



Many paths.  
One destination.  
Malta Budget 2023

**Budget highlights**

# Economic overview

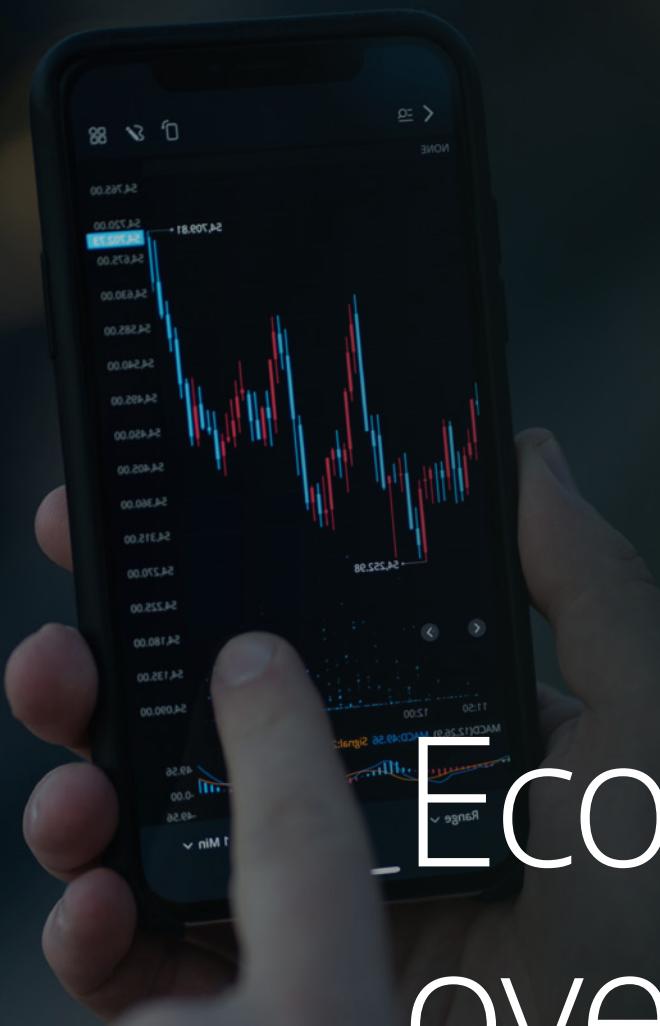
2023 is set to be an extremely challenging year. COVID-19, supply chain disruptions and increases in energy, fuel and other commodity costs have wrought havoc on the economy. The situation will be exacerbated by the ongoing conflict in Ukraine, resulting in a very fluid outlook for 2023.

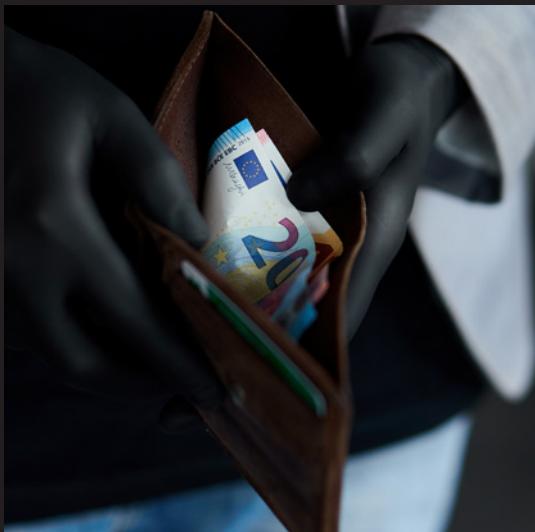
Government forecasts that the economy will grow by 6% in real terms in 2022, driven mainly by domestic demand. Exports will also contribute positively owing to the tourism sector's strong recovery witnessed in the past few months.

Employment growth is also expected to remain buoyant with a 4% increase and unemployment rates remaining among the lowest in the EU at 3.1%.

Inflation is expected to hit 5.7% this year, with heightened inflationary pressures expected in 2023. The ongoing geopolitical conflict in Ukraine, the resulting increases in international energy and food prices and disruptions in logistics, will further aggravate such inflationary pressures.

A 5.5% Government deficit is forecast for 2023, a slight decline from the 5.8% deficit initially forecast for the end of 2022. The sustained deficit is anticipated to push the debt-to-GDP ratio to 60% in 2023, an increase of almost 3% over 2022's estimate. This will inevitably have an impact on Government finances - both in the short and medium term - and ultimately limit the tools available to Government to intervene in the economy.





## Cost of living adjustment

- The cost of living adjustment for 2023 shall amount to €9.90 per week for all employees, pensioners and those receiving social benefits. Student stipends shall increase pro rata.
- Pensioners shall also benefit from an additional weekly increase of €2.60 in their cost of living adjustment.
- Government will also introduce an additional cost of living adjustment for vulnerable persons, which includes persons in receipt of social benefits and those earning less than the median equivalised income.



## Sustainability measures

- Investment of €60 million in sustainable urban development initiatives in Gozo.
- Businesses operating from Gozo, as well as start ups, shall benefit from tax credits. The value of the tax credit increases where such businesses invest in projects that reduce their carbon footprint.
- Environmental, social, and governance (ESG) guidelines will be developed by Malta Enterprise in order to assist companies in meeting their ESG obligations.
- Government aims to roll-out schemes incentivising the installation of solar panels, batteries for the storage of renewable energy, water heaters, and restoration of wells in old dwellings.
- Grant scheme under the Recovery and Resilience Plan to be extended to climate-friendly renovations made to commercial buildings.
- Establishment of a new agency tasked with the allocation of €700 million of investment over a period of 7 years for environmental projects including public gardens, parks and open spaces.
- Government commits to further investment in waste and water management.



## Fiscal measures

- Qualifying employees, who work atypical hours and who earn a basic annual salary of less than €20,000, shall continue to benefit from an annual in work benefit of €150.
- Individuals earning an annual salary of less than €60,000 will continue to benefit from tax refunds in 2023, ranging between €60 and €140, in line with applicable income thresholds.
- €650 increase over and above the 2022 threshold of exempt annual pension income.
- Gradual exemption of certain qualifying pension income over a 5 year period, with 20% of pension income being exempt in 2022, 40% in 2023 and so on and so forth, with such income becoming fully exempt by 2027.
- Annual tax rebate for children attending sports, cultural, and artistic activities to be increased from €100 to €300.
- €90 increase in the children's annual allowance as from 2023, with further increases expected over the next 5 years.
- Parents of children with disabilities shall receive a tax credit of €200.
- Reduction in the tax rate for royalty income derived by authors and co-authors from 15% to 7.5%.
- Unutilised capital allowances incurred by qualifying group companies in FY2020 and FY2021 may continue to be surrendered within the group in FY2022.
- Extension of the current reduced stamp duty rate of 1.5% applicable to qualifying inter-generational donations of qualifying businesses.
- Extension of VAT scheme applicable to the restoration of qualifying properties.
- Extension of other schemes, such as:
  - Grants upon purchase of electric vehicles and electric motorcycles;
  - Grants to incentivise the purchase of mopeds, pedelecs and motorised bicycles;
  - Grants for small petrol motorcycles; and
  - Grants for the conversion of petrol vehicles to gas.
- Plug in hybrid vehicles will remain exempt from registration tax. A further exemption from the annual circulation tax shall apply for 5 years from the date of registration.



## Transport measures

- Investment in road infrastructure to meet increasing demand and strengthen economic competitiveness.
- Investment in maritime infrastructure, among other schemes, with the intention to reduce emissions from large ships.
- Government commitment to install over 1,500 charging stations by 2024.
- Provision of interest free financing to businesses to incentivise investment in electric vehicles and new charging stations.



## Property measures

- First time buyers acquiring property at a value not exceeding €500,000 on or after 1 January 2022 stand to benefit from a grant of €10,000 receivable over a period of 10 years.
- Capping on the value of property eligible for benefits in terms of the Deposit Payment Scheme shall be increased by €50,000 to €225,000. Individuals eligible for home loans will benefit from assistance in deposit financing (up to 10% of principal value).
- The current reduced rates for first-time buyers, second-time buyers and acquisitions of property in Gozo shall be extended by another year.



## Other measures

- Launch of 'Start in Malta' brand, a one-stop shop offering assistance to start-ups.
- New Business Incubation Centre for innovative start-ups.
- Cash grants for SMEs under Business Enhance Schemes.
- Establishment of a Venture Capital Fund.
- Extension of Microinvest Scheme to Social Enterprises.
- Partnering with the Gozo Tourism Association to attract tourism in Gozo.

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