

GCS

MALTA

MALTA BUDGET
2021

Highlights

Weekly cost
of living
adjustment of
€1.75

Long term
implementation plan
towards achieving a 'Net
Zero, Carbon Neutral'
environment for the
tourism industry

Extension and
enhancement of
reduced stamp duty
on donations and
property extensions

Social security
pensions
increase by €5
weekly

VAT exempt
threshold
increased to
€30,000

Vacation leave
entitlement
increased by one
day to 28 days

Performance of the Economy

- The cost of living increase for 2021 is €1.75 per week. The increase will be granted to employees and pensioners in full, whilst pro-rated to students.
- The unemployment rate as of August 2020 stood at 4.1%. The unemployment rate remains below the EU average rate, which stands at 8.1%.
- The deficit for 2020 is expected to amount to around 9.4% of GDP (down from an expected surplus of 1.4% of GDP). For 2021, this is expected to fall to 5.9% of GDP.

Income Tax & Other Taxes

- Tax refund to increase by €45 - €95, depending on the level of income and tax status of the individual.
- The maximum amount of exempt pension income will be increased to €14,058. Furthermore, persons claiming married rates will be entitled to a further €3,600 tax-free amount in respect of income from other sources.
- Fiscal measures providing for a further maximum tax saving of €1,500 for single individuals and €2,250 for married couples (where only one of the spouses is in employment) who contribute towards Voluntary Occupational Pension Schemes and Personal Retirement Schemes, will be increased on the number of tax credits.
- A tax rate of 15% will apply to profits or gains arising on the assignment of cessation. It also applies to any rights acquired under a promise of transfer of immovable property or any rights thereon. This applies from 1 January 2021 till 31 December 2021.
- 15% of final withholding tax to be introduced on royalty income derived from the publication of literary works.
- The exemption on certain profits derived by registered voluntary organisations where the annual income thereof does not exceed €50,000 (subject to the satisfaction of conditions).
- The reduced 1.5% duty rate on certain intra-family donations of business property and securities in companies is extending by a further year.
- Existing property purchase schemes extended by another year; exemption for First Time Buyers from stamp duty on the first €200,000 instead of the first €175,000.
- Tax reduced rate of 3.5% when buying a home, even if not a first-time buyer, and for those already living in a home left to them through inheritance, will be applicable on the first €200,000.

Income Tax & Other Taxes

- Extension of Economic Regeneration Plan measures: stamp rate on property purchases has fallen from 5% to 1.5% on the first €400,000 of property value and from 8% to 5% on those selling property, will remain in place for promises of sale registered until 31 March 2021 and contracts entered into by 31 December 2021.
- No stamp duty shall be charged on the first €250,000 (previously €200,000) of donations of immovable property from parents to their children where the immovable property being donated is used for the children's residential purposes. The additional value of the immovable property is to continue being charged at 3.5%.
- Continued reduction of stamp duty on the purchase of a residential home for "Second-Time Buyers" in Gozo (reduction from 5% to 2%) and in Urban Conservation Areas (reduction from 5% to 2.5%).
- Persons whose annual turnover does not exceed €30,000 (previously €20,000) may be registered as small businesses, in order not to charge VAT on the supplies that they make. On the other hand, such persons are not entitled to claim back VAT that they incur.

Social Measures

- One additional day of leave shall be added to all employees' yearly leave balance.
- Social security pensions shall be increased by €3.25 per week. Thus, together with the cost of living adjustment of €1.75, the increase for pensioners should be €5 per week (€260 per year).
- A yearly increase in children's allowance amounting to €70 per child granted to families having an annual income of less than or equal to €25,318. Families having a yearly income of more than €25,318 will be entitled to an annual increase of €50 per child.
- Increase in applicability thresholds for the in-work benefit. For couples in gainful employment, the threshold will increase to €35,000, for single parents, €23,000 and for a couple where only one person is in gainful employment the threshold will increase to €26,000.
- Foster Care allowance increased by €520 for a total allowance of €5,720 per year.
- A grant of €1,000 will be given to couples who adopt a child locally.
- An increase in the Carers Allowance from €5,291 to €6,000 per year. The eligibility criteria for the Carers Allowance will also widen.
- Parents required to stop employment to care for children sever disabilities will be granted new assistance amounting to €300 per year.

Other Measures

- Additional €100 Government vouchers to be issued of which €60 to be used for accommodation, hotels and restaurants and remaining €40 at different shops.
- Malta Enterprise to introduce a new scheme for companies which employ less than fifty people to undergo transformation projects. The scheme will cover a maximum of 50% of the investment capped at a maximum of €200,000 per company. Such aid will be increased by €35,000 in case of collaboration with research institutions.

Governance & E-Commerce

- Various measures and investment geared towards the digital sector including investment in cybersecurity, innovative technologies, e-sports and video game development and in 'upskilling' and 'reskilling'.
- Introduction of a framework to make Malta an ideal jurisdiction for start-ups.
- Initiatives to facilitate Maltese business to go online.
- Malta Enterprise to maintain, improve and introduce measures to assist businesses operating in Malta and to attract new investment.

Sustainability & the Environment

- Long-term implementation plan towards achieving a 'Net Zero, Carbon Neutral' environment for the tourism industry. The project is for every tourism establishment to have its operations generating green energy and to target a lower consumption of energy through innovative technology.
- The measures for exemption from registration tax and from the payment of the annual road license on electric vehicles and plug-in electric vehicles for a period of five years from the date of first registration will be extended.
- The scheme awarding a full VAT refund on bicycles and electronic bicycles will be extended. The same applies to the scheme that incentivises the purchase of electric motorcycles, scooters and bicycles by awarding a VAT refund up to a maximum of €400.