



Malta Budget 2022 Highlights

October 2021

kpmg.com/mt/malta-budget-2022



Highlights

Despite the prolonged pandemic, Malta's economy fared relatively well during the past year. Real GDP is expected to grow by 6.5% in 2022, 4.7% in 2023 and 4.5% in 2024. Unemployment stood at 3.2% in August 2021, compared to 3.6% in 2019 and is expected to stabilise at 4.0%. No new taxes have been introduced in this budget. Cost of Living Adjustment of €1.75 per week.



Hereunder are selected highlights of the budget speech:

Property

Exemption from income tax on capital gains and duty on documents and transfers on the first €750,000 of the price of properties which:

- Were built more than 20 years ago and which have been vacant for more than 7 years;
- Are built in an UCA; or
- Are new properties and are built in a typical and traditional Maltese style and architecture.

This measure also applies to qualifying properties in respect of which a promise of sale has already been entered into as long as the final contract has not yet been signed.

First time buyers buying qualifying properties will receive a grant of €15,000, increased to €30,000 in respect of properties situated in Gozo.

These measures are effective as from 12th October 2021, for a period of 3 years.

With effect from 12th October 2021, persons who will own or who already own qualifying properties as above, may benefit from a VAT Refund of up to €54,000 on the first €300,000 expenses incurred for the restoration and improvement of such properties.

The stamp duty exemption for first time buyers (exemption from stamp duty on the first €200,000 of the consideration), second time buyers (refund of duty paid on the first €86,000 of the value of the replacement property, or the first €150,000 in the case of persons with disability or guardians of persons with disability) and purchases of property in Gozo (rate of duty of €2 for every €100 or part thereof with respect to transfers inter vivos of residential property situated in Gozo) will be extended.

The reduction of the rate of stamp duty to 1.5% on the first €400,000 of the transfer value, and the reduction of income tax on capital gains to 5% on the first €400,000 of the transfer value will not be renewed and therefore will expire in June 2022.

Eligible age for the Equity Sharing Plus scheme to be lowered from over 40 to over 30 years of age.

The tax on the first €200,000 of acquisitions or disposals of property which have been rented out to tenants benefitting from the "Private Rent Housing Benefit Scheme" for a minimum period of 3 years but less than 10 to be halved. If the property has been rented to the acquiring tenant for more than 10 years, no tax shall be payable upon the acquisition and sale.



Businesses

As a temporary measure, for the year 2021 (year of assessment 2022) entities with excess capital allowances as a result of losses suffered as a result of the pandemic may be surrendered to other group companies to be utilised.

Duty applicable to transfers inter vivos of family businesses to descendants of the family to continue being subject to a reduced rate of 1.5%.

Malta Enterprise to introduce a tax benefit applicable to businesses which invest in eligible projects of that same business or investments in other businesses.

Range of businesses entitled to the rent subsidy to be widened so that a larger amount of businesses will benefit.

Artists

A 7.5% income tax rate for artists to be introduced with effect from basis year 2022.

A mechanism to establish the income of artists over a period of 3 years will be introduced for the purposes of income tax.

ESG

Government eyeing to build renewable energy plants offshore.

A process will be introduced to enable public and private entities to invest in environmentally friendly projects to create carbon credits which would be available to be bought by other public or private entities with the aim to reach their carbon targets.

A carbon farming initiative will be launched, including a grant of up to €8,000 to incentivise farmers who own agricultural land that is idle or out of production or used for low value production, to be converted in Agroforestry systems based on fruit trees.

Scope of SME Tailored Facility to be extended to include ESG projects by the private sector.

Students

Stipends to increase by 10%.

Students working up to 25 hours per week shall also be entitled to a stipend.

Employment

Cost of living increase of €1.75 per week applicable to all employees, pensioners and those entitled to social benefits. Students receiving stipends will benefit from a pro-rata increase.

Tax rate applicable to income from part time work to reduce from 15% to 10%.

Part-time workers with more than one employment will have the opportunity to pay social security contributions with respect to more than one part-time employment, up to a maximum of 40 hours per week. This is intended to result in a higher pension.

Employees with an annual basic salary of not more than €20,000 shall have the first €10,000 of their income derived from overtime work taxed at a rate of 15%.

Government to setup a website to make available templates of employment contracts containing minimum requisites provided at law thus ensuring all employment rights are respected.

Employees in sectors such as hospitality, transport, manufacturing, wholesale and retail who work nights, weekends and shifts and whose salary does not exceed €20,000 per annum shall receive an annual in work benefit of €150.

Pensions

In order to encourage pensioners to remain economically active after reaching pensionable age, pension income shall not be considered as income for the purposes of Maltese income tax for the next 5 years.

Pensions to increase by €5 per week of which €1.75 relates to the Cost of Living Adjustment.

Health and the Elderly

Increase of the grant payable to the elderly who are 80 years and older who live at home or in a private care home to €400 per annum.

Carer at home benefit to increase from €6,000 per annum to €7,000 per annum.

Subsidy of “Home Helper of Your Choice” scheme to increase from € 5.50 per hour to €7.00 per hour.

List of free medicines to be extended to cover patients suffering from various diseases.

Government grant in respect of carers of severely disabled persons to increase from €200 to €500.

Children and child care

Government grant in respect of the birth or adoption of a child to be increased from €300 to €400.

Annual allowance in respect of disabled children to be increased to €1,560.

Heads of state schools to be granted an average of €10,000 per annum to assist children of social cases with basic needs.

Free childcare services to be extended to persons working nights, weekends and shifts.



Interest rate on unpaid tax

As from 1 June 2022, interest rate on unpaid income tax and VAT balances to rise to 7.2% per annum.

Tax Remissions

The Commissioner for Revenue is to tighten up the conditions under which discretion will be exercised when considering applications for the remission of interest on unpaid tax balances.

Tax Refunds

Tax refunds for persons earning up to €59,999 to increase, depending upon the annual income.

Sport

Malta will host the Games of the Small States of Europe 2023. Grants in the region of €7 million started being distributed from sports associations and the Maltese Olympic Committee.

Upgrade of Industrial Estates

€470 million earmarked for the modernisation of industrial estates.

Foreign Affairs

During 2023 and 2024 Malta will be a non-permanent member of the United Nations Security Council.



Transport

All Maltese and Gozitan people, and people resident in Malta and Gozo, will benefit from free public transport with effect from 1st October 2022.

Around 1,200 electric vehicle charging points will be installed over the next 3 years.

The grant for purchases of new electric or plug-in hybrid motor vehicles will increase by €3,000 (from €8,000 to €11,000) from 12th October 2021. Such grant may increase to up to €12,000 if used together with the motor vehicle scrappage scheme.

The grant for scrapping polluting motor vehicles in Gozo to increase from €1,000 to €2,000.

The existing schemes in relation to the purchase of electric motor vehicles will be extended, including the exemption from registration tax and exemption from the payment of annual road licence for a period of 5 years from the date of first registration, for electric MV and plug-in vehicles.

A new grant of up to €900 will be introduced for the installation of PV panels on vehicles such as minibuses, coaches and trucks.

Malta Enterprise will launch a scheme to assist enterprises to replace fuel operated vehicles by electric powered vehicles and other solutions, by part-financing the difference in the expenditure between fuel operated vehicles and electric vehicles.



kpmg@kpmg.com.mt

Follow KPMG in Malta:



The information contained herein is generic and brief and therefore should not be relied upon for any factual or planned transaction or event. Specific advice should be separately sought for each such transaction or event. No liability will be accepted for relying on this information.

© 2021 KPMG, a Maltese civil partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.