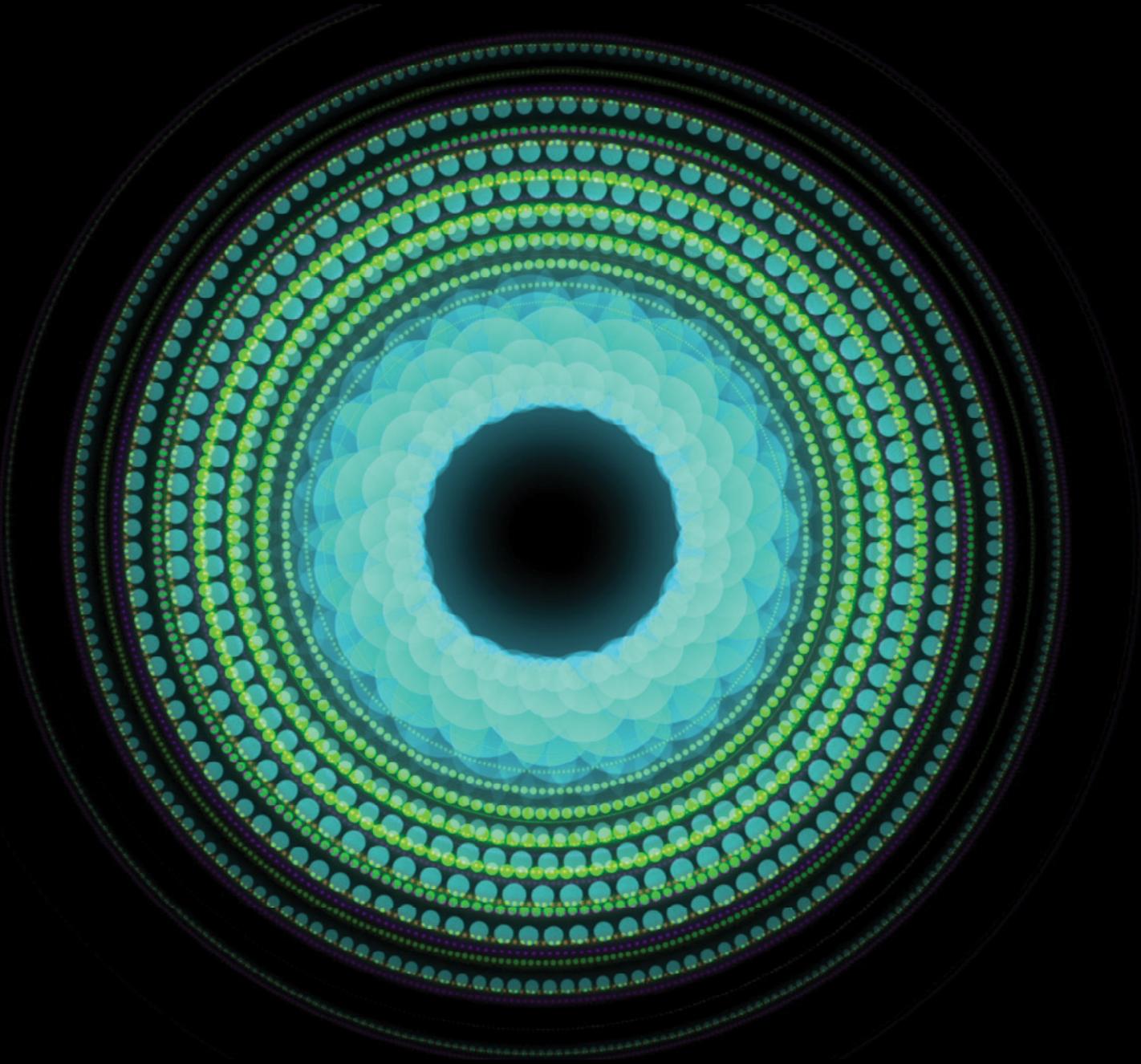




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Malta Budget 2024

Budget highlights





Economic overview

Conservative forecasts for 2023's global economic performance proved to be well-founded. During this period, the International Monetary Fund estimated that global economic growth slowed from 3.5% (in 2022) to 3.0% (in 2023). Growth was hampered by persistently high rates of inflation, which affected both consumer behaviour and corporate investment. The protracted armed conflict in Ukraine, coupled with escalating tensions in the Middle East are expected to place further strain on global economic performance in 2024.

Government forecasts that the Maltese economy will grow by 4.2% in real terms in 2024, driven primarily by domestic demand. Net exports are expected to contribute only marginally, largely due to deteriorating external conditions. The rate of inflation is expected to decline from 5.7% (in 2022) to 3.7% (in 2023).

The Maltese labour market has been experiencing a prolonged period of near-full employment. In 2024 the unemployment rate is expected to remain steady at 2.7%.

A 4.5% Government deficit is forecast for 2024, a slight decline from the 5.0% that is expected to be registered for 2023. The sustained deficit is expected to push the national debt ratio up to 55.3%. Government is committed to maintaining a debt-to-GDP ratio below 60%.

Cost of Living Adjustment (COLA) and increase in minimum wage

- The Cost of Living Adjustment for 2024 shall amount to €12.81 per week. Student stipends shall increase pro rata.
- An additional 95,000 eligible families are expected to benefit from an additional Cost of Living Adjustment, resulting in an incremental outlay of €26 million, to be delivered in two tranches.
- Pensioners shall also benefit from an additional weekly increase in their Cost of Living Adjustment (the amount to be derived varies between certain categories of pensioners).
- With effect from January 2024, the minimum wage is to be increased from €192.73 per week to €213.54 per week.
- The increase in the minimum wage is expected to range from €12 per week to €18 per week up to 2027 (this is over and above the Cost of Living Adjustment).





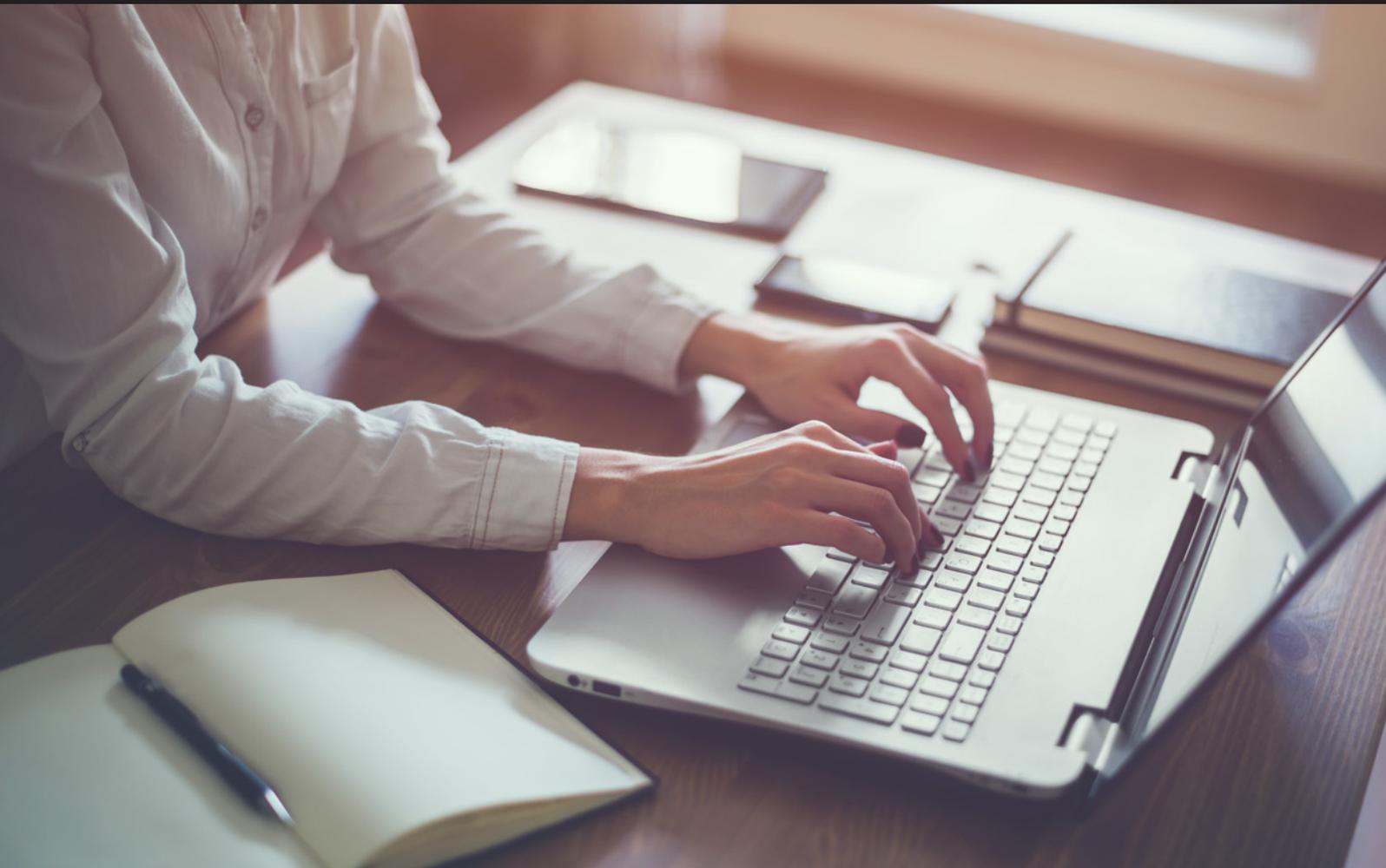
Selected sustainability measures

- A Climate Action Authority will be set up with the aim of spearheading Malta's commitment to reach climate neutrality by 2050.
- Government will focus on an energy policy that increases generation capacity, whilst continuing to strengthen and add new distribution infrastructure. It is expected that significant importance is to be placed on the diversification of renewable energy. Furthermore, during 2024, Government will issue a call for the allocation of large renewable energy installations that are greater than 1MWp.
- Government plans to initiate work on a strategy to introduce the use of hydrogen locally.
- Government plans to launch a consultation for the development of fiscal incentives for companies and investors to make sustainable investments.

Selected fiscal measures

Measures concerning immovable property transfers

- The grant (of up to €10,000) for eligible first-time buyers of immovable property is to be extended.
- No tax and duty shall be payable on the first €200,000 of the consideration paid on the transfer of immovable property to individuals that benefit from schemes administered by the Housing Authority.
- Reduced rates of duty for property acquisition:
 - The current reduced rates for first-time buyers and second-time buyers are to be extended by a further year.
 - The current reduced rate for acquisitions of residential property in Gozo shall only be applicable for promise of sale agreements executed before 31 December 2023.
 - As announced in previous years, no tax or duty shall be levied on the first €750,000 of consideration for residential properties situated in an urban conservation area or where such properties have been vacant for at least 7 years. Additionally, first-time buyers of eligible properties are to benefit from a one-time grant of €15,000 where the acquired property is situated in Malta, which increases to €40,000 where the property is situated in Gozo.





Personal tax measures

- Benefits granted over the past years to individuals earning less than €60,000 are to be renewed in 2024.
- Income tax for pensioners:
 - The amount of exempt annual pension income is to be increased to cover any increases to pensions announced in the Budget.
 - Additionally, any pension received by a widower/widow younger than 61 years of age, shall not constitute taxable income.
- An increase (from 40% to 60%) in the tax-free amount of pension income.
- The current applicable reduced tax rate of 7.5% for players, licenced coaches and athletes is to be extended to other individuals employed in relation to sports activities.
- The Highly Qualified Persons Rules are to be consolidated and updated.

VAT measures

- The current Grant on First Residence scheme that compensates first-time property owners for the cost of construction/completion/rehabilitation works, is to be modified to align the grant applicable for single persons to that currently available for couples.

Other fiscal measures

- Entities making donations to registered voluntary organisations operating for the benefit of social or environmental causes, or for the benefit of animals, are to benefit from a tax credit of up to €500.
- Extension of the current reduced stamp duty rate of 1.5% applicable to qualifying inter-generational donations of qualifying businesses. Additionally, qualifying family businesses are to benefit from higher tax credits on qualifying investments in their business.
- Alignment of the obligations of certain companies under the Companies Act and the Merchant Shipping Act as well as, the removal of the obligation on certain companies to prepare audited financial statements for tax purposes where this requirement does not emanate from either of the Acts referred to herein.

International tax measures

Global Minimum Taxation

- Malta will not introduce an Income Inclusion Rule (IIR), an Undertaxed Profits Rule (UTPR), or a Qualified Domestic Minimum Top-Up Tax (QDMTT) in 2024.
- No change is currently envisaged to Malta's full imputation system of taxation.
- Government has committed to develop tax incentives in the form of grants or Qualified Refundable Tax Credits (QRTCs) that are compliant with the global minimum tax framework.

Other international tax measures

- Government aims to launch a consultation concerning tax incentives that are tailored to Real Estate Investment Trusts (REITs).
- Government is to explore the introduction of an *ad hoc* tax depreciation framework and initiatives to attract banks and financiers in support of the aircraft leasing sector.
- The Malta Financial Services Authority (MFSA) is in the process of implementing regulatory changes, including those relating to Notified Professional Funds and Limited Partnerships.



Grants and incentives

- The Seed Investment Scheme, the Startup Finance Scheme, the Skills Development Scheme, the Rent Subsidy Scheme, the Innovate Scheme, the Smart and Sustainable Scheme as well as the Investment Aid for Energy Efficient Projects Scheme are all expected to be extended in 2024.
- The ESG Reporting Grant Scheme for SMEs is to be extended to 2024.
- Free energy audits for SMEs will also be continued in 2024.
- Existing EU funding schemes will remain available to support businesses.
- With a view to decarbonising the transport sector, the following schemes are to be extended to 2024:
 - Grant upon purchase of electric vehicles and electric motorcycles;
 - Grant upon purchase of pedelecs and motorised bicycles;
 - Grant for the conversion of petrol vehicles to gas;
 - Grant for wheelchair accessible vehicles used for the transport of passengers (such as taxis).
- A new scheme will be introduced to incentivise the purchase of personal e-kick scooters.
- Electric vehicles, as well as plug-in hybrid vehicles, with an electric range of not less than 50km will remain exempt from the payment of registration tax in 2024, as well as from the annual circulation tax for five years from the date of registration.





Industry and regulatory updates

- Government has committed to focusing on the implementation of the national e-sports strategy and shall also continue strengthening the quality of education and training for the development of digital games.
- The Malta Gaming Authority shall focus on strengthening the regulatory framework to ensure that it remains relevant to meet the challenges of the gaming industry.
- During 2024, Government aims to design Malta's vision for the maritime industry for the next 20 years as well as implement a new aviation policy together with the Air Navigation Act.
- Government has committed to build on the regulatory framework under the Family Business Act, which is expected to be updated to better serve the needs of family businesses without overburdening them with excessive fiscal and regulatory requirements. In addition, Family Charters regulating family businesses are expected to be regulated and recognised, whilst also supporting family businesses through tax incentives, as they internationalise, innovate and digitalise. Proposed changes to the wealth management regulatory framework are expected to also serve to attract new family offices to Malta.



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