



Malta Budget 2021 Highlights

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Economic Highlights

Following four consecutive years of surplus, a deficit amounting to 9.4% of the GDP is expected for 2020 as a result of the impact of Covid 19 on Government revenue's and increased expenditure to fund the various support measures. Measures which have helped Malta maintain the unemployment rate at around 4.1% (August). During the first half of the year, GDP decreased by 7.7%, compared to that of the Eurozone rate of 9% and public debt is expected to increase to 55% of GDP. Real GDP is expected to fall by 7.4% in 2020 and recover by 5% in 2021. Inflation during September stood at 0.18% and is expected to be of 1.3% for 2021.



Hereunder are selected highlights of the budget speech:

Covid19 related



- Additional vouchers worth € 100 (€ 60 redeemable against hospitality services and € 40 against retail and other services) to be distributed to each person who is at least 16 years of age.
- Wage supplement to be extended to March 2021.

Businesses



- VAT exempt threshold to increase from € 20,000 to € 30,000
- Grants to be given to farmers and fishermen equivalent to their tax due on qualifying produce. Such will be linked to their investments in projects that reduce produce waste and in systems that control the volume of produce put on the market.
- The reduced rate of duty of 1.5% on the transfer of family business to be extended by another year until end of 2021.

Employment



- The cost of living adjustment (COLA) is set at € 1.75c.
- The granting of an additional day of leave in 2021 (to 28 days) to continue improving the work / life balance.
- The tax refund range shall be increased to between € 45 and € 95 for those earning less than € 60,000 with the highest refund being payable to the lowest income earners.
- Employers to be incentivised to introduce measures that improve work life balance and gender equality.

Property



- With effect from 20 October 2020, first time buyers will be exempt from duty on the first € 200,000, increased from € 175,000.
- The rate of duty on the acquisition of residential properties shall be reduced to 3.5% on the first € 200,000.
- The rate of 3.5% shall also be applicable on the first € 200,000 on inheritance of their own residential property.
- The duty free portion on the donation of property by parents to their children for the latter to use as their residence shall increase from € 200,000 to € 250,000. Amounts in excess of € 250,000 shall be subject to duty at the rate of 3.5%.
- The reduced income tax and duty rates on the inter-vivos transfer of immovable property in Malta of 5% and 1.5% respectively for the first € 400,000 will continue on promises of sale agreements registered by 31st March 2021 provided that the contract is entered into by 31st December 2021.
- During 2021, all profits derived from the assignment of rights on a promise of sale relating to immovable property will be taxed at a final tax rate of 15% increased from the first €100,000.
- A new Authority regulating the construction industry will be established as from 2022 with the primary aim to safeguard the local environment and reduce accidents on construction sites. This Authority will be responsible to issue the necessary regulations and standards required within this industry. Decisions may be contested with an independent tribunal to be set-up. A new Compensation Fund will also be formed to provide redress for any damages suffered as a result of any accidents.
- Extension of emphyteusis on commercial properties will be possible to the extent that there will be investment on the property.

Personal Tax



- Income tax exemption relating to the Third Pillar Pension Scheme increased to € 3000 per annum (increased to € 6000 per annum in the case of a married couple where only one of the spouses works).
- Income tax exemption relating to the Voluntary Occupational Pension Scheme increased to € 3000 per annum.
- Royalties derived from the sale of literary works shall be subject to a special final tax rate of 15%.

Family Measures



- As from 2021, new additional children's allowance supplement of € 50 per child per year will be introduced (increased to € 70 if family's income does not exceed € 25,318).
- Foster care allowance shall increase by € 520 per child per annum with effect from January 2021.
- A maximum of € 1,000 grant for local child adoptions as from 2021.

Pensions & the Elderly



- In addition to the € 1.75 COLA increase referred to above, pensioners shall also receive an additional € 3.25 increase per week resulting in a total increase in pensions of € 5.00 per week. As a result of this increase, the amount of tax free pensions per annum will be of € 14,058 and the income tax exemption will be extended to cover this amount.
- Couples who both receive a pension and who apply married rates of tax shall have € 3,600 per annum worth of non-pension income exempt from income tax.
- Annual subsidy for the elderly who have a carer at home (full time or part time) shall increase from € 5,291 per annum to € 6,000 per annum.
- Eligibility for free tal-Linja Card reduced from over 75 years of age to 70 and over.
- The Social Security Act will be amended to recognise the surviving partner in terms of a civil union or recognised cohabitant as the widow/widower.

Incentives



- **Government to set up a Venture Capital Fund to attract foreign start-ups to setup in Malta.**
- **Malta Enterprise to introduce a scheme to assist companies to invest in IT technology, to venture into new markets and employ qualified people. This scheme, which will be applicable for one year to companies who employ less than 50 employees, will cover up to 50% of the expenses up to a maximum of € 200,000 per company.**
- **Organisations registered as 'Voluntary Organisations' and which are duly compliant with the requirements thereto and whose annual income does not exceed EUR 50,000 will benefit from a tax exemption on their profits.**

Environmental Measures



- **An educational campaign on climate change will be launched.**
- **The issue of "Green Bonds" by investors will be incentivised to finance renewable energy projects and projects aimed at decreasing air pollution.**
- **A number of waste management projects aimed at improving the processing of waste, treating organic waste and completing the Waste-to-Energy facility will be undertaken.**
- **Machines for the collection of recyclable bottles to be installed in the coming year.**
- **The importation of single use plastic products will discontinue as from 1st January 2021 with the local sale and distribution to be prohibited as from 2022.**
- **A scheme for private residences and commercial outlets in urban areas to install Green Walls will be introduced.**
- **The calculation of the vehicle registration taxes and the annual road licence fees will be revisited and will be based on the Worldwide Harmonized Light Vehicle Test Procedure. This is not expected to result in any significant changes to the amounts currently being paid.**
- **Current schemes contributing towards the acquisition of photovoltaic panels, heat pump water heaters, solar water heaters and batteries for storing renewable energy will be renewed.**

- **Current incentives assisting with the restoration of wells, change in appliances for vulnerable families and the acquisition of home reverse osmosis systems will be renewed.**
- **Five Eco-Intermodal Hubs to be installed around the island which will give the public access to information on transportation services, hiring of e-scooters and e-bikes, mobile charging and WIFI facilities.**
- **The scrappage of vehicles which have been in use for at least 10 years to be replaced with low emission vehicles can benefit from a grant of up to a maximum of EUR 7,000, depending on the type of vehicle.**
- **The exemption of electric and plug-in hybrid vehicles from registration tax will be extended as will the exemption from annual road license fees for the first 5 years.**
- **The special reduced night electricity rates granted for private residences owning electrical vehicles will be extended.**
- **The current schemes granting full VAT refunds to individuals who purchase a bicycle, pedelec or motorised bicycle will be extended. The grant provided in respect of the purchase of motorcycles, scooters and electric motor assisted bikes will be capped at € 400.**
- **The grant provided for the conversion of car combustion from petrol to gas will be increased to € 400 provided that the CO2 emissions are reduced by 25%. Owners of vehicles used for passenger transport and/or transport of goods may also benefit from this scheme up to a maximum of € 800.**
- **The annual road licence fees payable by motorcycles with a cubic capacity between 125cc and 250cc will be reduced from EUR 65 to EUR 25.**
- **Annual road license fees payable by vehicles that are registered to be used only during weekends and public holidays will be reduced by 35%.**
- **A grant of €10,000 will be provided to cover the replacement of taxis with ones that have access for wheelchair users. This grant would be applicable if this taxi will be replacing another vehicle which has been registered in Malta for the last 5 years and which is older than 10 years.**

Education



- **Free internet access for one year to those students who further their studies beyond secondary level.**
- **Online education sessions to be provided to parents to be able to contribute towards their children's education.**

Infrastructural Projects



- A number of infrastructural projects were mentioned including maritime projects, a new parking at Mater Dei, modernisation of health centres, a new blood bank, a new sports complex at the University of Malta and modernisation of schools.
- A EUR 450,000,000 investment over 7 years in industrial infrastructure and office space covering amongst others, investment in a new Life Science Park, Kordin Business Centre, and the development of an SME space and a logistical centre in Marsa.
- EUR 11,000,000 investment in sports facilities over 3 years.
- Further investment in the infrastructure for the aviation maintenance sector to continue to support this sector.

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