

Budget 2015

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Taxand

Budget highlights:

Changes in the income tax brackets.

Tax credits and access to finance for SMEs.

Measures to reduce dependency on social security benefits.

Cash allowances and tax exemption for low income earners.

Changes in the capital gains tax. Regime with respect to immovable property.

Incentives to increase employment of disadvantaged individuals.

Introduction of new measures in relation to maternity leave.

For further details please contact:

Avanzia Taxand Limited

Tel: +356 2730 0045
Fax: +356 2730 0049

E-mail: info@avanzia.com.mt
<http://www.avanzia.com.mt>

Introduction

The financial estimates for 2015 presented during the four hour budget speech by the Minister of Finance are very encouraging despite the current economic situation within the European Union and beyond. Indeed, Malta's economy is expected to perform well. Inflation in 2014 should remain low at 0.6%. The deficit for 2014 is expected to be at 2.1% of GDP, and down to 1.6% during 2015. The rate of economic growth for 2015 is expected to be 3.5% while the rate of inflation should stand at around 1.5%. The rate of employment is expected to increase by 1.9% whilst the rate of unemployment is expected to remain in the region of 5.9%.

Income Tax measures

- The top rate of income tax for those earning up to €60,000 will be reduced from 29% to 25%.
- The income tax brackets applicable from 1 January 2015 will be as follows:

Rate	Separate	Joint	Parent
	Computation	Computation	Computation
	€	€	€
0%	0 to 8,500	0 to 11,900	0 to 9,800
15%	8,501 to 14,500	11,901 to 21,200	9,801 to 15,800
25%	14,501 to 60,000	21,201 to 60,000	15,801 to 60,000
35%	Over 60,000	Over 60,000	Over 60,000

- Employees earning the minimum wage will not be subject to tax.
- Income tax legislation will be amended so that couples in a civil union enjoy the same rights and obligations as married couples.
- A final withholding tax of 8% on the value of immovable property being transferred will be implemented. This will replace the current final withholding tax of 12% or the taxability of gains or profits at the normal rates. Property acquired prior to 2004 will be subject to a final withholding tax of 10%. Individuals who are non property traders who sell property within 5 years will be subject to a withholding tax of 5%.
- The income tax rate for waterpolo players will be set at 7.5% similar to the reduced rate applicable to footballers.
- Parents who send their children to church or independent schools will be given a tax credit of €150 when they opt to use school transport instead of private cars.
- Donations exceeding €2,000 made to the Malta Community Chest Fund will be tax deductible up to a limit of 50% of the donation.
- Tax credits will also be made available for start-up businesses under the Seed Investment Programme. The tax credit will be limited to €250,000.





Cost Of Living Adjustment (COLA)

- Workers will get a cost of living adjustment of €0.58c per week.
- Students, pensioners, full-time and part-time workers will receive a one time bonus of €35. In the case of part-time workers and students, the bonus will be pro-rata. This bonus is only available to individuals not taking benefit from the reduction in the income tax brackets. This bonus is not be subject to tax.

Excise Duties

- An excise tax of 20 cents per litre on wine is being introduced. Excise duties will also be increased on cigarettes, tobacco products, mobile phones and cement.
- Excise duty on mobile services will increase by 1%.
- Excise duty is being introduced on polluting feed for the use in fish farms.
- Excise duty on leaded petrol used in airports will increase by 2c while that on unleaded petrol will go up by 1c. Excise duty on gas oil, diesel, biodiesel, heavy fuel oil and petroleum will go up by 2c. However, the price of petrol and diesel will still go down. The price of unleaded petrol will be of €1.42 per litre while the price of diesel will be of €1.35 per litre.

Employment in Gozo

- To encourage the creation of more jobs in Gozo, the Government will partially refund the social security contributions paid by tourism operators when employing full-time or part-time workers.
- The Government will give operators the amount of €30 per day for every worker they train in the sector. The training, mostly aimed at students, would be twice a week and carried out during the low season.

Employment of disadvantaged persons

- No social security contributions will be paid by employers on wages paid to disabled persons. A tax credit may also be available for a maximum of €4,500 for each disabled person employed.
- Refunds equivalent to 50% of the wage cost of disadvantaged persons has also been introduced.

Value Added Tax

- VAT on audio books (e-books and books published on CDs, DVDs, SD-cards and USB drives) will go down from 18% to 5% with effect from 1 January 2015.
- The Government will introduce systems enabling non-EU tourists to benefit from VAT refunds before leaving Malta.
- The exemption from registration with the VAT Department for taxable persons with a turnover of less than €7,000 has been removed.

Duty on Documents and Transfers

- Stamp duty on insurance policies other than life insurances will increase by 1%.
- The one-year exemption from the payment of duty on the first €150,000 of the value of immovable property granted to first time buyers is being extended by six months up to 30 June 2015.
- No duty will apply upon the division of immovable property between partners.
- A new exemption from duty on documents has been introduced upon the transfer 'causa mortis' on assets held in trust for the benefit of disabled persons.

Other taxes

- The eco-contribution on electrical and electronic equipment will be removed. This includes mobile phones, televisions, fridges and so forth. The plan is to phase out the eco tax.
- A new tax of €10 per day will be imposed on cranes which take up to 10 square-meters of space. Those exceeding this figure will pay a daily fee of €15.

Licences and means of transport

- As from 1 January 2015, car licences will increase. This measure will not impact cars registered on or after 1 January 2009 with a CO2 emission not exceeding 100g/km.
- Registration tax on vintage motorcycles whose engine capacity does not exceed 250cc will be removed whilst registration tax on quad bikes will be reduced.
- A grant equivalent to 15.25% will be given upon purchase of bicycles and electric bikes.

Social Measures

- The Government will introduce an in-work benefit, where families with low income and with children up to 23 years of age, will be entitled to a maximum grant of €1,000 a year for every child. To benefit, the woman must be earning more than €3,000. Single parents who work, will be entitled to a maximum of €1,200 per child.
- A total of 9,000 families who are at the risk of poverty will be given a bonus of €400 for each of their children, up to four children, as long as these children achieve a school attendance rate of 95%.
- Unemployed people aged under 23 will be urged to follow training under the youth guarantee scheme or else lose their unemployment benefit.
- Payment for maternity leave is being raised to the minimum wage for the last four weeks. There would also be an improvement in maternity leave for self-employed women, who would benefit from an increase of €73 per week.
- Employers will be required to contribute to a new fund which will pay the wage during maternity leave to women so as to reduce the cost of maternity leave for employers who opt to employ women.
- The disability quota requirement will be enforced. Companies employing more than 20 employees that do not have at least 2% of its workforce that fall within the definition of disabled persons will have to make contributions toward a national fund.



Other measures

- As from March 2015, utility rates for industry will be reduced by 25% in the case of electricity and 5% in the case of water.
- An independent arbitration office for financial services will be created to address complaints made to the Malta Financial Services Authority.
- A new academy will be launched to train employees in the gaming industry.
- Access to finance will be made available to SME’s through the use of the seed investment programme.
- Changes in legislation will be introduced to facilitate the implementation of Islamic Banking.
- The Government will launch a United Nations Pension Programme designed to attract foreign pensioners retiring from international organisations to reside in Malta.
- Incentives will be introduced in connection with specialised courses for the local film industry as well as incentives in relation to investment in infrastructure for films.

Taxand’s Take

The 2015 budget presented by the Minister of Finance contains measures to incentivise training as well as employment for disadvantaged individuals and persons who are currently dependent on social security benefits. The aim is to increase the employment force and reduce unemployment. The budget also aims to address social injustices and abuse.

The method of taxation of immovable property has been simplified with the introduction of a compulsory final withholding tax upon the signing off of the contract of sale. Apart from this simplification exercise and collecting income at source, the Budget focuses on increasing indirect taxes, such as excise duties, so that the Government will continue the shift from direct to indirect taxation.

Although most of the measures affect individuals and consumption rather than businesses, the economic and financial situation of the country should be encouraging for foreign direct investment and international business setting up in Malta especially if Malta continues to address issues related to competitiveness and bureaucracy.



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