



Budget 2016

12th October 2015

The objective of this review is to highlight certain budget measures as listed hereunder, which we feel are of particular interest to clients.

- ü Income Tax
- ü Value Added Tax
- ü Eco-Contribution
- ü Property Related Measures
- ü Excise Duty
- ü Incentives to Industry
- ü Transport
- ü Other Measures
- ü Social Measures

The information contained herein is intended to keep readers abreast with developments and should not be acted upon without seeking professional advice.

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Income Tax

- An amendment to all three personal income tax bands effective from 1st January 2016 such that those falling to be taxed at 0% or 15% tax rates will experience a reduction in personal income tax. The new tax bands will be as indicated hereunder.

<i>Tax rate</i>	<i>Separate Computation (€)</i>	<i>Joint computation (€)</i>	<i>Parent rates (€)</i>
0%	0 - 9,100	0 - 12,700	0 - 10,500
15%	9,101 - 14,500	12,701 - 21,200	10,501 - 15,800
25%	14,501 - 60,000	21,201 - 60,000	15,801 - 60,000
35%	over 60,000	over 60,000	over 60,000

- Coaches and players of any sport will benefit from a reduced income tax rate of 7.5%.
- Any “extra duty” work carried out by police officers for organizations, individuals and companies will be taxed separately at a rate of 15%.
- The option to tax rental income at a 15% final withholding tax rate will be extended to commercial properties, but will exclude rents between related parties.
- The present wear and tear capital allowances of 10% initial and 2% annual of the capital expenditure previously restricted to industrial buildings, hotels and car parks shall also be extended to office buildings too.
- A donation to the arts will be considered deductible at 150% of the amount donated.
- Corporate donations of not less than €2,000 to the Community Chest Fund during 2015 will be entitled to a tax deduction equivalent to the amount donated.
- Businesses which buy hybrid or electric vehicles may avail themselves of a one-time tax deduction equivalent to 50% of the cost of such vehicle during the year of acquisition.
- A tax credit to facilitate research and innovation will be granted to enterprises employing individuals with a doctorate or reading for a doctorate in science, ICT or engineering. Such enterprises will be eligible to a maximum tax credit of €10,000, to the extent that such period of employment is at least of 12 months.
- As a measure to facilitate the computation of taxable income, a fiscal consolidation regime will be introduced whereby companies under common ownership will be eligible to submit one consolidated income tax return.

Valued Added Tax

- A reduced rate of 7% shall be introduced on gym membership fees and fees charged by fitness centres, football nurseries, and similar sport activities.

Eco-Contribution

- Certain products will no longer be subject to eco-contribution and will instead be subject to excise duty. These include chewing gum, plastic bags and bottles / cans of non-alcoholic beverages including water.

Property Related Measures

- In case of a dispute concerning inherited property, the law will be changed so that where more than 51% of the heirs are in agreement, the property can be sold after three years from the date of inheritance as opposed to the current period of five or ten years.
- Owners of commercial vacant property will now be obliged to keep such properties well maintained or incur penalties.

- A reduction in duty on documents from 5% to 2.5% shall be levied on transfers of property within an Urban Conservation Area (UCA) if the contract is executed in 2016. Furthermore, the rate of final withholding tax that will be levied on transfers of restored property within an UCA in 2016 will be reduced from 8% to 5%.
- The duty on documents exemption for first time buyers is being re-introduced on promise of sale agreements signed from 1 July 2015 up to 31 December 2016. This will result in a maximum duty saving of €5,000.

Excise Duty

- The price of petrol and diesel will be reduced by €0.03 and €0.04 per litre respectively as from 1 January 2016. The price of gas is to remain fixed until April 2016.
- The excise duty on lubricant oils, petroleum and gas oil will be increased by rates of between 6.8% and 21.1% depending on the type of product.
- Excise duty on cement is being increased by €5 per 1,000kg to €40 per 1,000 kg.
- Excise duty on cigarettes and tobacco products is being increased at rates of between 6% and 7%, depending on the type of product.
- Excise duty on beer is being increased by €0.20 per hectoliter per degree Plato.
- Excise duty on alcohol and alcoholic beverages, other than beer, is being increased at rates of between 1.33% to 2.5%, depending on the type of product.

Incentives to industry

- A benefit of up to €10,000 per annum to be granted for a maximum period of 2 years to small enterprises renting additional manufacturing area from the private sector.
- The introduction of a new scheme by Malta Enterprise to assist new start-up companies. Assistance will be in the form of financing of up to €200,000 repayable over a ten year period. This can be increased to €500,000 for enterprises developing high value added innovative products, processes or services, and can be used to finance the purchase of equipment.
- Fiscal incentives to assist enterprises to invest in certain energy efficient products.
- The Micro Invest Scheme will be extended to provide a maximum tax credit of €50,000 to self-employed women and businesses that are majority owned by women.

Transport

- Various scrappage schemes and grants for small or low emission vehicles to be introduced and / or extended.
- The rebate of 15.25% on the price of bicycles and pedaled bicycles shall be extended and the maximum capping shall be raised to €250.
- €150,000 shall be allocated to cover half of the expenses incurred by employers in respect of bicycle racks for employees. Furthermore, €30,000 shall be allocated to local councils for projects aimed at encouraging the use of bicycles.
- Government will continue with the process of refunding the excessive tax on car registrations by refunding such excessive tax paid during the year 2005.
- Owners of a hybrid vehicle or electric vehicle will be exempt from paying CVA tariffs when entering Valletta.
- Vehicles with more than 160,000 kilometers will be obliged to carry out the VRT annually rather than every two years.
- The license for small motorcycles with an engine of 125cc has been reduced to a flat nominal rate of €10 per annum.

- The registration tax on electric motorcycles has been removed.

Other Measures

- A new environment contribution of €0.50 per night will be imposed on every tourist of over 18 years of age arriving in Malta as from 1 April 2016. The contribution per tourist will be capped at € per visit.
- The initial registration fee for companies registered in electronic format and whose authorized share capital does not exceed €1,500 shall be reduced to €100.
- Employers will be eligible to receive a refund of 20% of salary costs (capped at €5,000) for each employee who will be offered a contract of employment of at least three years in the private sector in Gozo.
- Introduction of an export trade guarantee for exports towards high risk jurisdictions.
- Currently, where both parents are gainfully occupied and their combined annual income is between €10,000 and €20,000, they are entitled to an “in-work benefit” amounting to a maximum of €1,000 per child per year. In the case of a single parent who earns between €6,600 and €15,000 per year, the “in-work benefit” amounts to a maximum of €1,200 per child per year. Such benefit will now be extended to families with dependent children who are younger than 23 years. Where only one of the parents is employed and his / her annual income is between €6,600 and €12,700, the family will be entitled to an “in-work benefit” of a maximum of €150 per child per year.

Social Measures

- Cost of living increase (COLA) of €1.75 weekly with effect from 1st January 2016 will be received in full by pensioners and persons on social benefits too. As a result, the weekly minimum wage as from 1st January 2016 shall amount to €168.01.
- As from 1 January 2016, the minimum contributory pension and bonus will amount to €7,280 per year (€140 per week). Persons having insufficient average annual contributions will be entitled to a pro rata of the €7,280.
- A payment of €4.15 per week for married couples entitled to the minimum married pension.
- Pension calculation for persons born after 1968 will be based on an average of 41 years rather than 40 years.
- Those persons who decide to continue working without applying for a pension will be entitled to a percentage increase in their pension per year.
- Certain contributions will be credited to parents who stopped working to rear their children or those persons who decided to stop working to specialize and further their studies.
- A grant of €300 will be paid to persons of 75 years and over.
- As from 1 January 2016, companies employing more than 20 employees and failing to employ a minimum number of persons with disability will be liable to pay a contribution of €1,600 per person (previously €800) with disability that should have been employed by the company. Such contributions will be utilized by the “Fondazzjoni Lino Spiteri” to employ more job coaches in order to assist both employers and persons with disability in their workplace.
- In addition, the Government will be paying the social security contributions of employees with disability whilst their employers will benefit from a refund of 25% of the total wage payable to such persons together with a subsidy of €125 per week for 3 years.
- The Carers Pension and the Social Assistance for Carers are going to be revised and amalgamated so as to widen their eligibility for the benefit of both the persons taking care of the elderly and the elderly themselves.