

WHPARTNERS

# MALTA BUDGET 2022 HIGHLIGHTS

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# KEY MEASURES



Temporary schemes to be introduced to benefit from capital allowances on investments made by enterprises during the pandemic



With effect from 1st June 2022, the interest rate on income tax and VAT balances will be 7.2% per annum (0.6% per month)



No capital gains nor stamp duty on the first €750,000 on the sale and purchase of certain traditional Maltese buildings



Introduction of carbon trading system in Malta



Free public transport to all Maltese citizens and residents as of October 2022



Tax on part-time income will decrease from 15% to 10%



The first €10,000 earned from overtime by employees shall be taxed at 15%



New residence permits for non-EU nationals investing in Maltese start-ups



Additional incentives on purchasing low polluting cars

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## TAX MEASURES

The first €10,000 earned from overtime by employees whose basic annual salary does not exceed €20,000 and who do not hold a managerial position shall be taxed at 15%.

Working pensioners: income from pensions will no longer be computed as income for tax purposes.

Tax on part-time income will decrease from 15% to 10%.

Increase in tax refund paid to individual taxpayers. It will range between €60 and €140, depending on the marital status and income bracket of the individual.

Reduction of tax to 7.5% on income derived by artists applicable as from basis year 2022.

With effect from 1st June 2022, the interest rate on income tax and VAT balances will be 7.2% per annum (0.6% per month).

## REAL ESTATE

Continuation of schemes that enable youths to become homeowners, including the payment of 10% deposit at the time of the promise of sale and the possibility to take bank loans by couples having a low income.

Extension of the Equity Sharing Plus where the Government undertakes to pay a maximum of 50% of the property to individuals who are 30 years of age or over.

Reduction in tax by half on the first €200,000 on sale or purchase of property which has been leased for at least 10 years to tenants eligible for the Rent Benefit scheme. No tax will be paid where the property is sold to the tenant himself.

The tax due on the sale or purchase of properties that have been rented, under the Rent Benefit scheme, for less than 10 years but more than 3 years and which were used by the tenants as their primary residence, will be reduced by half.

No capital gains nor stamp duty on the first €750,000 relief from tax on the sale and purchase of (i) immovable property which has been built for over twenty years and has been vacant for more than 7 years, (ii) immovable property located in UCA zone or (iii) new buildings built in traditional Maltese architecture. This also applies to parties who are currently under a promise of sale agreement.

First-time buyers of the above-mentioned properties will receive a €15,000 grant. For Gozo, the grant is increased up to € 30,000. This measure will last 3 years after the announcement of the budget.

As of 12 October, buyers or owners of the above-mentioned properties will be given a grant on VAT paid up to a maximum of €54,000 on the first €300,000 in restoration and refinement costs.

Extension of First Time Buyer Scheme, Second Time Buyer Scheme, and Buying of Property in Gozo for another year.

## PENSIONS

Pensions will be increased by €5 a week / €260 a year.

Supplementary assistance will be extended to pensioners, and employed persons, given that they do not have children under 16 years of age.

Married persons or couples whose income in 2022 does not exceed €14,318 a year will receive an increase in the benefit between €3.47 and €6.50 per week, adjusted according to their income.

Single persons, such as widows, whose income does not exceed €10,221 a year in 2022 will benefit from an increase between €4.10 and €5.00 a week.

The bonus for those who have paid less than 5 years' worth of national insurance ('NI') contributions will be €400, while those who have paid more than 5 years' worth of NI will have a bonus of €500 per annum.

Those with more than one part-time job will be able to pay social security contributions on more than one part-time job to a maximum 40 hours a week.

## SOCIAL MEASURES

The government will cover medicines, treatments, and new medicines related to oncology, osteoporosis and rare diseases, circulatory disease, fibromyalgia, psychiatric needs, anaphylaxis, and free medicines for IVF patients.

Parents will now benefit from an increase of €100 so now the benefit is €400 when they give birth to a child or adopt a child.

€150 in-work benefit per year to those workers who have a basic annual salary not exceeding €20,000 and who work atypical hours (i.e. at night, during weekends, shift hours) in the following industries with the private sector: accommodation and food services, administrative and support services, manufacturing, transport, storage, wholesale, retail.

Eligibility thresholds will be extended so that more families can benefit from the in-work supplement:

- Where both parents work, the annual income threshold will increase from €35,000 to €50,000;
- Where only one parent works, the threshold will increase from €26,000 to €35,000;
- For single parents who work, the threshold will increase from €23,000 to €35,000.

## EDUCATION

All student stipends to be increased by 10%.

Student stipends to still be granted even if the student works for a maximum of 25 hours a week.

## RESEARCH AND INNOVATION

A new program, “Go to Market”, will be launched with the aim to commercialize advanced technologies on both a local and international scale.

Maltese entities and researchers to benefit from funds of the Horizon Support Measures scheme and engage in collaborations with European and international research entities.

A new Seed Fund will be established with the aim of encouraging researchers and entrepreneurs with innovative and sustainable ideas to get financial support.

Fiscal incentives to be introduced to continue supporting innovative, ecological, and digital investments undertaken by businesses as well as investments made in relation to the social sector.

## COVID-19 MEASURES

Incentives related to the rent subsidy to be extended to a larger number of eligible businesses.

Temporary schemes to be introduced to benefit from capital allowances on investments made by enterprises during the pandemic. Eligibility of these capital allowances will be granted in favor of income tax from companies that remain sustainable. Groups of companies having unabsorbed or unused capital allowances in years 2020 and 2021 due to losses incurred due to the pandemic will be eligible to apply for a reduction of taxes against any taxable income from related group companies, for the year 2021 (year of assessment 2022).

## IMMIGRATION

A new residence permit will be introduced to attract startups and entrepreneurs. Those from outside the EU will be able to get a permit and reside in Malta.

Improvements to the electronic single permit platform to be implemented with the intention of extending such services to third-party and European nationals.

## INVESTMENTS FOR BUSINESSES

The SME Tailored Facility issued by the Malta Development Bank will start including loans for sustainable and environmental projects for the private sector as well. SME businesses will be able to benefit from up to €5 million.

Blue Med Hub, a startup hub, will be established to attract local and foreign entrepreneurs.

Reduction on stamp duty to 1.5 % on transfer of family businesses extended.

Malta Enterprise to introduce a scheme whereby a percentage of the profits retained in the business is invested in eligible projects in the same business and/or investment in other business, whereby said entities will receive a tax benefit provided that the investment is made within two years from 1st January 2022.

## ENVIRONMENT

Free public transport as of October 2022 for Maltese nationals and residents in Malta and Gozo.

Financial aid incentivising the purchase of electric cars or Plug-In Hybrids to increase from €8,000 to €11,000 and can go up to €12,000 if a scrappage scheme is used as from 12 October 2021. Financial aid to increase by another €1,000 when cars that pollute in Gozo are scrapped.

Extension for another year of measures related to purchases of electric cars and plug-in electric cars, including exemption from registration tax and annual payments of road licence for a period of 5 years from the date of first registration.

Extension of schemes granting the equivalent of a full refund of VAT on bicycles and electronic bicycles, motors, scooters, pedelecs and bicycles assisted with electric motor and cars which are switched from petrol to gas.

## OTHER MEASURES

The cost-of-living adjustment (COLA) for 2022 will be €1.75. The COLA will be granted to all employees, pensioners, and individuals who are on social benefits.

Remission of interest and penalties shall be now considered in the strict terms of the proviso to regulation 2 of L.N. 361 of 2013 (S.L. 372.26 Remission of Interest Rules).

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