



## THE 2018 BUDGET UPDATE

# TABLE OF CONTENTS



## TABLE OF CONTENTS

### GENERAL OVERVIEW

#### THE ECONOMY

#### INCOME TAX MEASURES

#### VAT

#### EXCISE DUTY

#### PENSIONS AND THE ELDERLY

#### PROPERTY RELATED

#### EDUCATION

#### ENERGY

#### TRAFFIC

#### GOZO

#### HEALTH

#### SOCIAL MEASURES

#### COMPETITIVENESS

#### OTHER MEASURES

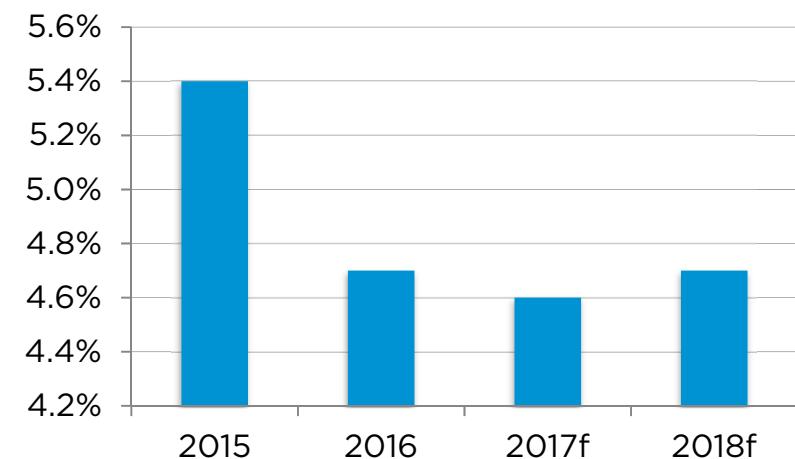
# General Overview

In his introduction to the 2018 Malta Budget Speech, the Minister of Finance, Prof. Edward Scicluna, expressed his satisfaction towards the country's movement out of a deficit of approximately €300 million in 2012 to a surplus of €100 million in 2016. He is confident that in 2017 another surplus will be reached, this is based on the results achieved during the first 8 months of the year.

The Minister spoke about the ongoing decrease in unemployment as well as the increase of women returning to work and the decrease in the number of people relying on social services.

The Minister stated that over the past four years the country's economy has continued to flourish. This government will be focusing on the long-term and looking into ways how to progress further as a country as well as an economy.

## Unemployment



## TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

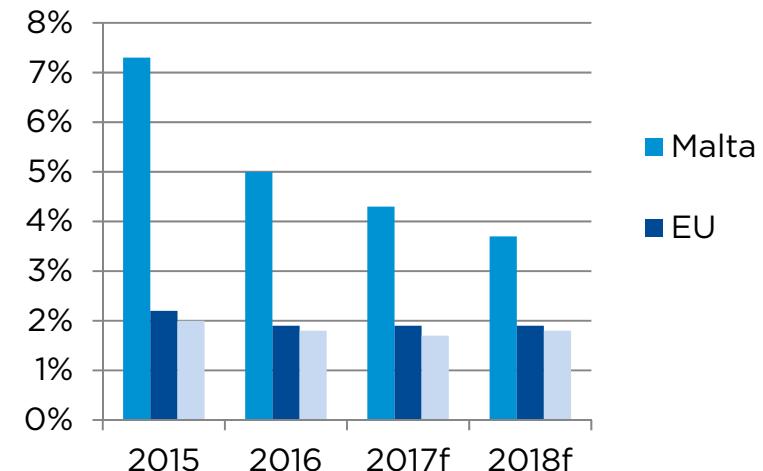
OTHER MEASURES

# The Economy

The Maltese Economy achieved a growth of 4.2% in real terms in the first quarter of 2017. This growth is expected to be maintained short-term whereby real GDP is forecasted to increase by 4.3 per cent by the end of 2017 and a further 3.7% in 2018.

The Surplus in 2018 will be of 0.5% however national debt will decrease to 50.8% of GDP. The average inflation rate for 2017 is expected to be increase by 1.5% and a further 1.5% for 2018. The cost of living (COLA) adjustment for next year will be €1.75 per week.

## Real GDP Growth



## TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

# Income Tax

A tax refund of between €40 and €68 annually will be paid to individuals with an income lower than €60,000 per annum.

Income Tax revenues are expected to increase to €3.6b by the end of 2017. Income Tax revenues are expected to continue to increase to €4.4b until 2020.

# VAT

The VAT threshold below which a taxable person does not need to charge VAT has been increased to €20,000, instead of €14,000.

The concept of VAT Grouping will be introduced for regulated sectors such as financial services and gaming – this will enable related entities to be registered as one taxable entity such that acquisitions between members of the group would fall outside the scope of VAT.



# Excise Duty

Adjustment in the excise duty applicable on steel rods and bars under the HS Code to bring it in line with similar products.



TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

# Pensions and the Elderly

The weekly adjustment to pensions will be of €2.

The minimum amount of pension income which will not be taxable will be increased to €13,200.

Service pensions will rise by €200 per year.

The €300 annual grant to individuals over the age of 75 who still reside in their home will continue to be paid.

Similar bonds to the Government Saving Bond 62+ applicable to individuals who are over 62 years of age will be issued once again next year.

New homes for disabled people will be opened during 2018.

Financial assistance up to a maximum of €25,000 will be granted for the restoration of properties which are to be used for Social Housing purposes.

Elderly people who move to residential homes will have their pension reduced by 20% less if they give up the home they would be renting from the government.



TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

## Property Related

The first time buyers scheme resulting in no duty due on the first €150,000 will be extended for another year.

A scheme for second time buyer scheme will be introduced resulting in a reduction up to €3,000. If the buyer is disabled the reduction will be up to €5,000.

The rate of duty for the purchase of properties in Gozo will remain at the rate of 2% instead of the default 5%.



## Education

Fees relating to SEC and MATSEC exams will be reduced as from 2018 and will be completely phased out during 2019.

Individuals under the age of 40 who continue their studies equivalent to a MQF7 and MQF8 will be exempt from income tax for a period of 2 years after they finish their studies.

The government will continue opening new schools during 2018 in Msida, Marsascala, Qawra and Rabat (Gozo).



TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

# Energy

The Government will be investing in a €150 million waste to energy plant.

Discussions will be held with the private sector to introduce a system for return of plastic and glass bottles – here customers will get a refund.

An organisation will be set up to take care of the environment. This will be called Ambjent Malta.

Works will continue on the implementation of the gas pipeline link between Malta and Italy which will in turn link Malta with the European Network.

Continuous investments will be made in the reverse osmosis plants and a new desalination plant will be built in Hondoq ir-Rummien.



TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

# Traffic

Tal-Linja card will be free of charge for all students aged between 16 and 20.

As from scholastic year 2018/2019, free transport will be provided to students attending private schools and church schools.

The Government will be extending the refund scheme on VAT paid on bicycles and pedelec bicycles by another year - the scheme will also be extended to companies which lease such bicycles.

A grant capped at €400 will be given to persons who purchase motorbikes, scooters and pedelec bicycles. In the case of pedelec bikes, the VAT exemption would still apply.

The VAT rate on the rental of bicycles will be reduced from 18% to 7%.

Grants to Local Councils and private companies placing bicycle racks in front of their buildings to encourage the use of bicycles will continue to be given for another year.

No vehicle registration tax will be payable on electric cars. Persons purchasing an electric car will also be exempt from paying a road licence for the first five years.

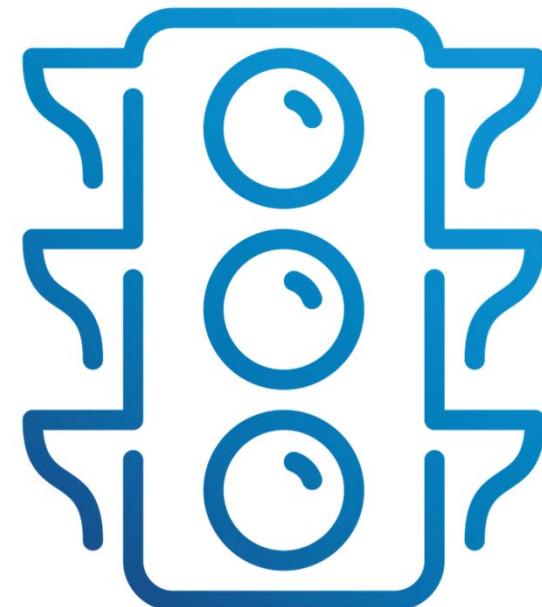


TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

## GOZO

Incentives for more private sector employment in Gozo. All private companies employing persons for 3 years or more will get a rebate of 30% of the employee's salary, up to a maximum of €6,000.

Funds will be allocated to assist Gozitan entrepreneurs operating in the tourism sector.

Festivals and cultural activities in Gozo will be promoted more.

A hub for research and ICT will be set up in Gozo.

For 2018, the planned projects include new facilities for farmers and fisherman, the reorganisation of the Yacht Marina, the restoration of Tal-Fanal tal-Gordan and the renovation of the promenade in Xlendi and Marsalforn.

In relation to transport and infrastructure, a second fibre optic cable will be installed between Malta and Gozo and roads are expected to be improved.



TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

# Health

A new National Cancer Research Foundation will be set up in the coming years. The government will also be investing in 2 regional health hubs in Paola and Kirkop.

A new outpatients block will be constructed at Mater Dei.

The governmental will also be giving importance to IVF treatment and will be catering the law to cater for such technological advances.

# Social Measures

A strategic programme will be created for the integration of migrants in 2018 and a strategy on the domestic violence against women will be approved.

The use of Cannabis for medical reasons, human trafficking and the possibility of extending the right to vote to 16-year olds in general elections are some of the other reforms the government will be working on.

An additional €100,000 will be invested in The Malta Council for Economic and Social Development.



TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

## Competitiveness and aids to enterprise

A working group has been set up to explore opportunities that may come about with Brexit.

The Government will be working on setting up Malta as a centre of excellence in Blockchain technology.

A new regulatory framework is to be introduced for the gaming sector.

Measures to continue to increase the numbers of tourists visiting Malta, especially those coming to Malta on cruise liners.

Incentives for the manufacturing sectors through schemes launched by Malta Enterprise especially in sectors such as disruptive technologies, data management, green projects, technological products and research on life sciences.

Assistance under the MicroInvest scheme will be increased from €30,000 to €50,000 for companies based in Malta and to €70,000 for companies based in Gozo – the scheme will be extended to companies whose shares are held by women and those that employ more than 50 full-time employees.

Investment will continue to be made in the pharmaceutical sector and reductions in the prices of medicine are expected for the benefit of consumers.

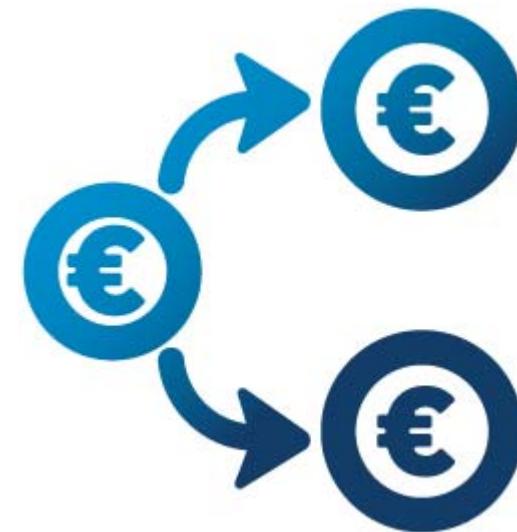


TABLE OF CONTENTS

GENERAL OVERVIEW

THE ECONOMY

INCOME TAX MEASURES

VAT

EXCISE DUTY

PENSIONS AND THE ELDERLY

PROPERTY RELATED

EDUCATION

ENERGY

TRAFFIC

GOZO

HEALTH

SOCIAL MEASURES

COMPETITIVENESS

OTHER MEASURES

## Other measures

An additional day of leave will be given to all employees, from 24 days to 25 days.

An ex-gratia payment will be given to those who had purchased a new car in 2007.

Increase in “In-work benefit” payable to families where only one of the parents is in employment to €450 per child. The benefit is increased to a maximum of €1,200 per child where both parents work.

Employees under the Community Worker Scheme will get an increase of €200 in their monthly salary.

A reimbursement of a maximum of €10,000 will be given to couples who adopt a child.

Extension of the Malta Individual Investor Programme to attract more investment into Malta.

This budget brief reflects high level announcements made in the Budget Speech on 9 October 2017, 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 budget brief.





**Nicky Gouder**  
Tax Partner

Nicky Gouder, tax partner of ARQ Group, completed his Association of Chartered and Certified Accountants (ACCA) course in 2010. Following that, he specialised in taxation and completed a Diploma in Taxation offered by the Malta Institute of Taxation in 2011 and read for the Advanced Diploma in International Taxation provided by the Malta Institute of Management. He also graduated in Business Management from the University of Malta in 2007.

He is one of the three founding partners of the Capstone Group which was set up in 2010, specialising in accountancy, tax, audit and advisory.

Nicky is specialised in International Taxation with a focus on domestic legislation and has significant experience in handling a wide portfolio of local and international clients operating in various industry sectors. He is also a lecturer of the Advanced Taxation Module for the Association of Chartered Certified Accountants course provided through the Malta Institute of Accountants and has participated in a number of tax conferences both on a domestic and international level.



**Luana Scicluna**  
Tax Manager

Luana Scicluna has joined the firm in the position of Tax Manager in April 2017, joining the Group's specialised Tax Team, ARQ in Tax. Luana brings considerable experience following an eight-year tenure, where she specialised in International Tax and also assisted clients on restructuring projects, given her extensive knowledge on Tax on Capital Gains. The role also exposed her to corporate restructuring and succession planning, tax compliance and calculations, as well as training and job mentoring.

An accountant by profession, concluding her Bachelor of Accountancy (Hons) at the University of Malta in 2009, Luana then furthered her studies in taxation through a Diploma in Taxation and an Advanced Diploma in International Taxation.

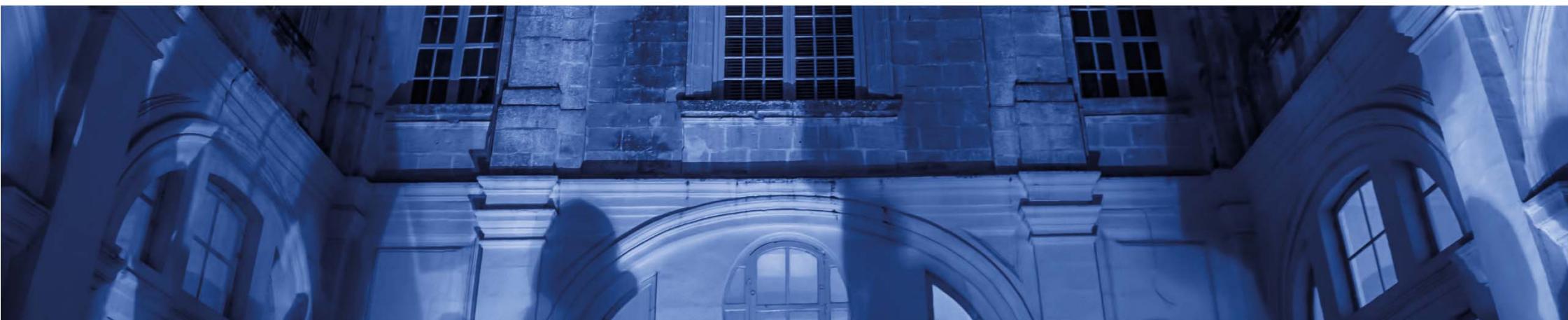


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