

Budget 2012

15 NOVEMBER 2011

Avanzia
Taxand

Budget highlights:

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Introduction

The Minister of Finance presented the Budget for calendar year 2012 mainly focusing on economic and financial stability, safeguarding employment, investing in education, environment and the family.

During the first six months of 2011, the increase in Gross Domestic Product was 2.6% in real terms. During 2012, Malta's fiscal deficit should decrease to 2.3% of Gross Domestic Product.

Cost of Living Adjustment

The cost of living adjustment for 2011 amounts to €4.66 per week so that the minimum weekly wage will be €158.12. As in previous years, the cost of living increase is also given in full to pensioners.

Fiscal Measures

The main fiscal measures include:

- Introduction of new income tax rates applicable to parents. The 'parent computation' will result in a tax saving for married couples ranging from €150 to €840. The tax brackets are as follows:

Rate	Separate Computation €	Joint Computation €	Parent Computation €
0%	0 to 8,500	0 to 11,900	0 to 9,300
15%	8,501 to 14,500	11,901 to 21,200	9,301 to 15,800
25%	14,501 to 19,500	21,201 to 28,700	15,801 to 21,200
35%	Over 19,501	Over 28,701	Over 21,201

- Increase in tax credits for parents sending their children to private schools as follows:
 - ◆ from €1,200 to €1,300 for day care, reception classes and kindergarten;
 - ◆ from €1,200 to €1,600 for children at primary level; and
 - ◆ from €1,600 to €2,300 for children at secondary level.
- A deduction of €100 for students' parents who attend cultural and creativity courses in licensed and accredited schools.
- Amendments to the Part Time Rules - pensioners working part-time with the Government may now benefit from the 15% tax rate. Government will no longer be considered to be the same employer.
- Payment of the 15% tax under the Part Time Rules will be extended from 15 February to 30 June.
- The rules applicable to highly qualified persons will be extended to:
 - ◆ Highly qualified Maltese individuals working outside Malta who wish to return to Malta to work in important industrial sectors;
 - ◆ Highly qualified and skilled foreigners who are required for certain industrial sectors; and
 - ◆ Persons who would like to carry out Research & Development in Malta.



- Extension of the 15% income tax rate to professionals in digital gaming such as Game Directors and Game Designers. The scheme will also be extended to academic staff in the field of Research & Development.
- Tax credits on research and development costs of up to €15,000 for local companies commissioning activities in educational or promotional digital games.
- Tax exemption on income derived from intellectual property rights related to publication of books, film scripts, music and art. This exemption will make Malta more attractive as a jurisdiction for royalties, patents etc.
- Extension of the Micro Invest Scheme for another year. This scheme entitles SMEs to a tax credit equivalent to 40% of certain qualifying expenditure. The tax credit is increased to 60% in the case of SMEs in Gozo.
- Refund of the 15% final withholding tax to elderly individuals without the need to submit an income tax return.

Other fiscal measures related to immovable property



- Final withholding tax of 10% introduced on rental income of property registered with the Housing Authority for social purposes.
- Incentives related to restoration and conservation works of scheduled buildings in grades 1 and 2, as well as properties in Urban Conservation Areas (UCAs) such as:
 - ◆ Exemption from Duty on Documents on transfers between heirs in order to facilitate the consolidation of the property ownership. This concession is valid up to 31 December 2013;
 - ◆ A rebate of 20% of the restoration costs up to a maximum of €5,000;
 - ◆ Final withholding tax of 10% on rental income from residential property and 15% on rental income from commercial property;
 - ◆ Final withholding tax of 10% on the transfer value or 30% (instead of 35%) on the capital gain; and
 - ◆ Tax credit of 20% on qualifying expenditure for restoration of property for commercial purposes used by a company. This will increase to 30% in the case of grade 1 and 2 scheduled properties.

Value Added Tax



- Launch of a VAT amnesty for a limited time whereby those having VAT arrears will be able to regularise their position. Taxpayers who failed to file their VAT return in time or who have arrears to pay by the 15 October 2011, will be given until the 15 January 2012 to send the missing returns. The arrears will have to be paid by 15 January 2013, with a reduction in the amount of fines and accumulated interest, according to the length of the period of time during which the payment will be made.
- Removal of VAT on private nursing and home help offered by the private sector to the elderly in their private homes will be removed. This will be effective from 1 January 2012.

Excise Duty

- Excise duty on bunkering fuel of ships outside territorial waters will increase to €5 per tonne.
- Excise duty on cement will increase by €3 per tonne.
- Excise duty on cigarettes will increase by 5.8% on each packet of twenty cigarettes whereas excise duty on other tobacco products will increase by 8.5%.
- Excise duty on mobile telephony will remain unchanged but the basic rate will be computed on volume rather than tariff charged.

Eco friendly measures

- An increase in car registration tax for new vehicles that are not considered eco friendly (Euro 1 to Euro 3).
- Incentives available for persons who opt to scrap their old car and purchase a new eco friendly car. The incentive will amount to 15.25% of the value of the car with a ceiling of €2,000.
- A grant equivalent to 15.25% of the expenditure for the insulation of roofs and apertures. The maximum grant will amount to €1,000.

Social Matters

- Maternity leave will increase from 14 to 16 weeks during 2012 and by another two weeks in 2013. Government will bear the cost and pay a fixed rate of €160 per week. This measure will be discussed with employer's association to minimize the negative impact in the private sector.
- Children's allowance will increase by €100 to €350 per annum for each child.
- The tax credits for people assisting their elderly will increase from €500 to €2,500.
- An annual allowance of €300 per annum will be introduced to elderly people over 80 years who still live on their own or with their families.

Other measures

- Government will support small business by providing a loan guarantee for businesses with good commercial ideas seeking bank finance. The guarantee will amount to 90% of the loan up to €100,000. This scheme is available to businesses with not more than 20 employees. A premium will be charged for such guarantee.
- An exemption from incorporation fees and annual fees (payable to Registry of Companies) for three years will be granted to newly formed companies involved in cultural activities.
- Removal of TV licence.

Taxand's Take

The budget introduces a number of fiscal measures as well as other incentives aimed at stimulating economic growth by targeting SMEs and the family as the main contributors to our economy. Although most of the measures are applicable to Maltese residents, a number of fiscal measures are also aimed to attract high calibre professionals to our shores. Individuals and corporate entities should therefore seek advice to maximise the tax benefits available.





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