



Malta Budget 2020 Highlights

October 2019

kpmg.com/mt/maltabudget2020

Economic Highlights

The Maltese economy continues to show significant growth with predictions of a fifth consecutive surplus in 2020. During the first six months of the year, the Maltese economy grew by 4.7%. The financial services, gaming and tourism sectors are expected to remain the main drivers of growth and the employment situation remains robust with more than 90% of new jobs created in the private sector. Employment is predicted to grow by 4.1% with unemployment rates forecasted to stabilise from the current rate of 3.3% recorded in August 2019 to 3.5% next year. Public debt stands at around 45.8% of GDP and is expected to continue to drop to 40.4% in 2020. Inflation is projected at 1.6% and the cost of living adjustment (COLA) has been set at € 3.49 per week for the coming year. An additional bonus shall be granted and financed by the Government of € 15 for single persons and € 35 for families.



Hereunder are selected highlights of the budget speech:

Employment



- The granting of an additional day of leave in 2020 (to 27 days) to compensate for public holidays falling on weekends.
- A tax refund ranging between € 40 and € 68 will be granted again in 2020 to individuals in the labour force earning less than € 60,000.

Personal Tax



- For the year 2020 the first 100 hours of overtime for employees whose basic pay does not exceed € 20,000 and who do not hold a managerial position shall be taxed at the rate of 15%.
- The tax compliance process will be simplified and amended and a new system introduced allowing couples to submit separate tax returns and be assessed separately.

Pensions



- Increase in pensions amounting to € 3.51 per week in addition to the COLA.
- The exempt threshold for pension income is to be increased to € 15,798 in the case of a married couple receiving one pension and to €13,798 in other cases.

Social Security



- Additional allowance for persons aged 65 years and over in risk of poverty shall increase by € 50.
- The grant to persons aged 80 years and over who live in their homes or with relatives shall increase by € 50.
- Persons residing in a home for the elderly shall receive a grant of € 300. This grant increases to € 350 for persons older than 80 years.
- A € 300 bonus will be introduced upon the birth or adoption of a child.

Property



- With effect from 15th October 2019, first time buyers will be exempt from duty on the first € 175,000 rather than the first € 150,000.
- Individuals acquiring or inheriting residential property in which they plan to establish their own residence will benefit from a reduced rate of duty of 3.5% on the first € 175,000.
- There will be a new scheme applicable to persons under the age of 40 to assist with financing the initial deposit required to acquire property. Assistance will amount to a maximum of € 17,500 repayable within 15 years. Any interest on such deposit will be covered by the Government.
- Profits derived from the assignment of rights on a promise of sale relating to immovable property will be taxed at a final tax rate of 15% on the first €100,000. Profits over € 100,000 will be taxed at 35%.
- The duty reductions available for second time buyers, the purchase of vacant property in urban conversation areas and the purchase of property in Gozo have been extended for the coming year. The property restoration refund scheme has also been extended.

Family Businesses



- The reduced rate of duty of 1.5% on the transfer of family business shall be extended by another year until the end of 2020 (currently applicable until the end of 2019).

Tax Evasion



- Malta ranked fourth amongst EU Member States in terms of lowest VAT evasion. Fiscal evasion was reduced by 8% during the course of one year.
- In an effort to reduce tax evasion, as from next year, purchases of property, cars, boats and yachts, diamonds, precious stones and works of art cannot be made by means of cash payments exceeding € 10,000.
- A new agency to be called the 'Financial Organised Crimes Agency' will be set up as part of the efforts to combat money laundering and financing of terrorism.

Incentives



- Malta Enterprise to issue a grant up to a maximum of € 200,000 to operators within the construction industry that opt to replace existing machinery with new environmental friendly machinery provided that the old machinery is scrapped. This scheme will also be applicable for the purchase of new additional equipment (excluding vehicles) resulting in a reduced impact on the environment.
- As from January 2020 a grant equal to 25% of the cost (capped at € 1,000) will be given to aid the acquisition of batteries storing renewable energy. This grant will be eligible to individuals who had acquired solar panels and whose contract covering feed in tariffs has expired.
- The exemption of electric and hybrid vehicles from registration tax will be extended for another year.

- Schemes contributing towards the efficient use of energy and production of energy from renewable sources, including schemes regarding installation of PV Panels, heat pump water heaters, solar water heaters and home insulation will continue during 2020.
- New incentives to promote issue of green bonds with the aim of incentivising investment in projects related to clean energy, sustainable resources and environment protection.
- A grant of up to € 3,000 will be given to stores introducing green corners in their shops.

Persons with Disability



- An increase of € 11.40 per week to assist persons with severe disability who are unable to work.
- The grant on specialised equipment used by persons with disability shall increase by € 400 to a maximum of € 1,000.

Education



- An investment of over € 7,000,000 will be allocated towards the development of the University of Malta and MCAST.
- Individuals who opt to study a foreign language overseas will be eligible for a grant up to a maximum of € 850.

Gozo



- Improving the Start-up tax credit for new businesses set up in Gozo.
- Fiscal incentives on relocation expenses for companies relocating to Gozo and for companies providing teleworking and back office work from Gozo.

Other Matters

- The importation and production of certain single use plastics will be prohibited from 1st January 2021. The sale and distribution of same will be prohibited from 1st January 2022.
- A gas pipeline project between Malta and Sicily to supply the Delimara Power Station is expected to be completed by 2024 through an investment of € 400 million.
- Vehicle scrappage scheme will continue to be available with grants up to a maximum of € 1,500.



kpmg@kpmg.com.mt

Follow KPMG in Malta:



© 2019 KPMG, a Maltese civil partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).