



Malta Budget 2023 Highlights

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Introduction

This year's budget speech was delivered against a backdrop of global economic turmoil resulting from the emerging war in Europe, global inflation and the after-effects of the pandemic. Such unprecedented events dampened the global economic growth forecast which stands at 3.2% for 2022 and 2.7% for 2023. Global inflation is estimated at an exceptional 8.8% for 2022 and 6.5% for 2023.

On the local front, Malta's economy grew by 10.3% in 2021, while expected economic growth for 2022 stands at 6.0% in real terms while unemployment and inflation are estimated at 3.1% and 5.7% respectively. The 2023 forecast of economic growth in real terms is lower than 2022, estimated at 3.5% while unemployment is expected to stabilise at 3.1% and inflation lowering to 3.7%. Government aims to minimise the impact of local inflation as much as possible by absorbing over €600m of the increased cost of energy and grains. In this context, the cost of living adjustment is set at € 9.90 per week and will be payable in full to all employees, pensioners and beneficiaries of social benefits.

This year's deficit is anticipated be of 5.8% of GDP, down from 7.8% last year, in part resulting from an additional €120m in taxes collected. While for 2023 the deficit is expected to be at 5.5%. Public debt is expected to close at 57% of GDP for 2022.

The following are the salient points of the 2023 budget:

Businesses

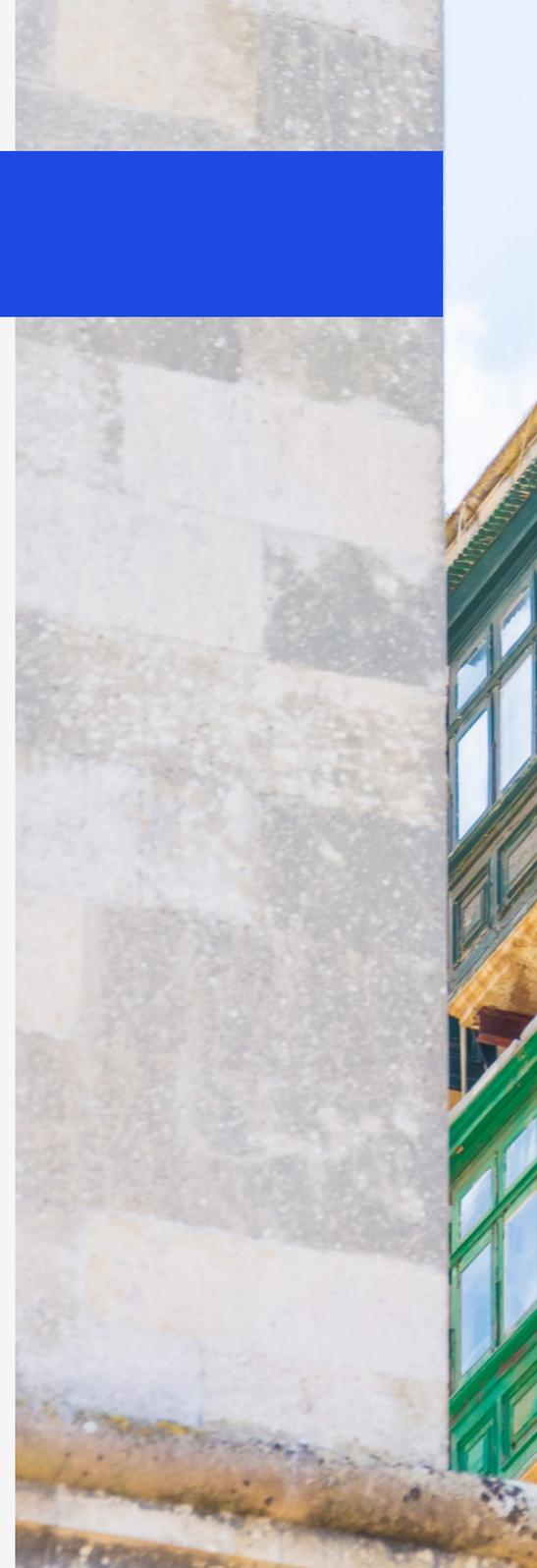
- Extension by a year of the temporary measure allowing entities with excess capital allowances, as a result of losses suffered during the COVID-19 pandemic, to be surrendered to other group entities to be utilised in basis year 2022 (in addition to basis year 2021).
- Investment of approximately € 40m through cash grants provided to small and medium sized enterprises under the Business Enhance Scheme. Malta will also be participating in InvestEU to offer further opportunities for enterprises.
- Rent Subsidy Regulations continue to provide subsidy assistance to eligible undertakings requiring support to rent industrial space for developing a business activity. The aid will be increased from €25k to €50k per annum over a maximum period of six years.
- The Micro Invest scheme to be extended to social enterprises which will become eligible for a tax credit of up to €70k spread over a period of 3 years.
- Government will be funding price differentials resulting from COLA increases to private enterprises which are fulfilling contracts with Government.
- Duty on the transfers inter vivos of company shares and commercial tenements in intra-family donations being subject to a reduced rate of 1.5% on the real value shall be extended beyond 2022.
- €5 million investment in research and innovation through a new program, Technology Extension Support. Participation in the Horizon Europe program will be widened. National STEM Community Fund to be enhanced.
- The reduced tax rate available on royalty income from literary works for authors and co-authors will be reduced from 15% to 7.5%.

Start-ups

- The introduction of a 'one-stop shop' through 'Start' scheme to assist start-ups in establishing their business in Malta including assistance with applications to benefit from existing incentives.
- A new Business Incubation Centre will be developed by Malta Enterprise through EU funding for innovative start-ups to continue diversifying Malta's Economy.

Property

- With effect from 1st January 2022, first time buyers will benefit from a €10k cash grant over a span of 10 years provided the property does not exceed €500k. Currently, first time buyers may benefit from a €15k cash grant (€30k for Gozo) with respect to the acquisition of qualifying property. Furthermore, the VAT Refund of up to €54k on the first €300k expenses incurred for the restoration and improvement of qualifying properties remains applicable.
- The duty exemption for first time buyers (exemption from duty on the first €200k of the consideration), second time buyers (refund of duty paid on the first €86k of the value of the replacement property and purchases of property in Gozo (rate of duty of €2 for every €100 or part thereof with respect to transfers inter vivos of residential property situated in Gozo) will be extended to the end of 2023.
- Assistance in terms of the Deposit Payment Scheme applicable to persons under the age of 40 to assist with financing the initial deposit required to acquire property will increase from €17,500 to €22,500, representing 10% of the consideration of the property of a value up to €225,000.
- Continuation of certain existing property schemes providing for an exemption from income tax and duty on the first €750,000 of the higher of the value and consideration of the property. The schemes, applicable to transfers made by the end of 2024, cover properties located in a UCA or which had their construction completed at least 20 years before the date of the transfer, are vacant on the transfer date and have been so vacant for a period of 7 continuous years immediately preceding transfer date.
- A board will be set up in the first quarter of 2023 to issue guidelines establishing the quality and aesthetic criteria of buildings, the transfer of which will benefit from reduced tax and duty. It is expected that this board will be the approving body of the property measure, also applicable until the end of 2024, providing for duty refunds on acquisition of properties built in a typical and traditional Maltese style and architecture. More detail on currently open schemes is available at: [Tax and Duty Schemes on the Transfer of Immovable Property](#).







Health, Pensions and the Elderly

- The limit of pension income that will not be taxed in terms of the Tax Rebate (Pensioners) Rules will increase from €14,320 to €14,968. Pensioners opting for a tax computation applying married rates will continue to benefit from a further tax exemption on other income up to maximum of €3,600 per annum.
- The increase in pensions is set at €12.50 per week inclusive of the €9.90 cost of living adjustment.
- The tax exemption on pension income introduced in March 2022 shall continue to apply.

Children and Education

- Children's allowance to increase by €90 per child.
- Increase in the tax deduction from €100 to €300 per year to parents sending their children to sporting, artistic and cultural activities.
- Tax credit of €200 per annum for each disabled child.

Tax refunds

- The tax refunds for persons earning up to €59,999 will be issued again this year, with the refunds ranging from €60 to €140, depending on the level of income.



Environmental, Social and Governance (ESG)

- Malta Enterprise to double cash grants assistance to companies investing in digital and sustainable projects to cover 50% of investment, capped at €100k. Enterprises in Gozo and start-ups will continue to benefit from an additional tax credit of 10% that can be increased to 20% for projects that reduce their carbon footprint. A maximum of tax credit of €40k will be granted to enterprises that invest in digital projects and projects that reduce their energy, water consumption and wastages.
- Malta Enterprise to issue new guidelines for local companies to achieve their ESG goals. Technical support to also be offered to local SMEs through collaborations with other EU member states.
- Companies to benefit from interest free loans to invest in electric vehicles and charging stations.



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