

A BRIEF OVERVIEW

MALTA BUDGET 2021



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INTRODUCTION

On the 19th of October 2020, the Minister for Finance, Professor Edward Scicluna, presented the government budget for 2021.

This budget represents a critical milestone for the Maltese economy, being presented amidst a global economic crisis triggered by the COVID-19 pandemic.

This presentation features a brief overview of the most salient points discussed in the budget speech.

STATE OF THE ECONOMY

2020 PERFORMANCE

- In the first half of 2020, GDP decreased by 7.7%;
- Throughout 2020, real GDP is expected to decrease by 7.4%;
- In the first half of 2020, salaries and wages increased by 5.8% or €164 million;
- In August, the unemployment rate stood at 4.1%;
- A deficit of 9.4% of GDP is expected in 2020;
- In the first quarter of 2020, government debt stood at 44.4% of GDP.

2021 PROJECTIONS

- In 2021, GDP is expected to start to recover and grow by 5.0% in real terms and 6.4% in nominal terms;
- Employment is expected to increase by 2.3% in 2021. The unemployment rate is expected to remain low at 4.0%;
- Government deficit is expected to decrease to 5.9% of GDP in 2021;
- Government debt is expected to increase to 58.6% of GDP by the end of 2021.

HIGHLIGHTS

WAGE SUPPLEMENT SCHEME

This scheme will
be extended to
March 2021

GOVERNMENT VOUCHERS

A new round of
vouchers will be
issued with €60
towards hotels &
restaurants and €40
towards retail or
service outlets

FIRST TIME BUYERS SCHEME

This scheme will be
extended for
another year and
increased to cover
the first €200,000 of
the property value

VAT EXEMPTION THRESHOLD

SMEs and self-
employed
individuals will
benefit from an
increase in the VAT-
exempt threshold
from €20,000 to
€30,000

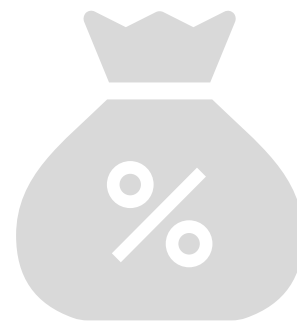
TAX & DUTIES

PERSONAL TAX

- An income tax refund will be given ranging from €45 to €95, depending on the level of income of the individual.
- Increase in the tax rebate applicable on pension income to €14,058 - meaning that the increase in benefits to pensioners will not be taxable.
- Tax exemption applicable to Third Pillar Pension Schemes and Voluntary Occupational Pension Schemes will increase to €3,000.

PROPERTY TAX

- The application of the following schemes will be extended to another year: First Time Buyers (increased to €200,000), Second Time Buyers, acquisition of vacant property situated in an UCA, acquisition of property in Gozo, and rebates of expenses to restore property.



- The reduced rate of duty to 1.5% (on the first €400,000) and tax to 5% implemented as part of the Economic Regeneration Plan earlier this year, will apply to contracts concluded before the 31st of December 2021, provided that the promise of sale is registered by 31st March 2021.
- Increase of €50,000 in exemption applicable to donations of property in the direct line. Tax on the remaining value is charged at 3.5%.
- The applicability of the final tax rate of 15% on gains or profits arising from the assignment of any rights on a promise of sale will be extended to the full taxable amount.

OTHER

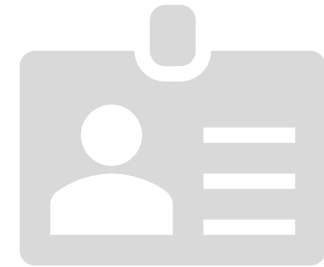
- Extension of the applicability of the reduced rate of duty of 1.5% on transfers of businesses within family members.
- Royalties on books to be taxable at a final withholding tax of 1.5%.



ECONOMIC GROWTH

WAGE SUPPLEMENT SCHEME

The Wage Supplement Scheme will be extended until March 2021. The Scheme, which is estimated will cost €40 million per month, will be modified to ensure that it benefits those sectors which have been the hardest hit by the pandemic.



EXTENSION OF LIQUIDITY BOOSTING MEASURES

The measures aimed at easing liquidity pressures announced in the Economic Regeneration Plan in June 2020 will be extended until March 2021. These measures include the Tax Deferral Scheme, the Six-Month Loan Moratorium and the Interest Subsidy.



NEW GRANT SCHEME UNDER THE RECOVERY AND RESILIENCE FUND

A new programme will allocate €220 million in funds to investment in environment projects, including those with a focus on managing climate change, as well as digital innovation initiatives.



INVESTMENT IN MALTA'S DIGITAL FUTURE

A new Digital Strategy will be developed for Malta, with an emphasis on strengthening R&D and implementation capacity in innovative technologies, such as VR, Augmented Reality, 3D Printing and Quantum and High-Performance Computing. The AI project will be continuing throughout 2021.



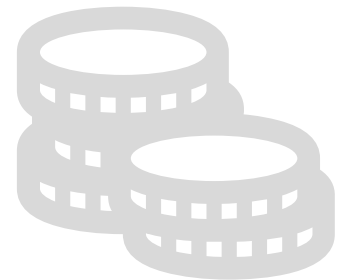
ATTRACT MORE START-UPS TO MALTA

Emphasising the benefits of basing new businesses in an EU jurisdiction, Government will establish a new Venture Capital Fund to attract more start-ups to Malta.



INCREASE IN THE VAT-EXEMPT THRESHOLD

SMEs and self-employed individuals will benefit from an increase in the current VAT-exempt threshold from €20,000 to €30,000.



ASSISTANCE TO BUSINESSES MOVING ONLINE

Further assistance will be provided to help businesses move online, particularly in terms of the organisational and technological changes required.



NEW INNOVATION SCHEME FOR SMEs

A new scheme will be introduced in 2021 aimed at supporting SME innovation, including technology investment and adoption of more efficient processes and procedures. Grants will cover up to 50% of expenses, capped at €200,000 per company.



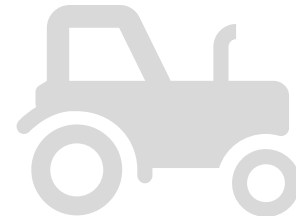
BOOSTING GOZO'S ECONOMY

Several schemes aimed at boosting employment in Gozo will be extended, including the Employment Refund Scheme and the Teleworking Scheme. New and improved initiatives will target digital innovation and back office employment.



INVESTMENT IN AGRICULTURE

Further assistance to be provided to farmers through grants aimed at strengthening innovative capacity in the sector. These include: - Grants to promote investment in measures to reduce waste and align production more closely with consumer demand; - schemes to attract more youths to the sector.





INFRASTRUCTURE

The Minister for Finance provided a list of infrastructural projects in the pipeline, with the most prominent projects identified below:

- Continuous investment in the building of arterial, residential and rural roads;
- The regeneration of port facilities and improvement to maritime facilities around the island;
- A programme of investment aimed at improving Malta's industrial infrastructure;
- Investment in educational facilities, ranging from projects at the University of Malta to primary and secondary schools;
- Improvements to sports facilities, including an indoor rowing facility, an Outdoor Velodrome, and a rugby complex;
- Investment in social housing;
- Regeneration of derelict public property and other locations around the island.



HEALTH & EDUCATION

HEALTHCARE

- A new hospital to focus on psychiatric health.
- Opening of San Mikiel Centre to provide palliative care.
- Continuation of programmes such as Remote Patient Monitoring and introduction of Clinic Management Systems and Telemedicine Client Support Centre.



EDUCATION

- Free internet access to students who continue their studies after graduating from Secondary school.
- Investment in Autism Units in secondary schools.



ENVIRONMENT

- **Malta to become Carbon Neutral by 2050.**
- Development of a Low Carbon Development Strategy to encourage the production of cleaner energy, a switch to low emission transportation, energy efficient construction, environmentally friendly waste management processes as well as generating awareness on environmental issues and global warming.
- MSE to attract issuers of 'Green Bonds' that will offer investors the opportunity to invest in renewable energy projects.
- Construction of a Material Recovery Facility to process recyclable waste and compost for agricultural use.
- Waste-to-Energy Facility to generate electricity from waste that cannot be recycled.
- Clinical and organic waste plant to replace the current, outdated plant in Marsa.
- **Importation of single use plastics to cease from January 2021, sale of products containing single use plastics to cease by 2022.**



- New air monitoring station to be installed in Xemxija.
- Development of a National Bio-Diversity Strategy 2022 - 2030 to protect and preserve the rich biodiversity of the Maltese Islands.
- Introduction of EU 'Worldwide Harmonised Light Vehicle Test Procedure' emission standard for testing vehicular emissions.
- Incentives to restore wells in residential homes.
- Installation of 130 'medium to fast' and 'fast' charging pillars for electric vehicles.
- Incentives to encourage consumers to switch to electric vehicles.
- VAT refund on acquisition of bicycles and e-bikes extended.
- Incentives for conversion of petrol vehicles to natural gas.



OTHER MEASURES

GOVERNMENT VOUCHERS

Vouchers for every Maltese resident over the age of 16 will be introduced again in January 2021. €60 will be issued towards accommodation, hotels, restaurants and €40 toward retail or service outlets.



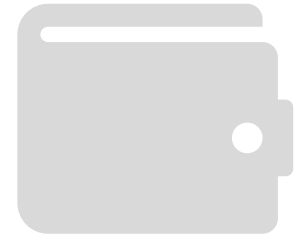
LEAVE ENTITLEMENT

Leave entitlement will increase by a day, to 28 days.



COST OF LIVING ADJUSTMENT

COLA will increase by €1.75 per week.



PENSIONS

- Increase in pensions of €3.25 per week (over and above COLA), resulting in a total of €260 increase per year.
- Increase of €200 in service pensions.
- Issuance of Government Savings Bonds for pensioners.
- *Refer to Tax & Duties section for tax incentives relating to pensions.*



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