

GMS Flash Alert



2023-113 | June 1, 2023

Malta – New Legislation Implements Budget Measures

Malta's recently enacted *Budget Measures Implementation Act, 2023* contains several measures concerning the taxation of individuals, including the tax deduction currently available to parents paying fees for sporting, cultural, and creative courses for their children, the interest chargeable to taxpayers for late payment of income tax, a government-issued tax refund for individuals earning an annual salary of less than €60,000, the children's allowance, and the Cost of Living Adjustment for 2023.

Following the last budget speech in October and the parliamentary debates on Bill No. 24, the *Budget Measures Implementation Act, 2023* ("the Act") was issued on 4 April 2023.¹ The Act contains amendments to several laws including the *Income Tax Act*, the *Income Tax Management Act*, and the *Value Added Tax Act*. The Act was complemented by a number legal notices issued in the first quarter of 2023, which also give effect to certain measures announced in the speech.

After publication of the Act, the Office of the Commissioner for Revenue published a note providing a summary of the direct tax amendments.

We highlight in this *GMS Flash Alert* the salient changes affecting individuals.

WHY THIS MATTERS

The measures described in this newsletter should help moderate the tax burden on taxpayers with children and on pensioners, as well as ease the financial pressures on first-time home-buyers.

However, the measures will mean no real, substantive changes to the taxation borne by international assignees and business travellers – as compared with last year – to the extent that they are subject to Maltese tax law.

Individuals who are non-compliant with their tax payment obligations, however, will be subject to an increase in the interest rates they incur for the late payment of tax.

Key Measures

Tax Deduction of Fees Paid for Sports, Artistic, and Cultural Activities

As announced in the budget speech, the tax deduction currently available to parents paying fees for sporting, cultural and creative courses for their children has been increased from €100 to €300 per child, with effect from year of assessment 2024.

Taxation of Royalties on Qualifying Literary Works

Authors and co-authors deriving royalties from qualifying literary works may opt to be charged a final tax on the gross amount of royalties received. Such final tax rate has been reduced from 15 percent to 7.5 percent, effective for royalties derived on or after 1 January 2023.

Provisional Tax on Transfer of Interest in a Partnership

This amendment clarifies that the provisional tax of 7 percent payable upon a transfer of securities or a transfer of value in securities shall also apply on a transfer of a full or partial interest in a partnership and on a deemed transfer of an interest in a partnership.

As a consequential amendment, the possibility to reduce the 7-percent provisional tax rate to a lower rate if certain conditions are satisfied, has also been accorded to transfers of an interest in a partnership.

Interest Chargeable for Late Payment of Tax

The interest chargeable to taxpayers for late payment of income tax increased from 0.33 percent (applicable as from 1 January 2020) to 0.6 percent per month or part thereof during which the tax remains unpaid, capped at the amount of tax due. Such increased rate applies on tax that became / becomes payable after 30 August 2022. For tax that was payable by 30 August 2022, it is the previously applicable rates of interest which remain enforceable.

The Act further amends the clauses that grant empowerment to the Commissioner to change the rate of interest.

Interest Chargeable on Payment of Disputed Tax

Consequent to the aforementioned increase in the interest rate for the late payment of tax, an amendment was passed to align the applicable rate of interest chargeable on the payment of disputed tax that is determined on objection/appeal. Such rate is similarly dependent on whether the date when the tax fell due was before or after 31 August 2022.

Interest Chargeable for Late Payment of Tax Refunds

The Act has increased the interest rate payable by the Commissioner on the late repayment of tax due to the taxpayer, for any period or part thereof commencing on or after 1 September 2022, to 0.6 percent per month or part thereof. The interest is capped at the tax refundable amount. The new rate applies irrespective of the statutory repayment date of the refund.

Budget 2023: Other Measures Affecting Individuals

- **Personal income tax tables:** There were no changes to the personal income tax rates in the 2023 budget. For the applicable personal income tax tables refer to Appendix A (see below).

- A **tax refund** ranging from €60 to €140 for individuals earning an annual salary of less than €60,000 is being paid by the government.
- Increase in the **children's allowance** of €90 per child (this took effect on 1 January 2023).
- **Tax credit** of €200 per annum to cover costs of approved therapy provided to children with a disability. This is available as from 1 January 2023.
- The **Cost of Living Adjustment** for 2023 is €9.90 per week for pensioners, employees, and people benefiting from social security benefits. Pensioners also benefit from an additional weekly increase of €2.60.
- Pensioners who claim a tax rebate, under the terms of the **Tax Rebate (Pensioners)** Rules, against tax on their pension income had their limit of effectively-untaxed income raised from €14,320 to €14,968, in the case of the single rate calculation and to €18,568 in the case of married couples (effective 1 January 2023).
- In addition to a possibility to claim the capped tax rebate, **the tax exemption on pension income** introduced in March 2022 shall continue to apply, subject to the updated limits noted in Appendix B (see below).
- **Existing property-related measures and schemes**, such as the duty exemption for first-time buyers (exemption from duty on the first €200,000 of the consideration) and second-time buyers (refund of duty paid on the first €86,000 of the value of the replacement property 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)) have been extended to the end of 2023.
- **Continuation of certain existing property schemes** providing for an exemption from income tax and duty on the first €750,000 of the higher of the value and consideration of the property. The schemes, applicable to transfers made by the end of 2024, cover properties located in an Urban Conservation Area or old and vacant properties.
- **First-time home-buyers** acquiring their residence after 1 January 2022, are eligible for a grant of €10,000 over a period of 10 years.
- Assistance in terms of the **Deposit Payment Scheme** applicable to persons under the age of 40 to assist with financing the initial deposit required to acquire property increased from €17,500 to €22,500, representing 10 percent of the consideration of the property of a value up to €225,000.

KPMG INSIGHTS

For new assignees inbound to Malta, pre-departure and/or on-arrival conversations with those who will be subject to Maltese tax law should include mention of applicable tax rates, thresholds and brackets, exemptions, credits, allowances, and the impact on the assignee.

Employers and employees concerned about the effect of the above-noted changes and how to budget for and otherwise plan the employee's assignment, should contact their qualified tax professional or a member of the Global Mobility Services team with KPMG in Malta (see the Contacts section).

APPENDIX A

TAX RATES 2023			
Chargeable Income (€)			
From	To	Rate	Subtract
Single Rates			
0	9,100	0%	0
9,101	14,500	15%	1,365
14,501	19,500	25%	2,815
19,501	60,000	25%	2,725
60,001	and over	35%	8,725
Married Rates			
0	12,700	0%	0
12,701	21,200	15%	1,905
21,201	28,700	25%	4,025
28,701	60,000	25%	3,905
60,001	and over	35%	9,905
Parent Rates			
0	10,500	0%	0
10,501	15,800	15%	1,575
15,801	21,200	25%	3,155
21,201	60,000	25%	3,050
60,001	and over	35%	9,050

Source: Office of the Commissioner for Revenue

APPENDIX B

Exempt pension income	
Year of assessment 2023	20% of pension income, capped at €2,864
Year of assessment 2024	40% of pension income, capped at €5,987
Year of assessment 2025	60% of pension income, capped at €8,981
Year of assessment 2026	80% of pension income, capped at €11,974
Year of assessment 2027 and subsequent years	100% of pension income, capped at €14,968

FOOTNOTE:

1 Malta's Official Gazette (*Gazzetta tal-Gvern ta' Malta*) 4 April published Law No. XII/2023, implementing the 2023 budget measures. See: <https://legislation.mt/eli/act/2023/12/eng>. For additional information, see the Office of the Commissioner for Revenue website at: <https://cfr.gov.mt/en/inlandrevenue/legal-technical/Pages/Legislative-Developments.aspx>.

Also, see the following reports from KPMG in Malta:

- [The Budget Measures Implementation Act, 2023](#)
- [Malta Budget 2023 Highlights](#)

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Malta:



Simon Xuereb
Partner,
Private Client Services
Tel. + 356 2563 1478
simonxuereb@kpmg.com.mt



Silvia Marziano
Senior Manager,
Private Client Services
Tel. + 356 2563 1478
silviamarziano@kpmg.com.mt

The information contained in this newsletter was submitted by the KPMG International member firm in Malta.

© 2023 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.

www.kpmg.com

kpmg.com/socialmedia



© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 147 countries and territories and has more than 219,000 people working in member firms around the world.

Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click here. To learn more about our GMS practice, please visit us on the Internet: click here or go to <http://www.kpmg.com>.