

# Budget 2009

3 NOVEMBER 2008

**Avanzia**  
Tax and

## Budget highlights:

Revision of Income Tax Bands

Income Tax Credits and Fiscal Incentives

Registration Tax, Duty on Documents and late payment of tax

ECO Contribution and Excise Duty

Social Measures

Other Issues

For further details please contact:

walter.cutajar@avanzia.com.mt  
maryanne.inguanez@avanzia.com.mt  
antoINETTE.scerri@avanzia.com.mt  
diana.debono@avanzia.com.mt

Avanzia Tax Advisors  
Cobalt House  
Second Floor  
Notabile Road  
Mriehel BKR 3000  
Malta

Tel: +356 2278 7700  
Fax: +356 2149 3318

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



## Introduction

The Minister of Finance presented the Budget for calendar year 2009 which aims to allocate investment in six main areas, namely, infrastructure, environmental projects, education and skills, alternative energy, incentives to SMEs and tourism, and incentives to incentivise work and attract new talent to our shores.

The investment in these areas together with a number of fiscal measures are aimed to combat the impact of the financial crisis and the adverse global economic situation on our economy.

## Cost of Living Adjustment

The cost of living adjustment for 2009 amounts to €4.08 per week so that the minimum weekly wage for the year will be €146.48. The full amount will also be given to pensioners.

## Revision of Income Tax Bands

The income tax bands for individuals and married couples opting for a joint income tax computation are, with effect from 1 January 2009, being revised as follows:

### Rates for married couples opting for a joint income tax computation:

Present		Revised	
Chargeable Income	Rate	Chargeable Income	Rate
€	%	€	%
0 - 11,400	0	0 - 11,900	0
11,401 - 20,500	15	11,901 - 21,200	15
20,501 - 28,000	25	21,201 - 28,700	25
over 28,001	35	over 28,701	35

### Rates for single persons or married persons opting for a separate computation:

Present		Revised	
Chargeable Income	Rate	Chargeable Income	Rate
€	%	€	%
0 - 8,150	0	0 - 8,500	0
8,151 - 14,000	15	8,501 - 14,500	15
14,001 - 19,000	25	14,501 - 19,500	25
over 19,000	35	over 19,501	35

The revised income tax bands for year of assessment 2010 will reduce the tax burden for individuals and married couples opting for a separate income tax computation by up to €153 per annum whilst that for married couples opting for a joint income tax computation will be reduced by up to €215 per annum.

## Income Tax Credits and Fiscal Incentives applicable to individuals.

This budget, similar to the previous one, introduces a number of tax credits and tax incentives which are available to individuals. These include:

- An exempt amount of up to €3,500 in respect of income earned from hosting students;
- One year exemption from income tax for each child who is under 16 years of age, when the mother returns to employment after an absence of more than 5 years from the labour market;
- One year exemption from income tax for each child born after 2007, for mothers who are in employment or were absent from the workplace for less than 5 years;
- A 30% refund of the total expenditure incurred in the restoration of private residences (built before the 1950s), subject to a maximum amount of €2,500;
- A 2/3<sup>rds</sup> refund of the cost of solar water heaters up to a maximum of €460 per family;
- A 50% refund of the cost of photovoltaic panels up to a maximum of €3,000 per family;
- A 33% refund of the cost incurred in the installation of double glazed windows and roof insulation, subject to a maximum amount of €300 per family.

## Income Tax Credits and Fiscal Incentives applicable to Companies

The fiscal incentives available to industry include:

- Two year investment tax credit granted to small enterprises if they invest more than €10,000 in their business;
- Grants of up to 60% in respect of approved expenditure in renewable energy;
- Continuation of the investment tax credit incentive amounting to 243% of the expenditure incurred on photovoltaic panels and extension of the net metering concept (which currently applies to the domestic sector) to the industrial sector;
- Grants equivalent to 40% of the audit fee in respect of audits related to the use of energy (subject to a maximum grant of €300);
- Refunds under a Business Advisory Scheme in respect of consultancy fees incurred on water and electricity consumption and waste management.

Malta Enterprise will launch five new incentive schemes over a five year period. These are:

- International Competitiveness Scheme to penetrate new markets;
- Research and Development Grants to increase R&D expenditure;
- Innov Act to assist SMEs in the development of processes, products and innovative services;
- Small Start-Up Scheme to provide assistance to new innovative start-ups;
- E-business Development Grant Scheme to incentivise the use of information technology in enterprises.

## Registration Tax, Duty on Documents and late payment of tax

### Registration Tax

VAT on the registration tax payable upon the importation of motor vehicles will be removed.

The introduction of a new system of the registration tax on motor vehicles will be based on the vehicle's engine size.

An annual circulation tax on motor vehicles replacing the annual licence fee will be

introduced. This will be based on the CO<sub>2</sub> emission of motor vehicles.

Motor vehicles bought during 2008 may opt to migrate to the new system.

Any refund due on the extra registration tax paid will be credited against the new annual circulation tax.

### Duty on Documents

The duty on documents payable by disabled persons upon the inheritance of their parents' or custodians' ordinary residence will be abolished.

### VAT and Income Tax

As from 2009, the additional tax imposed on the late payment of VAT and Income Tax will be reduced from 12% to 9% per annum.



## ECO Contribution and Excise Duty



### Eco Contribution

An eco contribution of €0.25 and €0.50 is being introduced with immediate effect upon the purchase of incandescent and fluorescent types of lamps and bulbs respectively.

An eco contribution of €0.15 is being introduced on every plastic bag.

An eco contribution of €0.01 on every booklet and magazine of a commercial nature which is included with any newspaper,

distributed door to door or given free of charge will be introduced.

### Excise Duty

The excise duty on petrol and diesel will increase by €0.055 and €0.02 respectively with immediate effect.

The excise duty paid on alcoholic beverages is being adjusted depending on the type and content of alcohol.

The excise duty paid on tobacco will increase by €0.20 with immediate effect.

## Social Measures

### Service pensions

An increase of €200 in the computation of the re-assessments for pensioners in receipt of service pensions.

### Facilitators

The Government will finance facilitators for children with special needs attending private schools.

### Long time unemployment

Any individual who has been registering as unemployed with the ETC for more than 5 years will start working a 30 hour week and have his / her social benefits increased to 75% of the minimum wage that is, €109.85.

### Social accommodation

The Government will subsidise loan payments by up to 30% for a period of ten years for couples buying their first immovable property.

## Other Issues

### Accommodation Tax

With effect from 1 January 2010 the Government will introduce a tax or contribution equivalent to €0.50 in respect of each night that a person spends in a private accommodation.

### Refunds to voluntary organisations

A scheme is being introduced whereby voluntary organisations may avail themselves of a refund equivalent to 15.25% of the expenditure incurred provided the claim is supported by fiscal receipts.

### Revision of yacht licence fees

Annual licence fees on yachts are being revised with effect from 1 January 2009.





## Avanzia Tax Advisors

**Cobalt House**  
**Second Floor**  
**Notabile Road**  
**Mriehel BKR 3000**  
**Malta**

**Telephone: +356 2278 7700**

**Facsimile: +356 2149 3318**

**E-mail: [info@avanzia.com.mt](mailto:info@avanzia.com.mt)**

**<http://www.avanzia.com.mt>**

**Planning - Advisory - Compliance - Litigation**



Avanzia Tax Advisors is a member firm of Taxand which is the first global network of independent tax advisors. We work closely with over 300 tax partners in around 50 countries and more than 2,000 professionals serving the global marketplace.

We share Taxand's mission which is to contribute to our clients' success by anticipating and advising on the tax implications related to their most strategic business decisions. Globalisation and complexity demand sophisticated and customised tax advice that meets the highest standards delivered by experienced professionals who put the interests of clients first.

Our approach, as professional tax advisors, is innovative and creative. We constantly look ahead, not only to make sure that clients are in compliance with legislation and to identify any potential problems, but also to help clients take full advantage of new opportunities. We seek to partner with our clients to develop an action plan that addresses challenges and opportunities in a rapidly changing global economy. Our professionals will help you build that plan and implement it.

We employ university graduates and other professionals in various areas and offer a comprehensive and integrated range of tax, legal and financial advisory services.

Our areas of expertise include corporate and international tax; company formation and compliance services in tax and company secretarial; indirect taxation and personal tax planning.

Our broad range of services include corporate tax compliance and tax planning, international tax planning and company formations, corporate law, indirect taxation, transaction tax, advance revenue rulings, tax litigation, full range of back-office operations, company management and administration, liquidations and redomiciliations.

Our international tax experts advise on holding companies and financing structures, banking and insurance, intellectual property and royalty planning, collective investment schemes, professional investor funds, personal tax planning, trusts etc.

This newsletter has been prepared by Avanzia Tax Advisors Limited. It is intended as a general guide only, and its application to specific situations will depend on the particular circumstances involved. Accordingly, we recommend that readers seek appropriate professional advice regarding any particular problems that they encounter. This information should not be relied upon as a substitute for such advice. While all reasonable attempts have been made to ensure that the information contained herein is accurate, Avanzia Tax Advisors Limited accepts no responsibility for any errors or omissions it may contain whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies upon it.