

Malta Budget 2022 Highlights

Highlights

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This budget contains several measures aimed at sustaining economic growth in a post-pandemic environment. It also introduces various environmental and sustainability-related standards.

- Cost of living adjustment of €1.75 per week.
- The tax rate on part-time income was reduced to 10%.
- Exempt pension income up to €14,318.
- Free public transport to Maltese residents.
- Tax relief on transfer of vacant properties in UCA or which have traditional features.
- Over five years, taxable income will exclude pension income.
- Social security pensions increase by €5 weekly inclusive of €1.75 COLA.
- Extension of reduced stamp duty on donation of family businesses.
- Increased aid when acquiring new electric vehicles or plug-in hybrids.

Performance of the Economy

€1.75

The weekly cost of living adjustment for 2022 was consistent with last year at €1.75 per week. This adjustment will be fully granted to employees, people receiving social benefits, pensioners, and pro-rated students.

11.10/0

The deficit for 2021 is expected to amount to around 11.1% of GDP (anticipated initially at 5.9% of GDP). By 2022, this is expected to reduce to 5.6% of GDP.

0.2%

The 12-month moving average inflation rate in August 2021 stood at 0.2% compared to 1.1% for the same period last year.

€13.9bn

GDP for 2021 is expected to be €13.9bn. From June 2021, GDP increased by 5.6% in real terms from the same period last year.

€4.5bn

Tax revenue for 2021 is expected to be €4.5bn (down from the original estimate of €4.6bn) and is expected to rise to €5.1bn by 2022.

3.20/0

The unemployment rate as of August 2021 stood at 3.2%. The unemployment rate remains below the EU average rate, which stands at 6.8%.

61.3%

Government debt is expected to reach 61.3% of GDP by the end of 2021 (compared to the original estimate of 58.6%).

Performance of the Economy

270/o

Increase in the labour supply from 2016 to March 2021. The total number of persons available in the workforce until the first quarter of 2021 stood at around 238k.

20%

The at-risk-of-povertyor-social-exclusion rate expressed as a percentage of the total population stood at 20%, which is comparable to the EU average.

€19k

The Maltese average household income for 2020. It increased from 2019 and continues to close the gap on the EU average.

€962m

During the first eight months of 2021, €962m government stocks were issued on the primary market compared to €88.4m of corporate bonds.

480/o

Increase in internet subscriptions between 2013 and 2020.

17.8%

Greenhouse gas emissions reduced by 17.8% in 2019 compared to 2010.

261k

Inbound tourists up to July 2021 amounted to 261k, down from 419k for the same period in 2020 and 1.5m for the same period in 2019.

Exemption on Pension Income

The maximum amount of exempt pension income will be increased to €14,318.

Couples receiving a pension and opting for a joint computation will be entitled to a further €3,600 tax-free amount in respect of income from other sources.

Tax-free Pension Income

To encourage pensioners to continue working beyond retirement age, over 5 years starting from 2022, pension income will gradually not be considered part of the taxable income. It is particularly relevant for pensioners earning additional income on top of the pension.

50% Reduction in Taxes Due on Transfers of Certain Rented Properties

A 50% reduction in the taxes applicable on property transfers (up to the first €200,000) will apply when the property has been leased for not less than ten years to a person paying subsidised rent under any scheme administered by the Housing Authority.

No taxes will be due if such property is transferred to the tenant. In addition, a 50% reduction in taxes on transfers of property may also apply when such transferred property is leased (under a subsidised rent scheme) for more than three years and less than ten years.

Tax Incentives upon the Transfer of Family Businesses

The reduced duty rate of 1.5% applicable to specific intra-family donations of family businesses has been extended once again.

Reduction in Income Tax Rate Applicable to Overtime Income

As of next year, qualifying overtime income up to an amount of $\le 10,000$ may be subject to income tax at the reduced rate of 15% (to the extent that the annual basic salary did not exceed $\le 20,000$ and provided that the employee is not in a managerial position).

The reduced 1.5% duty rate on specific intrafamily donations of business property and securities in companies has been extended by a further year.

Reduced Tax Rate on Part-time Income

The tax rate on income earned from part-time work will be reduced from 15% to 10%.

Increase in Tax Refund to Individuals

The tax refund paid in the past years will be paid again to individuals earning less than €60,000. The refund will increase, and vary between €45 and €140 (as set out in the table on the next page), depending on the level of income and the tax status of the individual, with the lowest income-earners eligible for the highest tax refund.

Capital Allowances may be Transferred Intra-group

n terms of a temporary scheme, a company having unabsorbed capital allowances in 2020 and 2021 due to losses suffered from the pandemic may apply for such capital allowances to be transferred to another group company that derived chargeable income during 2021.

Income and Other Taxes

Single Computation			
Income	Amount		
	2021	2022	
€0-€15,000	€80	€125	
€15,001-€30,000	€65	€95	
€30,001-€59,999	€45	€60	

Married Computation			
Income	Amount		
	2021	2022	
€0-€20,000	€95	€140	
€20,001-€40,000	€80	€110	
€40,001-€59,999	€50	€65	

Parents Computation			
Income	Amount		
	2021	2022	
€0-€15,000	€90	€135	
€15,001-€40,000	€75	€105	
€30,001-€59,999	€45	€60	

Income and Other Taxes

No Income Tax and Stamp Duty on Transfers of Vacant Property, 'UCA' Property and Property with Traditional Maltese Features.

No income tax and stamp duty will apply on the first €75,000 of the value of the property transferred when such property:

First-time buyers of the properties referred to above will also receive a grant amounting to €15,000. Such grant will be increased to €30,000 for property situated in Gozo.

- Has been constructed more than 20 years ago and has been vacant for more than seven years; or
- · Is situated in an Urban Conservation Area: or
- · Is built with typical Maltese architectural style and traditional Maltese features. This incentive also applies to buyers who have already entered into a promise of the sale agreement but have not yet signed the contract of sale.

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Individuals acquiring or already in possession of any of the properties referred to above will be eligible for a refund of VAT amounting to a maximum of €54,000 of the first €300,000 of expenses incurred in the restoration or improvement of the property. This refund is also applicable to persons who have already acquired property and are in the process of carrying out the said r4estoration or improvement works.

Several anti-abuse measures will be introduced in respect of this scheme. The stamp duty reduction schemes applicable to first time buyers, second-time buyers and property acquisitions in Gozo will be extended for a further year.

Tax Benefit on Malta Enterprise Scheme

Malta Enterprise will introduce a scheme where a tax benefit will be given to businesses that reinvest a percentage of their profits in the same or another company as long as the investment is made within two years from 1st January 2022.

Remission of Interest on Overdue Tax.

Requests for a remission of interest on overdue tax will only be considered if the CFR is satisfied that the tax due was not paid within the prescribed period due to a reasonable cause. As of 1st June 2022, the interest rate on outstanding income tax and VAT balances will increase to 7.2% per annum.

Culture and Art

Measures were introduced for artists, producers and promoters of art, culture and entertainment activities.

A lower income tax rate of 7.5% will apply to artists as of 2022. In addition, a mechanism will be introduced to calculate artists' income over an average period of 3 years.

An amount of €1m will be committed to providing a guarantee for independent artistic activities to assist producers and promoters in recovering costs that would otherwise not have been recovered due to unforeseen circumstances.

A further amount of €2m for events when seats cannot be sold due to the introduction of any new restrictions on such events.

An amount of €2m for a scheme to be administered by the Malta Arts Council to assist independent artistic projects.

Cost of Living

The cost of living adjustment for 2022 amounts to €1.75 per week. This adjustment will be granted to all employees, to pensioners and those receiving social benefits. Students' stipends shall be increased pro-rata.

Additional cost-of-living mechanism to be set up for low-income families.

Pensions

Social security pensions shall be increased by $\in 3.25$ per week. Thus, together with the cost of living adjustment of $\in 1.75$, the increase for pensioners should be $\in 5$ per week ($\in 260$ per year).

Furthermore, pensioners who retired after 2008 will also benefit from a maximum increase of €2.50 per week (€130 per year) to their cost of living bonus.

Pensioners benefitting from the widow's pension, whose income does not exceed €10,221 per year, shall receive an increase of between €520 and €780 per annum.

An increase of €150 per annum to the annual bonus will be granted to persons who have reached their retirement age but do not qualify for a retirement pension due to lack of contribution.

Similar to previous years, the portion of any service pension which is not to be reduced from the social security pension is being increased by a further €200. Furthermore, in certain instances, the commuted part of the service pension shall not be considered for the reduction in the social security pension.

Individuals who have paid at least ten years of social security contributions before January 1979 and none after such date will now qualify for the equivalent of the minimum rate of the two-thirds pension, amounting to around €50 per week.

Other Social Measures

Increase in applicability thresholds for the inwork benefit. For couples in gainful employment, the applicability threshold will increase further from \leqslant 35,000 to \leqslant 50,000, for single parents from \leqslant 23,000 to \leqslant 35,000. For a couple with only one person in gainful employment, the threshold will increase further from \leqslant 26,000 to \leqslant 35,000. The minimum annual in-work benefit will increase to \leqslant 200 per family, together with an additional \leqslant 100 for every child.

A new in-work benefit of €150 for eligible workers working irregular hours and earning less than €20,000 a year will be introduced.

Discussions with MCESD to implement the EU Work-Life Balance Directive on parental leave and work-life balance.

Part-time workers will be given the possibility to pay social security contributions on more than one part-time job, up to a maximum of 40 hours per week.

Married persons and/or couples whose income for 2022 does not exceed €14,318 will benefit from an increase in their supplementary allowance ranging from €3.47 to €6.50 per week, based on their income. In addition, single persons, including widowers whose income for 2022 does not exceed €10,221, shall benefit from an increase in their supplementary allowance ranging from €4.10 to €5.00 per week.

An increase of €50, resulting in a €400 grant for those aged 80 years and over who live in their home or a private residential home.

Increase in the Carer's Allowance from €6,000 to €7,000 per year.

An increase to the "Home Helper of Your Choice" scheme subsidy from €5.50 per hour to €7.00 per hour.

An increase of \leq 5 per week to the disabled child allowance resulting in a yearly allowance of \leq 1,560.

Employment Matters

Measures will be taken to ensure further pay parity between public and private sector workers working for contractors servicing the public sector.

Government undertakes to continue discussions with all relevant stakeholders to enable an increase to the statutory minimum wage, balanced by an appropriate reduction to business' income tax rates.

The government will conduct a census better to understand the skill set of the local working population and establish a training fund for the industry to train and upskill its workforce through programmes developed by the industry.

Business Growth and Recovery

Rental costs for warehousing will be subsidised to lessen the impact of increasing international transportation costs.

Following the phasing out of the COVID wage supplement scheme, a new set of incentives will be introduced as part of the recovery phase and to continue supporting businesses.

Introduction of various incentives and programmes to attract start-ups to Malta.