



THE MALTA CHAMBER
OF COMMERCE,
ENTERPRISE AND INDUSTRY

Annual Budgetary Estimates Review – 2018

Budgetary Review jointly prepared by RSM Malta & Chamber of Commerce

DISCLAIMER

This document is designed to inform readers about the outcomes and measures of the 2018 Budget Speech in the most timely manner possible. While every effort was made to ensure correctness and accuracy, please appreciate that this document was produced under very tight time frames. It is not intended to give a definitive or comprehensive analysis of the subject. More details will be circulated in due course.

Economic performance

- In 2016 the Maltese economy has grown in real terms by 5.5% (the EU by 2.2%) while for the first 6 months of 2017 it expanded by a further 6.3%.
- Fitch rating for the Maltese economy was upgraded from A+ to A+ Stable; DBRS upgraded the economic outlook from A stable to A+ while S&P upgraded the economic outlook from stable to positive.
- The global economic outlook is expected to improve in the coming years as emerging markets and developing markets are recovering. Growth in real terms is expected to reach 5.6% in 2018 when compared to 1.8% in the EU.
- Exports are expected to increase by 2.5% in 2018 from various sectors including the financial, gaming and tourism sectors.
- In 2016, Malta registered a surplus of 1% on the GDP (€100 million) and a surplus of €31 million has been registered up to August 2017 (a surplus of 0.5% of GDP is anticipated in 2018).
- Malta has improved its World Economic Forum Global Competitiveness Index rating (2017–2018) from the 40th to the 37th place.
- Debt compared to GDP stood at 57.6% and is expected to be reduced to 50.8% in 2018.
- Inflation has increased by 1% in 2016 while as at August of 2017 the annual inflation rate was in the region of 1.2%.
- Unemployment in Malta stood at 4.1% in 2017 (4.7% in 2016). Employment growth in 2017 stood at 2.5% (3.3% for 2016).
- The private sector was the driver for the increase in workforce, which was registered in all sectors especially in professional services, technical, scientific and administrative sectors and also in the arts, entertainment and recreation sectors.
- COLA to be at €1.75 per week.

Fiscal and social measures

- Persons earning less than €60,000, whether part-time or full time, will enjoy a one-time benefit by way of a cheque ranging between €40 and €68 depending on gross earnings.
- The tax-free bracket for pensions has been increased to €13,200 which follows on measures introduced in 2017.
- A new agreement in relation to the adjustment of the National Minimum Wage was reached with the various social partners. Employees earning the minimum wage will be entitled to an increase of €3 per week in the second year of employment and an additional €3 per week in their third year. Where the employee earns more than the minimum wage a part of this increase will be awarded. A COLA supplement is also stipulated.
- Contributory and non-contributory pensions shall be increased by €2 per week.
- Government Savings Bonds targeted to pensioners is to be re-issued.
- Service pensions deductible from the Social Security pension to be increased by €200.
- €300 annual contribution to persons aged 75 or over still living in their home to be sustained.
- Pensioners are obliged to keep paying Social Security Contributions up to the age of 65. A revision of the pension calculation is to be made once the age of 65 is reached, to consider also SSC payments made past pensions age and make up for missing contributions.
- Retirement pensioners who have not reached the age of 65 and who work part-time even in self-employment, will be eligible for a pro-rata rate of 15% of net income by way SSC
- An additional day of leave to be awarded to employees to start making up for feast days which fall in a weekend.

Competitivity

- Malta aiming to be a centre of excellence in Blockchain. A Blockchain lab to be set-up in MITA as well as a new web-portal and a Blockchain Hub.
- 'VAT Grouping' concept to be introduced for financial services and gaming industries. Entities which are legally independent, have a permanent establishment in Malta and have financial, economic or organisational ties, may be registered as one taxable person.
- Microinvest aid to increase from €30,000 to €50,000 for those businesses based in Malta (€70,000 where the majority of shareholders are female) and to €70,000 to those based in Gozo. This scheme will also be applicable to businesses employing up to 50 employees full-time.
- Offsetting system to be implemented for companies that have amounts due or receivable from the government.
- Brexit working group to be formed to draw a strategy to attract new investment to Malta.

Environment

- Infrastructural investment of €150 million in a project to produce energy from waste.
- Discussions to be held with the private sector to operate a scheme whereby customers will be given a refund when glass or plastic drinking containers are returned.
- A tree will be planted for every child born in Malta.
- Free audits will be provided to families to use water and electricity in a more efficient manner. A national programme will be introduced to aid consumers to adopt practical measures on usage.
- Two new 1MW solar farms will be commissioned.
- A new desalination plant to be built in Hondoq ir-Rummien.
- Three polishing plants commissioned and tested to produce a further 700m³ water for agriculture and industry.

Education

- The Government has committed itself to reach a sectoral agreement with the Malta Union of Teachers (MUT) for improved work conditions and opportunities for teachers.
- A National Board for Obligatory Education to be set up to enhance links between educational institutions and industry, having the participation of different stakeholders.
- Measures for more inclusive practices to be undertaken in state schools including multi-sensory rooms, a pilot project related to autism and further training for staff.
- Students to benefit from a 50% subsidy on costs of SEC and MATSEC examinations in 2018, to be increased to a full subsidy as from 2019.
- One Tablet Per Child initiative to be extended to all children in their Fourth and Fifth Grade.
- Blockchain technology to be utilised to improve security and accessibility to certificates issued by MCAST, NCFHE and ITS.
- Tax credits for persons under 40 undertaking Masters (MQF 7) and PhD (MQF 8) level qualifications whose academic year starts from 2017/2018 onwards. Qualifying persons benefit from a 1 or 2 year exemption from income tax on earnings up to a maximum of €60,000 respectively. Credits to be awarded pro-rata for part-time courses and subject to the conditions that they work in Malta for at least 3 years and that no other study related schemes are availed of.

Housing and infrastructure

- Beneficial schemes to be introduced to property owners to encourage rental of properties to the Housing Authority for a period of 10 years. Other schemes will be aimed at the re-generation and rental of property which is currently not being used.
- First Time Buyers Scheme exempting the first €150,000 from Stamp Duty to be extended by another year.
- Tax refund for second time buyers who sell first residential property to acquire another. Unless they own yet another property, they shall receive a Stamp Duty refund up to a maximum of €3,000 (€5,000 in case of persons with special needs).
- Introduction of refund scheme to individuals who regenerate properties in an Urban Conservation Area.
- Proposed extension of Stamp Duty reduction from 5% to 2.5% upon acquisition of property in an Urban Conservation Area for an additional year.
- Reduced Stamp Duty rate of 2.5% from 5%, of properties acquired in Gozo to be extended by another year.
- An investment of a total of €700 million over 7 years to improve the infrastructure of Maltese roads.
- A new governmental agency to be established to work hand in hand with Transport Malta to oversee the infrastructure, maintenance and minimisation of traffic congestion.
- Improvement of public transport and ferry services. A free *Tal-Linja* card to be granted to individuals between 16 and 20 years of age.
- VAT refund scheme on acquisition of bicycles or electronic bicycles to be extended by a year, also where acquired for rental purposes. VAT rate for rental of bicycles to be reduced to 7%.
- Maximum incentive of €400 when purchasing electric bicycles, motorcycles and scooters.

Health and well-being

- Investment in two new Primary Healthcare Centres which are also to serve as Regional Centres
- A *National Cancer Research Foundation* to be set up to incentivise cancer research.
- Further investment is planned in the prevention and fight against cancer and diabetes; improved treatment of HIV and Hepatitis C as well as the introduction of vaccination against *pneumococcus* in the National Vaccination Program.
- IVF service to be extended further and substantiated by changes in legislation.
- Agreement entered into between the Government and Vitals Global Healthcare for investment in a new hospital with 350 beds to be built in Gozo.
- St Luke's Hospital to be converted into a rehabilitation hospital as well as orthopaedic and prosthetic centre. Karen Grech to be converted into geriatric centre.
- New Out-Patients block and car park to be built at *Mater Dei* via a *Private Public Partnership*
- The Government shall continue to strengthen its message in international fora for restraining illegal migration based on concepts of solidarity and burden sharing. A strategy and action plan is to be established in 2018 for further integration of migrants living in Malta.
- New legislation on domestic violence to be introduced in 2018 to increase the remit of the Commission for Domestic Violence.
- During 2018 proposals are to be presented to Parliament in relation to improvement of conditions of employment.
- Discussions on various reforms including medical use of cannabis, gender quotas, human trafficking among others.

Further measures

- *Ex-gratia* payment to be issued to all those who registered a new vehicle in 2007.
- VAT exemption threshold for small entities to be raised to €20,000.
- The Joint Enforcement Task Force will increase its efforts against tax evasion. Penalties established by the Courts will be increased, even where agreement is reached outside Court.
- Maximum In-Work benefit to couples where only one of the parents is in employment to be increased to €450 per child. Where the second parent is working the maximum benefit goes up to €1,200.
- Employees under the Community Worker Scheme will benefit from €200 increase per month.
- From 2018 a maximum allowance of €10,000 will be provided to parents who will be adopting a child to cover expenditure.
- Foster care allowance will increase from €70 to €100 per week.
- In 2018 three houses will be renovated to help adults with intellectual disability including persons with autism and difficult behaviour.
- The Individual Investor Programme will be extended to continue attracting investment to Malta.
- No increase in excise duty on tobacco or alcohol.

About Us

RSM Malta

RSM Malta was established by a team of reputable certified public accountants and auditors with decades of working experience in the profession. Our set up enhances business efficiencies, reduces internal bureaucracy and underpins our client focused culture. It also assists our clients in readily connecting to partners and directors providing both leading advice and great value for money. The firm is a member of RSM International, the world's 6th largest provider of audit, tax and consulting services to entrepreneurial growth-focused organisations globally. As an integrated team, we share skills, insight and resources, as well as a client-centric approach that's based on a deep understanding of your business. This is how we empower you to move forward with confidence and realise your full potential. This is The Power of Being Understood.

The Malta Chamber of Commerce, Enterprise and Industry

The Malta Chamber of Commerce, Enterprise and Industry is the independent voice of the private sector. Its principal mission is to actively represent companies from all economic sectors in Malta and ensure that entrepreneurs enjoy the best competitive environment and regulatory conditions possible for the conduct of business. The Chamber constantly champions the need for competitiveness-enhancing measures with the pertinent authorities in Malta as well as in Brussels. Housed within its historic Exchange Buildings in Valletta, the Chamber serves as a natural home for SMEs and large enterprises alike and across all business sectors. Through its active internal structures, the Chamber enables effective communication across all stakeholders as well as ensuring a series of value-added services to business not least in the field of internationalisation. The Chamber is part of the Enterprise Europe Network and is affiliated to Eurochambres and BusinessEurope.