payment on registration tax

During 2015, those persons who registered a vehicle for personal use between 1 May and 31 December 2004 will receive a refund of the tax paid on vehicle registration.

Elimination of registration tax on vintage motorcycles

With effect from 1 January 2015, registration tax on motorcycles classified as vintage and having a cylinder capacity of 250cc or less will be eliminated.

Reduction in registration tax on quad bikes

The registration tax on ATVs or quad bikes will be reduced by almost 50%.



Incentive for parents to use school or scheduled transport

Parents of children who attend private schools and make use of school or scheduled transport will be eligible for a tax credit on part of their transport charges, up to a maximum of €150.

Mechanised bicycles

A sum equivalent to 15.25% of the cost of mechanised bicycles shall be granted during 2015.

Government grants on purchase of environmentally-friendly vehicles

The scheme for scrapping old and polluting vehicles will continue to apply with effect from 1 December 2014. The scheme relating to Autogas will be renewed and shall be extended to cover commercial vehicles.

Other

Excise tax

Measures have been announced for the upward revision of the rate of excise tax on cigarettes and tobacco, fuel, cement and mobile telephony. An excise tax is being introduced on wine and feeds used in fish farms.

Eco-contribution on tyres, ammunition and petroleum oils will be replaced with an excise tax.

Licences

As a measure to promote the use of environmentally friendly cars, licences on certain cars will be marginally increased with effect from 1 January 2015. Cars registered on or after 1 January 2009 with CO2 emission rates not exceeding 100g/km will not be affected.

Annual licences on swimming pools will also be subject to a 15% increase, up to €4.60/m³ in the case of domestic pools, and €6.90/m³ in the case of commercial pools.

Implementation of the Family Business Act

The introduction of the Family Business Act will facilitate and incentivise the transfer of qualifying family businesses between members of the same family,

The introduction of the Family Business Act will facilitate and incentivise the transfer of qualifying family businesses between members of the same family, as well as entitle qualifying family businesses to benefit from the application of a set of incentives linked to the Act which are yet to be launched.



Arbitration Act

The Arbitration Act will be amended so as to introduce procedures and rules which allow international arbitration that will be separate and distinct from domestic arbitration, while offering a unique alternative to the rules of the Model Law for International Commercial Arbitration.

Malta Budget 2015 Summary

Gaming Malta

The Gaming Academy shall be established in order to resolve the lack of appropriately skilled employees within the industry

The Lotteries and Gaming Authority will be converted into the Malta Gaming Authority. In addition to the repositioning of the Authority in the gaming industry, the Gaming Academy shall be established in order to resolve the lack of appropriately skilled employees within the industry. Furthermore, the Malta Remote Gaming Council together with the Chamber of Commerce, the Chamber of Advocates and the Malta Institute of Accountants will create Gaming Malta in order to promote Malta as a primary jurisdiction where the gaming industry is concerned.



"Sukuk" and Islamic banking

Necessary legislative changes will be made during the coming year to attract and facilitate financial institutions involved in Islamic banking to start operating in Malta.

Trade Malta

Projects Malta, together with Malta Enterprise and the Ministry for the Economy, will set up Trade Malta Ltd with a view to enabling Maltese enterprises to better exploit international markets.

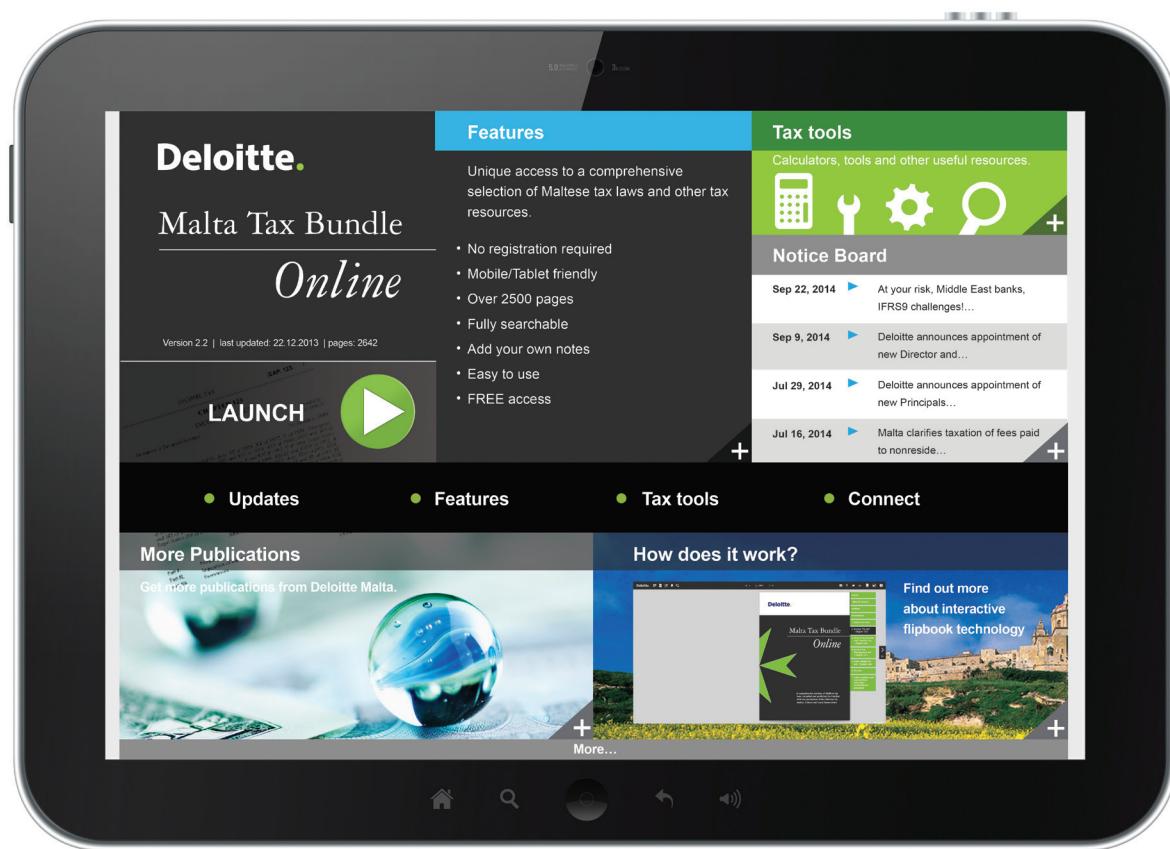
Conventions Malta

A foundation will be set up to promote and encourage foreign conventions and congresses to be held in Malta.

Scheme for shops in Valletta

A scheme will be launched through which owners of retail outlets in Valletta may apply for the title of ground rent instead of a lease.

The Deloitte Malta Tax Bundle Online



A unique online resource delivering a comprehensive selection of Maltese tax laws

-  FREE access
-  Over 2,500 pages
-  Fully searchable
-  Add your own notes
-  Easy to use
-  Mobile/Tablet friendly

taxbundle.deloittemt.com



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/mt/about for a more detailed description of DTTL and its member firms.

Deloitte Malta refers to a civil partnership, constituted between limited liability companies, and its affiliated operating entities; Deloitte Services Limited, Deloitte Legal, Deloitte Technology Solutions Limited and Deloitte Audit Limited. The latter is authorised to provide audit services in Malta in terms of the Accountancy Profession Act. A list of the corporate partners, as well as the principals authorised to sign reports on behalf of the firm, is available at www.deloitte.com/mt/about.

© 2014. For information, contact Deloitte Malta.

Deloitte.

Contacts

Marc Alden

malden@deloitte.com.mt
+356 2343 2712

Chris Curni

ccurmi@deloitte.com.mt
+356 2343 2708

Malcolm Booker

mbooker@deloitte.com.mt
+356 2343 2000

Mark Grech

mgrech@deloitte.com.mt
+356 2343 2704

Nick Captur

ncaptur@deloitte.com.mt
+356 2343 2714

Andrew Manduca

amanduca@deloitte.com.mt
+356 2343 2706

Conrad Cassar Torregiani

ctorregiani@deloitte.com.mt
+356 2343 2716

Craig Schembri

craigschembri@deloitte.com.mt
+356 2343 2751

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/mt/about for a more detailed description of DTTL and its member firms.

Deloitte Malta refers to a civil partnership, constituted between limited liability companies, and its affiliated operating entities; Deloitte Services Limited, Deloitte Legal, Deloitte Technology Solutions Limited and Deloitte Audit Limited. The latter is authorised to provide audit services in Malta in terms of the Accountancy Profession Act. A list of the corporate partners, as well as the principals authorised to sign reports on behalf of the firm, is available at www.deloitte.com/mt/about.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

This document is an unofficial translation of a publication prepared by Deloitte Malta in English. We apologise for any errors and/or omissions arising as a result of the translation. We strongly recommend that appropriate advice is procured before any action is taken on the basis of anything stated herein.