

MALTA

INVESTING IN THE FUTURE

Budget 2018



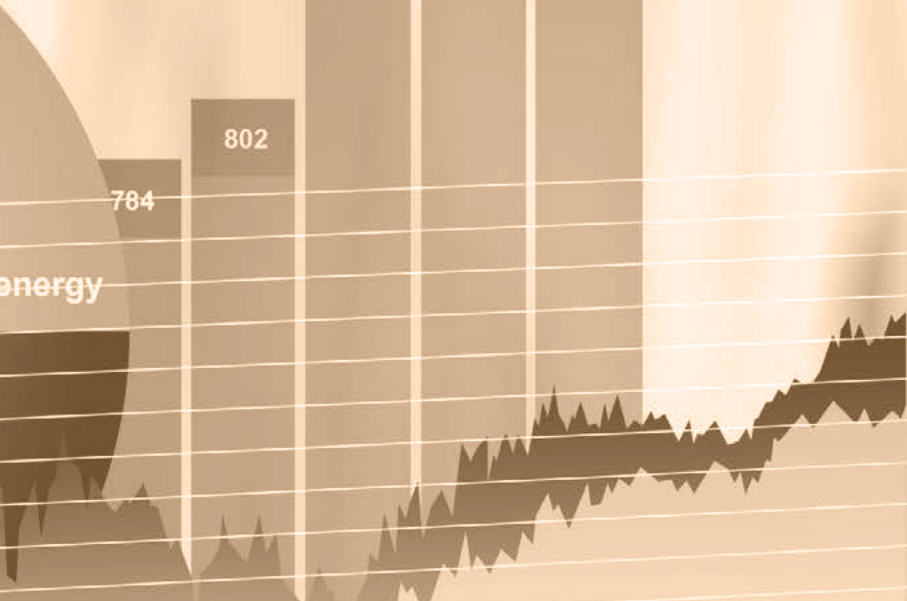
BUDGET 2018



During the presentation of the first budget of this government's legislature, the Minister of Finance Hon. Edward Scicluna highlighted the continued economic growth that the Maltese economy is experiencing. During 2016, the Maltese economy registered an impressive 5.5% growth in real terms and in the first six months of 2017 growth increased to 6.3%. The Minister announced that in the first half of this year Malta registered the highest economic growth in the EU. For next year economic growth is expected to reach 5.6%.



Malta's economic growth has been acknowledged by International Rating Agencies. Fitch upgraded the rating for the Maltese economy from A+ to A+ stable, DBRS upgraded the economic outlook from A stable to positive, whilst S&P upgraded the rating for Malta from A- stable to positive. Malta also registered an improvement of 3 places in the Global Competitiveness Index (2017-2018) and now ranks 37th out of 138 countries.

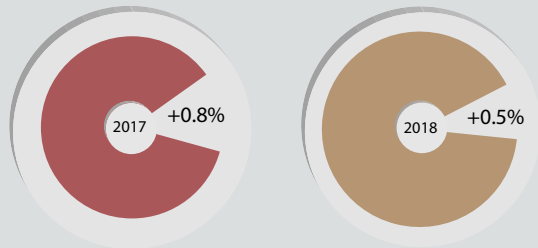


Based on this positive economic performance the budget for 2018 does not include any new taxes or tax increases but seeks to redistribute wealth and ensure continued investment in infrastructure that sustains economic growth in the future. The government aims to continue to incentivise the creation of employment opportunities with a view to increase the participation rate and decrease further the level of unemployment, which is already at a record low of 4.1%.

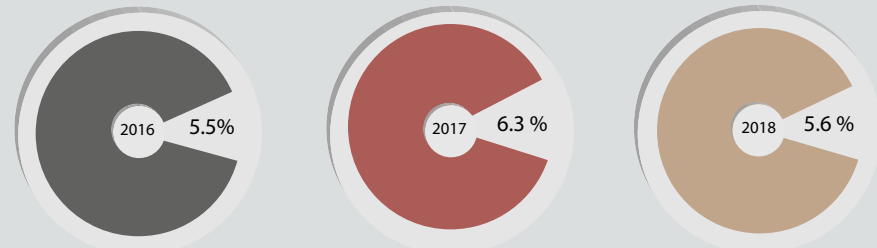
“ +6.3% ”

**In the first half of the year,
Malta registered the highest
economic growth
in the EU**

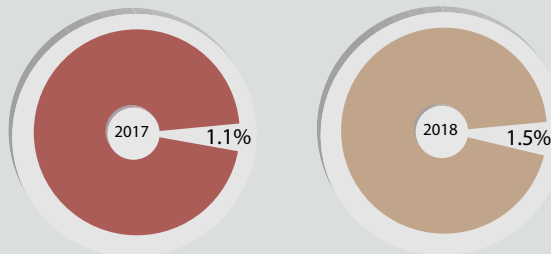
GOVT. FINANCE



GDP GROWTH



INFLATION



TAX REVENUE



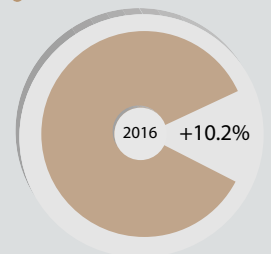
2017 €3.7bn

2020 €4.4bn

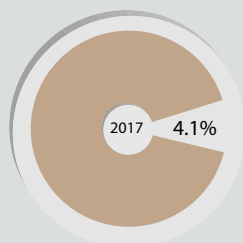
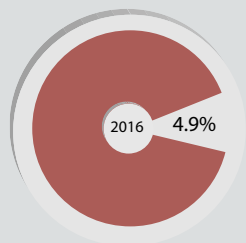
INBOUND TOURISM



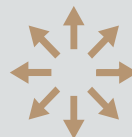
2016 €1.9m



UNEMPLOYMENT



TRADE GAP 2017



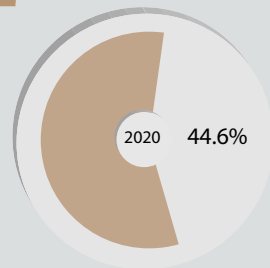
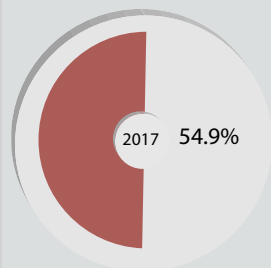
€2.1bn

COST OF LIVING PER WEEK



€1.75

GOVT. DEBT AS % OF GDP



CREDIT RATINGS



FITCH

A+ stable

DBRS

A positive

S&P

A- positive

GLOBAL COMPETITIVENESS INDEX (WEF)



2016

40th

2018

37th



MICROINVEST SCHEME

The MicroInvest Scheme which is designed to encourage undertakings to invest in their business, to innovate, expand and implement compliance directives will be extended to enterprises which do not employ more than 50 (increased from 30) full-time employees.

The value of assistance provided under this Scheme will also be increased from €30,000 to €50,000 for Maltese enterprises and shall increase to €70,000 in the case of enterprises based in Gozo or enterprises having a majority of female shareholder or undertakings by self-employed women.



TAX

Exempt pension income

Increase in the exempt tax bracket for pension income up to €13,200.

Combating fiscal evasion

The Government will continue its fight against fiscal evasion and unfair competition through an increase in penalties for crimes dealt with through the courts as well as out-of-court settlement agreements. The Joint Enforcement Task Force will increase its efforts to identify those entities and businesses which are evading taxes.



VAT

VAT Grouping

As a means of encouraging growth in the financial services and gaming industries, government is proposing the introduction of VAT grouping for these sectors. By virtue of this proposal two or more separate legal persons having a fixed establishment in Malta and which are closely bound to one another by financial, economic and organisational links may opt to be registered as one taxable person. As a result, supplies between members of the same VAT group will be regarded as falling outside the scope of VAT.

Online submission

Entities having 10 or more employees shall be able to submit VAT returns and Social Security forms electronically.

Increase in thresholds for small undertakings not to charge VAT

The turnover threshold under which small undertakings may opt not to charge VAT will be increased from €14,000 to €20,000.

Refund of VAT on purchases of bicycles extended and available to companies

The scheme which allows for the refund of VAT paid on the purchase of bicycles and pedelec bicycles shall be extended for a further year and the refund shall also be extended to companies which acquire such bicycles for the purpose of hiring out.



MALTA CITIZENSHIP BY INVESTMENT

The Malta Individual Investor Programme has been extended.



click on

■ The Malta Citizenship by Investment programme

STAMP DUTY

Extension of Stamp Duty exemption scheme for First Time Buyers

Individuals buying residential property for the first time currently benefit from an exemption from Stamp Duty €150,000 of the value of the property. This is being extended for a further year.

Stamp Duty refunds for Second Time Buyers

Individuals who sell first residential property in order to buy another shall benefit from a reduction in Stamp Duty by virtue of refund of up to €3,000 increasing to a maximum of €5,000 where such person has a disability.

Reduction of stamp duty on properties within UCA

Reduced rate of Stamp Duty at 2.5% instead of 5% for acquisition of properties in an Urban Conservation Area extended for one year.

Reduced Stamp Duty on acquisition of property in Gozo

Individuals acquiring residential property in Gozo will continue to benefit from a Stamp duty reduction from 5% to 2% for a further year.



PROPERTY MEASURES

Acquisition and Restoration of property within UCAs

Individuals buying and restoring property within Urban Conservation Areas or any other first or second grade scheduled property will continue to benefit from a refund of certain expenses incurred in restoring the property.

Introduction of Equity Release Facilities

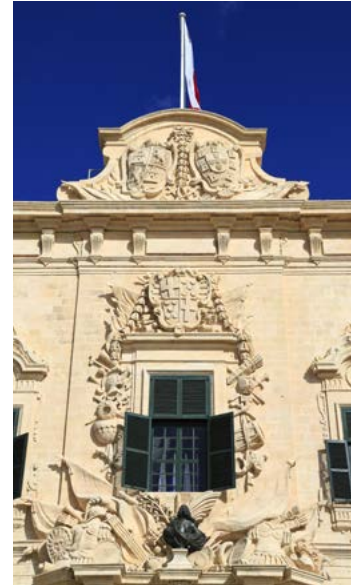
A Working Group will be set up to discuss the regulatory framework for the introduction of Equity Release Facilities which will allow property owners to use the value of owned property secure regular income after retirement age through financial institutions which offer Equity Release Facilities.



BLOCKCHAIN STRATEGY

Government has set up a Task Force to evaluate proposals in relation to the implementation of a national Blockchain strategy and in the coming months government is going to invest in a Blockchain lab at MITA with various training programmes being launched for civil servants to familiarise themselves with uses for this technology.

Government will also be setting up a web portal to facilitate communication between all those interested in Blockchain and cryptocurrencies. A Blockchain Hub will also be set up in order to assist and provide support to start-ups working on this technology.



OTHER

The Government will be introducing a system for Maltese companies, allowing them to offset certain payments due to and from the Maltese government.

This publication is intended to give a high level overview of the announcements made by the Minister of Finance during the Budget Speech 2018 on 9th October 2017. Proposals are typically implemented through legislative amendments, regulations and guidelines which are yet to be published and may also vary from the original proposals. We therefore recommend that you seek approach us for appropriate professional advice prior to relying on any of the information included in this publication.

CONTACT DETAILS

For more information, contact:

Michelle de Maria

Partner, Tax

mdm@cclex.com

Tel: +356 2205 6105

Skype: [cclex.global](https://www.cclex.global)

E: info@cclex.com ▪ W: www.cclex.com

MALTA

120 ▪ Lower St Ursula Street

Valletta ▪ VLT1236 ▪ Malta

Tel: +356 2205 6105

CYPRUS

1st Floor Office 105

75 ▪ Prodromou Avenue

Nicosia ▪ 2063 ▪ Cyprus

Tel: +356 2205 6710

LONDON

259 ▪ Temple Chambers

3-7 ▪ Temple Avenue

London ▪ EC4Y 0HP ▪ UK

Tel: +44 20 7583 9433

ZÜRICH

4 ▪ Seehofstrasse

Zürich ▪ CH-8008 ▪ CH

Tel: +41 445 087 172

HONG-KONG

66/F, The Center, 99

Queens Road Central,

Hong Kong

Tel: +852 39653015