

Malta Budget 2022

Highlights

October 2021



Budget overview

Malta's budget for 2022 was presented on October 11th by Finance Minister Clyde Caruana.



Malta's budget for 2022, which was presented on October 11th by the new Finance Minister Clyde Caruana, is set out in the shadows of the Covid-19 pandemic and its effect on the local and world-wide economy.

The revised estimates for 2021 show a marked increase in the deficit from the budgeted € 756 million to € 1.5 billion, 11.1% of GDP, and Public Debt reaching 61.3% of GDP as a result of the pandemic.

For 2022, the economy is expected to grow by around 4.8% in real terms.

	2020	2021		2022
	Actual €000	Budget €000	Revised €000	Estimate €000
GDP	13,054,927	13,351,391	13,964,140	15,162,724
Total Revenue	4,399,017	5,198,002	5,009,379	5,704,710
Surplus/(Deficit)	(1,469,614)	(756,539)	(1,519,867)	(737,075)
Public debt	6,977,504	7,825,460	8,562,389	9,373,749

People and lifestyle





People and lifestyle

- Persons with more than one part-time employment will be given the opportunity to pay NI contributions on more than one part-time job up to a maximum of 40 hours a week to become entitled for a better pension;
- Social security pensions increase by a total of €5 weekly inclusive of €1.75 COLA;
- Pensioners who do not qualify for a pension, and who have paid less than five years in national insurance will receive an annual bonus of €400 per year and those who paid over five years will have their bonus increase to €500;
- An additional weekly supplement of between €3.47 and €6.50 per week will be paid to those couples whose yearly income does not exceed €14,318;
- Single persons, including widowed persons with an annual income of less than €10,221 will be paid an additional supplement of between €4.10 and €5 per week;
- The maximum amount of exempt pension income will be increased to €14,318 and persons claiming married rates will be entitled to a further tax-free entitlement of €3,600 in respect of income from other sources;
- Widows' pensions that do not exceed €10,221 will receive between €10 and €15 in weekly increases totalling between €520 and €780 per year;
- Service pensioners will receive an additional €200 every year, whereas those pensioners who retired after 2008 will benefit from a maximum increase in the cost-of-living adjustment of €2.50 per week;
- Parents will be entitled to a €400 bonus for the birth or adoption of a child;
- Children's disability allowance will be increased by €5 per week;
- Carers' grant for disabled persons will increase to €500 from the previous €200, whereas those persons receiving the *Carer at Home* benefit will have their current subsidy of €6,000 increase by a further €1,000 to €7,000 per year;
- The *Home Helper of Your Choice* subsidy will also increase by an additional €1.50 per week, to €7;
- Means testing on disability assistance will be revised from 1st January 2022;
- Families with children undergoing occupational therapy will receive vouchers so that they can send their children to a private therapy service;
- *New Hope Guarantee* scheme launched for people with disability who struggle to secure bank loans;
- Individuals employed within the private sector who earn less than €20,000 annually and who work atypical hours (nights, weekends or shifts; in the food and accommodation, administrative services, manufacturing and transport sectors) will be entitled to an annual €150 in-work benefit. Eligibility for this benefit is limited to employees who have worked for at least 6 months within these sectors;

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People and lifestyle

- As from January 2022, employees whose basic salary does not exceed €20,000 annually and who do not hold a managerial position will be taxed at the rate of 15% on the first €10,000 of their income derived from overtime;
- In order to encourage pensioners to remain active and continue with their employment after reaching retirement age, income derived from pensions will be excluded from the income which will be subjected to tax;
- Reduction of tax on income derived from part-time employment and self-employment from 15% to 10%;
- Parents who are employed and whose children are under the age of 23 are entitled to in-work benefit. This budget has extended the limits and the rates for all the beneficiaries:
 - Couples who are both employed – the income limitation will be increased from €35,000 to €50,000 annually;
 - Couples where only one parent is employed – the income limitation will increase from €26,000 to €35,000 annually;
 - Single parents who are employed – the income limitation will increase from €23,000 to €35,000 annually.

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People and lifestyle

- €15 to €45 increase in tax refund (now ranging from €60 to €140) payable to those earning less than €60,000;
- Employees employed with contract workers providing work in the public sector will be paid double their rate (siegha saghtejn) for work carried out on Sundays;
- Free childcare services to employees who work during nights, weekends and on shift;
- COLA increase of €1.75 per week for will be payable in 2022 to all employees, pensioners, those benefitting from social services as well as a pro-rata increase on student stipends;
- Reduced tax and duty rates will apply on the first €200,000 in respect of the sale or purchase of property that has been leased out for not less than ten years to tenants who are eligible for the Rent Benefit at affordable rates issued by the Housing Authority. If the property is sold to the tenant, capital gains tax and duty will be exempt. Furthermore, properties which have been leased out for less than ten years but more than three years, will benefit from halved tax and duty rates;
- It is proposed that the student stipends are to increase by 10%. Additionally, as from 1st January 2022, students will be able to work up to a maximum of 25 hours a week whilst still being eligible to receive their stipend;
- The government is proposing a further focus on apprenticeship by investing in new technologies and new laboratories to aid students undergoing placements with the private sector;
- An innovative residence program meeting the need of entrepreneurs who wish to relocate to Malta will be introduced by establishing the new Start-Up Residence Program, offering a visa package to start-up entrepreneurs. Malta Enterprise will be collaborating with the Malta Residency Agency to introduce the necessary program for individuals coming from countries not within the EU. Individuals who are eligible for this program can apply for this permit and relocate to Malta, benefitting from an advantageous package of opportunities and subsidies;
- Exemption from tax and duty on the first €750,000 on transfers of immovable properties that were build more than 20 years ago and are vacant for more than seven years, or for properties situated in a UCA or which are built in a typical and traditional Maltese style and architecture;
- A further €15,000 or €30,000 grant will be granted for first-time buyers of such properties in Malta or Gozo respectively;
- VAT incurred on expenses incurred when restoring an old building will be refunded up to a maximum of €54,000;
- The present scheme of the reduced duty payable by first-time buyers, second time buyers and properties situated in Gozo is being extended for another year;
- The building of the new Outpatients department as well as various other health centres remains a priority for the government. Further investment will be made towards the extension of the blood donation centre as well as new infrastructure in various hospital departments;
- The pilot project *Remote Patient Monitoring* will be further sustained and extended towards youths between the ages of 17 and 21.

Economy



The economy is forecasted to **grow by 6.5% in real terms** and **8.6% in nominal terms** by the end of 2022, whereas in 2023 and 2024, real economic growth is forecasted to be of **4.7% and 4.5%, respectively.**

This economic growth is forecasted due to an increase in domestic demand, especially considering that private consumption is **forecasted to increase by 4.0%**. Capital investment by the government and the private sector will continue sustaining the increase in investment, forecasted to **increase by 8.8%**. Exportation is also expected to increase by 6.6% further contributing towards this economic growth.

Through this forecasted growth **employment** is expected to **increase by 2.2%** whereas unemployment levels remain relatively low at the rate of 4.0%.



Economy

- The current rent subsidy incentive will be further extended so as to support businesses who have surplus stock, as well as in light of an increase in international transportation costs;
- A temporary incentive is being proposed to aid group companies in their recovery following the pandemic. This scheme allows for eligible group of companies which have unabsorbed capital allowances for the years 2020 and 2021 to utilise such capital allowances against the chargeable income of any of the companies within the group, thus reducing the tax liability for the year;
- Malta Enterprise will introduce a new scheme whereby businesses will be eligible for a tax benefit when withholding a percentage of profit to further invest in the business or in another business, if the investment is made up to two years after 1st January 2022;
- Further fiscal incentives will be introduced so as to continue supporting innovative, ecological and digital investment. Financial aid will also be given to aid businesses renovate their operations into more sustainable and digital ones. Enterprises which are suffering huge losses will also be aided through the scheme *ReStart*;
- As from 1st June 2022, the rate of interest chargeable on late payment of income tax and VAT balances will be increased from 3.96% to 7.2%;
- In collaboration with Malta Enterprise and the University of Malta, the government will launch the Seed Fund with the aim of encouraging researchers and entrepreneurs with innovative and sustainable ideas to receive financial aid and to develop these ideas;
- To further aid businesses investing in the environment, the government will extend the eligibility of the SME Tailored Facility, operated by the Maltese Development Bank so as to also include the financing of sustainable and environmental projects by the private sector. Through this measure, eligible businesses can benefit from advantageous rates of interest when debt financing their projects;
- Extension of the stamp duty reduction from 5% to 1.5% when transferring family businesses;
- Government will be extending till 2022 the stamp duty reduction from 5% to 1.5% when family businesses are transferred to their successors.

Innovation & sustainability





Innovation & sustainability

- A €20 million investment over a five-year period on an afforestation project at Inwadar Park;
- Introduction of a policy on aesthetics by the Planning Authority, together with measures that encourage a more comprehensive, uniform development that better respects the urban environment;
- The appointment of a monitoring board to supervise the implementation of Malta's Carbon Development Strategy;
- Government announced plans to launch a project to help Maltese companies assess the environmental and social impact of business projects. This information will be publicly available so that investors can invest directly in those companies that meet environmental, social and corporate governance criteria;
- In partnership with Malta Environment and Resources Authority and the Environment the Government will carry out interventions on Natura 2000 Sites;
- Shore-to-ship project at the Grand Harbour will continue, while calls for tenders will be published in connection with the shore-to-ship project at the Freeport;
- Government buildings to be fitted with solar panel systems;
- New and efficient street lighting to be installed in Valletta, and a sustainable community development scheme will be set up through local councils;
- Extension of measures relating to investments on photovoltaic panels and batteries to store electricity generated by those panels;

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Innovation & sustainability

- Other grants will be available for the restoration of domestic wells in residential homes, replacement and purchase of reverse osmosis, as well as purchase of solar water heaters and heat pumps;
- Financial aid to incentivise the purchase of electric vehicles or plug-in hybrids will be increased with a further €3,000 as from tomorrow, 12th October 2021. The incentive will increase from €8,000 to €11,000;
- Vehicle scrappage benefit for Gozitans will increase by €1,000, with the maximum benefit being that of €2,000;
- Exemptions from registration tax and exemption from payment of annual licence fee for a period of 5 years commencing from the date of first registration of electric vehicles and PHEVs will be further extended;
- Schemes where a grant equivalent to a full refund on VAT on bicycles and electronic bicycles is provided will be extended again. The same applies to the scheme that incentivises the purchase of motorcycles, scooters, pedelecs and bicycles assisted by an electric motor and the grant provided for those who change their vehicle to run on gas instead of petrol. The scheme for wheelchair accessible vehicles used for the carriage of passengers for hire or reward will also be renewed;
- Vehicles such as minibuses, coaches and trucks on which photovoltaic panels will be installed will be entitled to a benefit up to a maximum of €900;
- Malta Enterprise will launch a scheme designed to assist enterprises in converting fuel-powered vehicles to electric-powered vehicles and other solutions. The scheme will cover part of the cost difference between fuel-powered vehicles and electric-powered vehicles;
- During the next three years, around 1,200 charging points will be installed across Malta and Gozo;
- Smart bins will also be introduced in order to enable commercial entities to separate waste at any time of day;
- The facility for 'Reuse Centres' will be introduced in the Civic Amenity Sites for Bulky waste. The 'Reuse Centres' will enable the reuse of objects such as toys, ceramics, books and furniture;
- A new electricity consumption metering system will be introduced whereby consumers can save unused cheaper units so that they can be used during periods of higher consumption. There will be no loss through the Feed-In Tariff nor the Eco-Reduction;

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Innovation & sustainability

- The operation of a new reverse osmosis in Hondoq ir-Rummien, Gozo, designed by the Water Services Corporation. This investment will cost approximately €11 million;
- In order to maximise the use of agricultural land for food production while achieving the goals of the Farm to Fork strategy, government will be launching a carbon farming initiative. Through this initiative, government will offer grants of up to a maximum of € 8,000 to incentivise farmers who have agricultural land that is not cultivated or that is currently out of production or under low-value production in order to convert it into Agroforestry systems based on fruit trees.



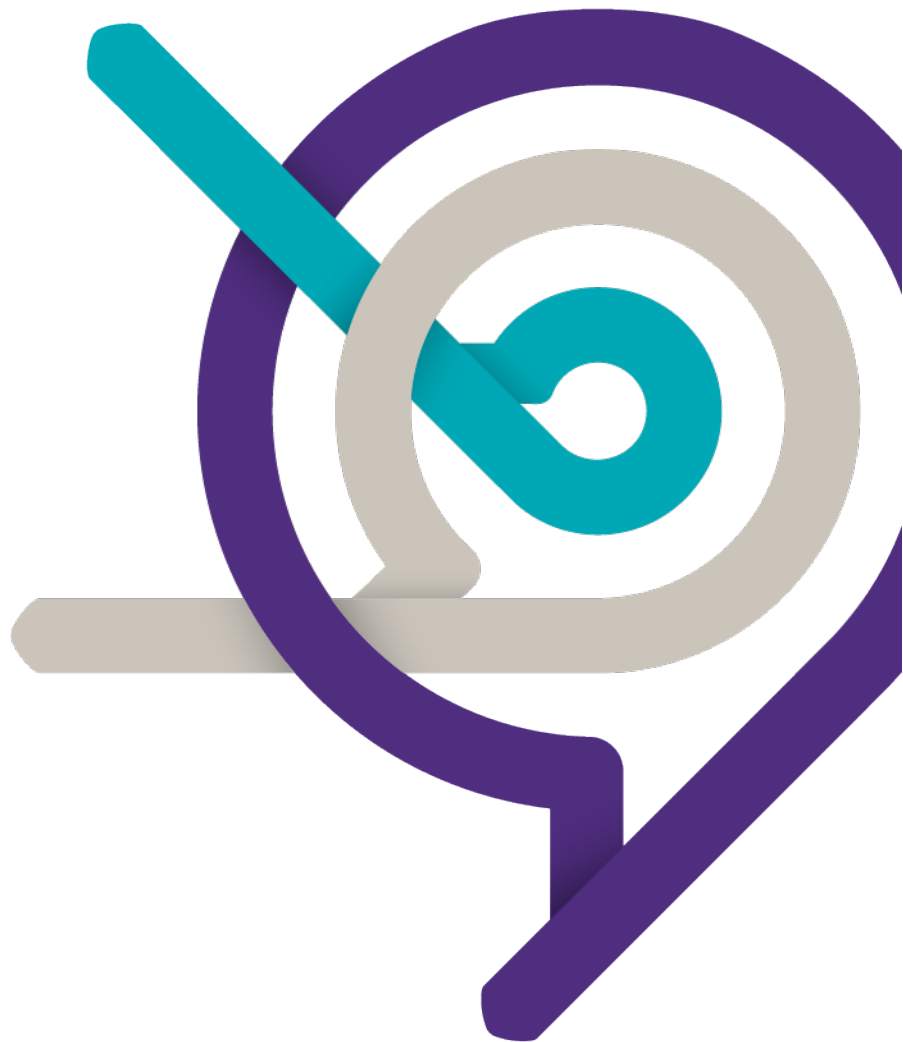
Sports & culture





Sports & culture

- More investment will be made by Sport Malta in the national sports facilities;
- As from basis year 2022, artists will benefit from a rate of income tax of 7.5%. Furthermore, a new mechanism will be set in place which establishes the taxable income of artists based on an average of three years;
- A guarantee scheme will be introduced to aid independent artistic activities as well as support producers and promoters recover funds invested which are lost due to unexpected restrictions put in place.



Related experts



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Austin joined the firm in 1982 and was initially mainly involved on audits in Malta. He later underwent training at the Milan office of the then Deloitte Haskins and Sells for 15 months following which he resumed his duties in the Malta office. He was admitted partner at Grant Thornton Malta in 1993 and is currently Head of Tax Services.

During the past 20 years Austin has taken up further studies and specialised in the local and international taxation and in the financial services sector. Apart from being in charge of the local tax and VAT services, Austin is also responsible for services given to foreign owned companies setting up businesses in Malta and has provided tax advice to international clients involved in cross border business ventures.

Austin is a Fellow of The Chartered Association of Certified Accountants, a Fellow of the Malta Institute of Accountants and holds a Practicing Certificate in Auditing. He is currently a member of the Tax Experts Group within Finance, as well as a member of the Direct Tax Committee of the Malta Institute of Accountants, and of the Council of the Institute of Financial Services Practitioners. Austin regularly attends tax conferences organized by Grant Thornton International and is a regular speaker at local conferences related to VAT and tax matters, including those organised by the Malta Institute of Management and the Malta Institute of Accountants.



Wayne Pisani

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Wayne Pisani heads the regulatory and compliance practice within Grant Thornton and leads the financial services tax and regulatory team.

He advises an extensive client base ranging from private clients, including family offices and high-net-worth individuals, to NASDAQ listed companies. Working across several industry sectors, he deals with a wide range of cross-border regulatory, compliance and tax planning engagements involving both local and international financial institutions, asset protection, M&A and project finance transactions, driving the development of innovative solutions that support clients in their transition to more sustainable outcomes.

Wayne chairs the Financial Services Regulated Business Committee of the Institute of Financial Services Practitioners having been the president of the Institute and a member of the board of governors of FinanceMalta between 2018 and 2021. He is presently a member of the Malta Financial Services Advisory Council set up by the Minister for Finance and Employment and tasked with setting out a ten-year strategic plan for the Maltese financial services industry and is also a member of the International Fiscal Association, the International Bar Association and the Maltese Chamber of Advocates.

He was admitted to the Bar in 2001 following a Bachelor of Arts degree in Law and International Relations, and a Doctorate in legal studies from the University of Malta in 2001 after researching and submitting a thesis on "Merger control: a comparative study of regulatory systems for potential implementation into the Maltese legal system." Wayne also read for a Master of Arts degree in Financial Services at the University of Malta, graduating in 2003 after submission of a thesis entitled "The Impact of Information Technology on Financial Services". In 2018, having successfully submitted a research project on "Tax arbitrage in ICOs: a European perspective", published in the EC Tax Journal, he was awarded an Advanced Diploma in International Taxation by the Chartered Institute of Taxation.

Wayne is a published author and an experienced and passionate digital finance specialist embracing the mantra to pursue "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". He is an active thought leader in the financial technology space, proactively exploring digitalisation opportunities to transition to more sustainable finance, aspiring for net zero and a more sustainable way of living. He is a lecturer with a number of institutes and the University of Malta, makes regular contributions at fintech conferences, and has a passion for the security and technological aspects of distributed ledger technology, sustainable development and the collaborative economy. He is also a joint contributing author to "European Competition Laws: A Guide to the EC and its Member States, the leading legal compendium with respect to Competition law in Europe", published by Lexis Nexis and revised annually.



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Since 2003, Michael has been involved in Indirect and Direct tax matters, initially at the Inland Revenue Department's Tax Investigations unit, followed by his employment with Grant Thornton's tax advisory department in 2007.

Since joining Grant Thornton, Michael has been involved in providing tax assistance to a portfolio of local and international clients with special reference to the preparation of tax assessment, tax planning and consultancy services, Value Added Tax compliance, expatriate and personal tax services, tax litigation and investigations, and also buyers' and vendors' cross-border due diligence assignments.

Michael is an ACCA affiliate and has recently completed his studies with the Chartered Institute of Taxation where he obtained an Advanced Diploma in International Taxation. Michael is also a member of the Malta Institute of Accountants and the Malta Institute of Taxation.



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Russell leads Grant Thornton's team of accounting professionals within the tax department, providing an array of accounting, VAT and corporate taxation services to a portfolio of local and international clients.

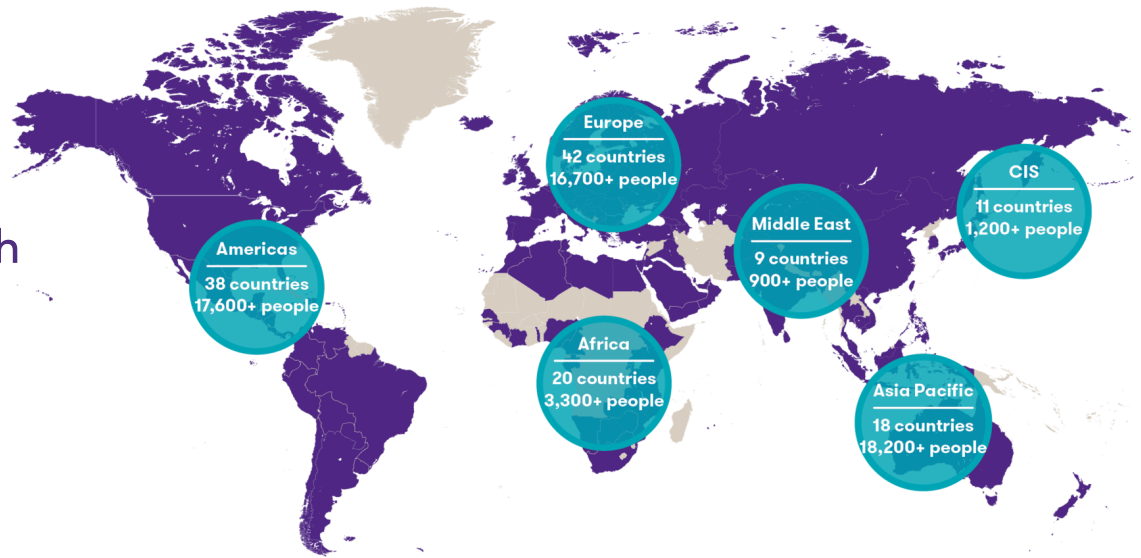
He began his career at a small audit firm as an associate servicing a portfolio of local clients. During the four years spent there he gained experience in financial and management accounting, VAT, payroll and other ancillary services. He then moved on to join a leading group of companies operating in the fashion industry as the group accountant.

He joined Grant Thornton in 2016. Since then he has led and overseen the department's accounting team, working in a diverse range of industries from aviation and yachting to gaming entities. He also advises his clients on corporate tax and VAT issues.

Russell is a qualified accountant following the completion of the ACCA qualification in 2015. He successfully completed the Advanced Diploma in International Taxation offered by the Chartered Institute of Taxation in 2021, choosing EU VAT as an area of specialisation.

He is a member of the Malta Institute of Accountants and of the Indirect Taxation Committee of the Malta Institute of Accountants.

A global reach



We discover what is important to you and make it important to us

Our culture is built on a genuine interest in our clients – their challenges, growth ambitions and wider commercial context. You get the attention you deserve from approachable, senior professionals who ask the right questions, listen and provide real insight and a clear point of view.

The bottom line

- A relationship-led approach with more time and attention from partners and senior advisers
- A deeper understanding of your business for more meaningful advice and recommendations.

Agile and responsive service

Our size and structure creates advantages for you. We adopt a flatter structure, with shorter decision making chains, empowered teams and no complex chain of command. We have all the necessary processes and controls in a streamlined, efficient and responsive environment.

The bottom line

- A faster response when you need quick answers and clarity
- Anticipating the answers you will need before you ask.

Pragmatic solutions to help you improve and grow

Our teams bring ideas to the table, going beyond the technical issues to recommend ways to make your business better. We balance a desire to do what's best for you in the future with an experienced sense of what is going to help you now.

The bottom line

- Helping you think ahead and think more broadly
- Proactively identifying opportunities for improvement and growth

Collaborative teams with a different mindset

Our people are open, accessible and easy to work with. We work through the issues alongside you and challenge your ideas where necessary, whilst keeping an independent perspective. Our collaborative style also enables us to assemble teams across service lines, industries and geographies to tailor our capabilities to your requirements.

The bottom line

- Teams and solutions built around your needs not our structures
- A better working relationship with you and your team



Our distinctive client experience sets us apart



USD5.76bn
(2020 revenue)



58,000+
people



750+
offices



138
countries

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