



# BUDGET 2019

The Government presented the following measures on 22<sup>nd</sup> October 2018:

## Cost of living adjustment

- ✚ The cost of living adjustment will be €2.33 per week. Minimum wage will now increase from €172.51 to €174.84.

## Income tax, VAT, tax credits, tax refunds and other allowances

- ✚ No change in income tax rates from previous year.
- ✚ No new taxes, tariffs or duties
- ✚ One-time tax refund payment, ranging from €40 to €68 to workers earning less than €60,000 shall be retained.
- ✚ NGOs with income below €10,000 to be exempt of all taxes.
- ✚ Extension of decrease in duty from 5% to 1.5% on transfer of family businesses.
- ✚ A reduced 5% VAT rate will be applicable to e-books and musical instruments.
- ✚ VAT refund on wedding expenses to increase by €250 to €2,000.
- ✚ Households will be given a VAT Refund on domestic Reverse Osmosis of up to €70. This is part of a strategy to reduce the use of plastics.
- ✚ A €300 increase in tax deduction shall be given to parents of students attending independent schools.
  - Kindergarten tax refund shall increase to €1,600 (from €1,300),
  - Primary school tax refund shall increase to €1,900 (from €1,600).
  - Secondary school tax refund shall increase to €2,600 (from €2,300).
- ✚ Vat refund not exceeding €400 shall be given on bicycles, electric bicycles, motorcycles and cycle racks.

- ✚ Individuals registered with the Commissioner for Revenue as single taxpayers, whose income consists of part-time income ranging between €9,100 and the minimum wage threshold, will not be subject to tax.

## Pensions and pension related news

- ✚ Increase in non-taxable pensions from €13,200 to €13,400.
- ✚ Pensioners shall receive an increase of €2.17 per week. The cost of living adjustment of €2.33 per week shall also be given to pensioners, resulting in a €4.50 increase per week.
- ✚ €300 grant for people over 75 years shall be retained.
- ✚ Voluntary Occupation Pension Scheme tax exemption shall increase to €2,000. Tax credit shall increase from 15% to 25%. Both employees and employer shall benefit from this exemption.
- ✚ Elderly people who did not accumulate enough social security contributions to benefit from a pension, will see their allowance increase from the current €150 to €200 and from €250 to €300, depending on their eligibility.
- ✚ New Government bonds for elderly investors shall be issued once again after 2018 issue was fully subscribed.
- ✚ Service pensions will increase by €200. The method in which service pensions are calculated will also change, leading to an increase of up to €11 per week for some.

## Immovable property and property related measures

- ✚ Extension of first-time buyers. First time buyers shall be exempt (up to €5,000) from stamp duty on first €150,000.
- ✚ Extension of second time buyers. Second time buyers will benefit from a reduction in duty up to €3,000. This applies to individuals who sell their first residential property to acquire another residential property.
- ✚ Extension of reduction of stamp duty from 5% to 2.50% on purchase of immovable property in UCA (Urban Conservation Areas).
- ✚ Extension of reduction of stamp duty from 5% to 2% on purchasing immovable property in Gozo.
- ✚ White paper proposal on rents include registration of rental contracts.
- ✚ Rent subsidies shall increase from €1,600 to €3,000 to single persons and up to € 5,000 for families with two children.
- ✚ Incentives will also be announced for landlords who rent out their properties on long lets below market price. They will receive a substantial discount on capital gains tax due when the property is eventually sold after the rent expires (7 years).

## Other measures

- ✚ Extra day of vacation leave shall be added to all employees.

- ✚ Implementation of anti-tax avoidance measures (EU directive) in respect to
  - Exit tax rules when company transfers assets to another jurisdiction or changes tax residence (subject to tax on its accrued gains as if it would have disposed of all of its assets at the time of exit. This rule shall not be applicable with respect to certain financial transactions).
  - Controlled foreign company rules (subject to tax in Malta. Profits which are derived by a direct/indirect subsidiary of a Maltese company, where the tax paid on such profits outside of Malta is less than half of the tax that would have been paid had the income been subject to tax in Malta. This rule shall be subject to certain minimum thresholds to be established by law)
  
- ✚ €96 increase in children's allowance for parents earning up to a combined gross of €20,000 a year.
- ✚ €3 weekly increase in 2019 to employees on minimum wage and an additional €3 increase the following year.
- ✚ Self-employed persons shall start receiving unemployment benefits if out-of-work and are seeking new employment.
- ✚ Children with disabilities will benefit from an allowance increase from €20 to €25 per week.
- ✚ Allowances for carers for the elderly will increase to €140 per week.
- ✚ Allowances for persons with a disability who are unable to work will increase to €150 per week.
  
- ✚ Scheme for Persons Over 40 years who want to purchase immovable property shall be aided through an Equity Sharing programme where they will be able to take a mortgage for half the value of the immovable property with the Government paying interest.
- ✚ Extension of vehicle scrapping programme and vehicle gas conversion grants.
- ✚ Electric vehicles shall be exempt from registration tax.
- ✚ Gozitans, who work in public sector shall be given €1.50 daily allowance to travel to Malta.
- ✚ Gozitan work subsidy - Gozo ferry ticket refund shall be extended to private sector employees.
- ✚ Employers creating new jobs in Gozo with a 3-year contract or more, will be eligible for 30% refund on wage, up to €6,000.

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