

FENLEX



MALTA BUDGET 2022 HIGHLIGHTS

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Highlights

- Free public transport to all Maltese residents.
- All social security pensions to be increased by €260 per annum or €5 per week.
- No income tax and stamp duty on the transfer of qualifying properties.
- A maximum VAT refund of €54,000 for expenditure incurred on qualifying properties.
- The Cost Of Living Allowance (COLA) for 2022 will be of €1.75 per week. A new COLA mechanism will also be introduced for low-income earners.
- Reduced tax rate on part-time income from 15% to 10%.
- Reduced income tax rate of 15% for the first €10,000 of qualifying overtime income.
- Intra-group transfers of unabsorbed capital allowances to offset chargeable income.
- The tax refund for 2022 will range between €60 and €140.
- Remission of interest on late payment of income tax and VAT increased to 7.2% per annum (previously 3.96% per annum).
- Reduced income tax rate of 7.5% applicable to culture, art and entertainment sectors.
- Part-time workers will be eligible to pay social security contributions on more than one part-time job, up to a maximum of 40 working hours a week.

Economic Overview

- Rate of employment in 2019 was 76.8%, whereas in the first quarter of 2021, the rate of employment was that of 77.3% - an increase of 0.5 percentage points. This is contrasted with the median rate of employment in the European Union during this same period which decreased by 1.7 percentage points.
- The rate of unemployment in Malta in 2019 was 3.6%, which then decreased to 3.2% in 2020. This is contrasted with the median rate of unemployment in the European Union which increased from 6.7% to 6.8%.
- Malta is expected to recover from the pandemic at a fast rate. The Gross Domestic Product (GDP) for 2022, is expected to grow by 6.5% in real terms and 8.6% in nominal terms. A real economic growth rate of 4.7% and 4.5% is expected for the years 2023 and 2024 respectively.
- Malta's employment rate for 2022 is expected to increase by 2.2%, whilst the unemployment rate is expected to be at around 4%.
- By the end of 2021, tax revenues are expected to be €4.5bn whilst Government debt is expected to reach 61.32% of the GDP.
- The deficit for 2022 is expected to decrease to 5.6% of the GDP whilst Government debt is expected to marginally increase to 61.8% of the GDP.

Fiscal measures

Tax-free pension income

- Starting from the calendar year 2022, the pension income for the next 5 years, pension income will not be considered to form part of the taxable income (hence not taxed). This measure will encourage pensioners to remain active and continue working after reaching retirement age.

Reduced income tax rate for qualifying overtime income

- Starting from calendar year 2022, persons with a basic annual salary not exceeding €20,000 will be taxed at the rate of 15%. This rate is applicable on the first €10,000 of qualifying overtime income, provided that such persons are not in a managerial position.

Reduced tax rate on part-time income

- The rate of income tax on part-time work will be reduced from 15% to 10%.

Increase in tax refund to individuals

- The tax refund for 2022 will range between €60 and €140. This increase is represented in the table below.

Single		Married		Parent	
Income (€)	Benefit (€)	Income (€)	Benefit (€)	Income (€)	Benefit (€)
0 - 15,000	125	0 - 20,000	140	0 - 15,000	135
15,001 - 30,000	95	20,001 - 40,000	110	15,001 - 30,000	105
30,001 - 59,999	60	40,001 - 59,999	65	30,001 - 59,999	60

Tax incentives upon the transfer of family businesses

- The reduced stamp duty rate of 1.5% for the *inter-vivos* transfer of family businesses, effected by parents to their children, will be extended for a further year.

Intra-group transfers of unabsorbed capital allowances

- Group of companies having unabsorbed capital allowances from basis years 2020 and 2021 (years of assessment 2021 and 2022 respectively) will be able to use such unabsorbed capital allowances to set-off intra-group chargeable income during basis year 2021 (year of assessment 2022).

Tax benefit to businesses which re-invest their profits

- As from 1 January 2022, Malta Enterprise will introduce a fiscal incentive aimed at encouraging businesses to reinvest their profits in eligible projects or in other businesses. Businesses who invest within two years from 1 January 2022 will be eligible for a tax benefit.

Remission of interest on late payment of income tax and VAT

- With effect from 1 June 2022, interest on late payment of income tax and VAT will increase from 3.96% per annum (or 0.33% per month) to 7.2% per annum (or 0.6% per month).

Reduced income tax rate applicable to culture, art and entertainment sectors

- As from basis year 2022, income derived by artists, producers, and promotors of artistic, cultural and entertainment activities, will be taxed at the rate of 7.5%. A new mechanism, taking into consideration a three-year average period, will be introduced to calculate the chargeable income of persons working within such sectors.

Property related measures

No income tax and stamp duty on the transfer of qualifying properties

- As from 12 October 2021, there will be no income tax or stamp duty on the first €750,000 derived from the transfer of the following type of properties:
 - Properties which are more than 20 years old and vacant for more than 7 years; or
 - Properties which are located in an Urban Conservation Area (UCA); and
 - New properties built with traditional Maltese characteristics and architecture.
- In addition, first time buyers of these aforementioned type of properties will receive a grant of €15,000. Persons buying these types of properties in Gozo will receive double the grant i.e. €30,000.
- These incentives will be applicable for a three-year period and shall also apply to properties that are currently under a promise of sale agreement.

VAT refund for expenditure incurred on qualifying properties

- Persons purchasing or owning the type of properties mentioned in the above point will be entitled to a maximum VAT refund of €54,000 for expenses incurred for the restoration and regeneration of such properties. This grant is applicable as from 12 October 2021 and is also applicable to persons who have already purchased such a property and are currently in the process of restoration and/or regeneration.

50% reduction in income tax and stamp duty on transfers of certain rented properties

- The income tax and stamp duty imposed on the transfer of property will decrease by 50% on the first €200,000 where such property has been rented for a period of not less than 10 years to a person eligible for a subsidised rent under any scheme administered by the Housing Authority. Furthermore, no income tax and stamp duty shall be levied if the said property is transferred to the previous tenant.

Social measures

COLA

- The COLA for the calendar year 2022 will be of €1.75 per week. Such increase will be granted to all employees, to pensioners and to those receiving social benefits. Students will also be granted such COLA increase on a pro-rata basis.
- A new COLA mechanism will also be introduced for low-income earners. Such cost will be borne by the Government.

Pensions

- All social security pensions to be increased by €260 per annum or €5 per week. The €5 weekly increase reflects a €1.75 COLA coupled with a €3.25 additional weekly increase.
- To ensure that the increase in pensions and COLA are not taxed, the tax-exempt bracket for pensions shall increase to €14,318. Similarly, the tax-exempt bracket of pensions for couples whose tax was computed using the marriage rates, shall continue to be €3,600.
- Similarly to previous years, the portion of any service pension which is not to be reduced from the retirement pension is being increased by a further €200. Thus, the total exempt income for 2022 shall increase to €3,066.
- Retired persons who don't qualify for a pension will receive an increase of €150 in their annual bonus. Therefore, the bonus for those persons who paid less than five years of social security contributions will receive €400 per year, whereas the bonus for those persons who paid more than five years of social security contributions will receive €500 per year.

In-work Benefit

- An increase in the threshold for the eligibility of the in-work benefit to €50,000 (previously €35,000) for working couples, and €35,000 (previously €23,000) for single working parents and €35,000 (previously €26,000) for couples with a single working parent.
- Persons working atypical (odd) hours and earning not more than €20,000 per annum will be entitled to a €150 in-work benefit.

Social Security Contributions for part-time workers

- In order to provide for a better pension, part-time workers will now be allowed to pay social security contributions on more than one part-time job, up to a maximum of 40 working hours per week.

Supplementary allowance for married persons

- Married persons or couples whose income in 2022 does not exceed €14,318 will benefit from an increase in their supplementary allowance which varies between €3.47 and €6.50 per week depending on their income. Single persons, including widowers whose income for 2022 does not exceed €10,221, will benefit from an increase in their supplementary allowance ranging between €4.10 and €5.00 per week.

Grant for persons 80 years of age or over

- Persons aged 80 years or over, who live in their home or a private residential home, will receive an additional €50, resulting in a total grant of €400.

Disability benefits

- Severe disability benefits will no longer be subject to a means testing. Furthermore, several incentives and benefits related to disability were announced.

Increase in bonus upon a child's birth or adoption

- Upon a child's birth or adoption, a bonus of €400 (previously €300) will be provided.

Funds to each head of State school to provide food and resources

- A €10,000 grant will be provided to each head of State school to provide basic food and other resources to disadvantaged children.

Transport

Free public transport to all Maltese residents

- As from 1 October 2022, free public transport will be provided to all Maltese residents.

Increase in grants to electric and plug-in hybrid vehicles

- The grant for the purchase of a new electric or plug-in hybrid vehicle will increase from €8,000 to €11,000. If the vehicle scrappage scheme is utilised, the grant will be that of €12,000.

Extension of grants for the purchase of motorcycles, scooters and electric bikes

- The grant of €400 currently provided for the purchase of motorcycles, scooters and electric bikes will be provided for another year.
- Likewise, the grant scheme for the full re-imbursement of VAT paid on the purchase of motorcycles, scooters, and electric bikes shall also be extended for another year.

Other measures

Increase in stipends

- As from next year, stipends will increase by 10%. Students working up to 25 hours a week will also be eligible for the full stipend.

Sustainability and the Environment

- A number of incentives were launched with a view to protect the environment and encourage the use of renewable sources of energy. These include: the extension of Malta Development Bank (MDB) SME Tailored Facility, funding to local councils to implement environmentally sustainable projects, and the setting up of two new projects in public spaces to demonstrate the use of renewable energy battery storage systems.

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