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Budget highlights

MALTA BUDGET 2022





Economic overview

After a very challenging 18 months, the outlook for 2022 remains conditioned by the unavoidable COVID-19 induced challenges and uncertainty.

Although the Government is predicting that the economy as a whole will grow by 6.5% in FY2022 and return and recover to FY2019 levels, it is accepted that the recovery of the tourism sector and other sectors which are directly or indirectly dependent on tourism will take longer and that these impacted sectors will continue to perform below FY2019 levels. The tourism sector's prospects remain highly dependent on the

general apprehension levels of prospective tourists to catch an international flight and will continue to require Government's support and recovery incentives.

In FY2022, Government consumption levels are expected to return to FY2019 levels, whilst private consumption is expected to gain momentum and grow by 4% over FY2021 levels.

Significant growth in exports and domestic investment is expected on the back of incentives aimed at stimulating the manufacturing and tourism sectors.

Inflation is expected to hit 1.7% as a result of higher international energy prices, increased logistics costs and food prices.

The deficit as a result of the COVID-19 pandemic is expected to push Government debt in 2022 to 62% of GDP and will unavoidably pose an economic challenge for a number of years ahead.



Social measures

- Pensioners shall benefit from a weekly increase of €5 with effect from 2022. This increase represents a €1.75 cost of living adjustment increase and an additional increase of €3.25.
- Medicines and treatments available for free shall increase to include, amongst others, oncology treatment, psychiatric medicine and medicine for osteoporosis.
- The annual allowance for children with a disability shall increase to €1,560.
- The bonus granted for the birth or adoption of a child shall increase to €400.
- Free childcare service shall be extended for those working during weekends and on a shift basis.
- The Government shall enter into discussions with the MCESD with respect to the implementation of the EU Directive on Parental Leave and Work-life balance.



Sustainability measures

- A new strategy shall be introduced to increase green spaces in urban areas as well as provide aid to Maltese companies investing in sustainable environment projects.
- Local councils shall receive funding to implement sustainable development projects.
- The Energy and Water Agency shall launch two new projects in public spaces to exhibit the use of renewable energy battery storage systems.
- The SME Tailored Facility managed by the Malta Development Bank shall be extended to include lending facilities for sustainable and environmental projects undertaken by the private sector.
- Malta will introduce legislation to strengthen enterprises that strive for social inclusion, sustainability and environmental protection.



Transport measures

- With effect from 1 October 2022, Malta resident individuals shall benefit from free public transport.
- The financial incentive relating to the purchase of electric or plug-in hybrid vehicles shall increase to €11,000 (€12,000 if the scrappage scheme is also availed of).
- The financial incentive relating to the scrappage of polluting vehicles shall increase to €2,000.
- The existing measures relating to the purchase of less polluting vehicles, including an exemption from registration tax and annual licenses for a 5-year period shall be extended for another year.
- The existing grant of up to €400 currently provided for the purchase of motorcycles, scooters and electric bikes shall be extended for another year. Similarly, the VAT grant scheme on the purchase of bicycles, pedelecs and motorised bicycles shall also be extended. The grants currently available for conversion of vehicle combustion from petrol to gas, and those in relation to taxi or hire vehicles which are accessible to wheelchairs, shall also be extended.



Fiscal measures

- With effect from 1 June 2022, the annual rate of interest imposed on income tax and VAT balances shall increase to 7.2%.
- Tax refunds granted over the past years to individuals earning less than €60,000 shall also be granted in 2022. These refunds range between €60 and €140, depending on the level of income.
- Part-time employees will have the opportunity to pay social security on more than one part-time job, up to a maximum of 40 hours of work per week.
- During 2022, the first €10,000 of income from overtime received by employees earning not more than €20,000 and who are not employed in a managerial position shall be taxed at the rate of 15%.
- The tax rate on qualifying part-time income shall be reduced from 15% to 10%.
- In an effort to help groups recover from the ramifications of the COVID-19 pandemic, qualifying companies that incurred losses during FY2020 and FY2021 may surrender any unabsorbed capital allowances to qualifying profitable group companies during FY2021.
- Malta Enterprise shall also launch a scheme whereby companies will benefit from tax benefits calculated by reference to any re-invested profits.
- The reduced stamp duty rate of 1.5% currently in place for qualifying business transfers effected by parents to their children shall be extended for qualifying donations.
- With effect from FY2022, individuals working in the art, culture and entertainment sectors shall benefit from a income tax rate of 7.5%. The tax due by the said individuals shall be calculated on a 3-year average period.

Property measures

- Tax and stamp duty on transfers and acquisitions of property that was previously being rented to tenants eligible for any schemes administered by the Housing Authority shall be reduced by half on the first €200,000 of the value of the property. No tax and stamp duty shall be levied in the case of a transfer of the said property to the previous tenants.
- No tax and stamp duty shall be levied on the first €750,000 of the property transfer value in the case of properties which were built at least 20 years prior to the date of transfer and which have been vacant for more than 7 years, properties located in an urban conservation area and, newly built properties having a typical and traditional Maltese style and architecture.
- Persons purchasing certain specified types of property, such as property situated in an urban conservation area may be eligible to benefit from a grant of up to €54,000 (equivalent to the VAT element) on the first €300,000 of restoration costs.
- The 'Equity Sharing Plus' scheme shall be extended to persons over 30 years old and shall provide security for up to 50% of the value of the property.



Governance measures

- A plan has been put in place to address the FATF's action plan and shall serve as guidance to the authorities for the purpose of implementing the FATF's recommendations.
- The office of the Attorney General will be taking on additional functions in the prosecution of criminal offences with the intention of setting up a specialised prosecution service and for the police to be able to focus more on the investigation of offences.
- An online application system is in the process of being developed to enable eligible prospective clients to apply online for legal aid.
- Discussions are underway for Malta to hold a temporary seat on the United Nations Security Council for two years throughout 2023 and 2024.



Other measures

- Malta shall launch a new 'Start-up Visa' which will offer start-ups a flexible method to move their location to Malta.
- Malta Enterprise shall set up the Blue Med Hub with experts to attract local and foreign start-ups and SMEs.
- Students in Malta shall receive a 10% increase in their stipends and students shall remain eligible for stipends even in cases where they work for up to 25 hours per week.
- New measures to promote the arts industry include a new €1 million fund to create a guarantee scheme for independent artists' activities and a €2 million scheme to provide aid for cases where seats are not sold due to COVID-19 restrictions.
- Malta will be hosting the Games of the Small States of Europe and the Government will be providing €7 million in assistance to sports associations and the Maltese Olympic Committee.

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