



MALTA BUDGET 2021

A FULL OVERVIEW

20 October 2020

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1. ECONOMIC OVERVIEW

Malta experienced a decline in GDP of 7.7% in the first half of the year and an unemployment rate of 4.1 %. Public Debt stood at 44.4% of GDP in the first quarter of this year, expected to rise to 55% by the end of 2020. Growth in investment for 2021 projected to 7.5% and growth in private consumption equivalent to 3.7%. Inflation is expected to be at 1.3%. Deficit for 2021 is expected to drop from 9.4% this year to 5.9% while debt will rise from 55% this year to 58.6% of GDP next year.

2. COVID-19 ECONOMIC REGENERATION MEASURES

- €100 vouchers for all over 16 years (not clear whether residents or Maltese nationals) split as follows - €60 for accommodation, hotels and restaurants; €40 for retail and services. This scheme will cost €50 million.
- COVID Wage supplement extended to March 2021.

3. PROPERTY

- With effect from 20 October 2020, first time buyers will be exempt from duty on the first €200,000, increased from €175,000.
- Tax reduced rate of 3.5% when buying a home, even if not a first-time buyer, and for those already living in a home left to them through inheritance, will be applicable on the first €200,000.
- Extension of Economic Regeneration Plan measures: stamp rate on property purchases has fallen from 5% to 1.5% on the first €400,000 of property value and from 8% to 5% on those selling property, will remain in place for promises of sale registered until 31 March 2021 and contracts entered into by 31 December 2021.
- Donated property by parents for their children to reside in will benefit from a tax exemption on the first €250,000 and taxed at 3.5% on the remaining value.
- 15% tax payable on profits or profits from the assignment of rights acquired by a promise of sale is extended on the whole amount.

4. TAX

- To aid family businesses, the measure to reduce the stamp duty rate to 1.5% will be extended for another year.
- To encourage more writers to publish works, from next year, any profits that an author brings in as royalties on sale of books of which he is the author or co-author, will be taxed at 15%.
- A tax exemption of €1,000 per annum to reach €3,000 per annum for private pensions (Third Pension Pillar Scheme), and employers offering a voluntary and non-contributory employee scheme (voluntary occupational pension scheme).
- Tax refund to increase by €45 - €95, subject to income, low income earners receiving more. 218,000 to benefit from this scheme costing €16 million.
- VAT exemption threshold has been extended from Eur 20,000 to Eur 30,000.

5. SOCIAL AND FAMILY

- Cost of Living increase of Eur 1.75 per week for all employees.
- A further increase by 1 day of leave to 28 days leave in 2021.
- Children's allowance; Additional supplement for each child is to be granted. When total family income is up to Euro 25,318, the additional supplement will be Eur 70 a year for each child. For those with higher income, the additional supplement will be Eur 50 per year for each child.
- With respect to the In-work benefit, an extension of thresholds was announced. For couples that both work this was extended to Eur 35,000, for single parents it was extended to Eur 23,000 and for couples with only one parent working, it is Eur 26,000.
- Increase in Foster care allowance of Eur 520 per year up to a total of Eur 5720 per annum for each child
- An Increase in pensions was also announced as follows. Pensioners will benefit from an increase of Eur 3.25 a week in addition to the COLA increase. The non-taxable threshold for pension income will increase to Eur14,058.
- Workers will also be given further incentives to invest in a private pension scheme, with the first €3,000 invested in such a plan made tax-free. Previously, the tax-exempt threshold stood at €2,000.
- Persons that are 65 years or older especially women will receive an increase of Eur 50 in their annual bonus. Those that paid less than 5 years of SSC, will also receive an increase. Those that paid more than 5 years of SSC, will also receive an increase.
- The Carer at home Scheme will Increase to Eur 6,000 per annum. Criteria for eligibility have also being widened to capture more individuals that can qualify for this benefit.
- Additional benefit to parents of disabled children of Eur 300 per year to be given to those that need to stop working to take care of their disabled children over the age of 16 that are entitled to the Severe Disability Increased Assistance.
- Tal-linja free card for the over 70s.
- Free internet subscription for a full year to students continuing their studies after secondary school.

6. ENVIRONMENT

- Government unveiling first actions as part of the National Strategy for the Environment 2050 in the coming months.
- Green Bonds will be issued to finance renewable energy projects and projects which reduce air pollution.
- A Material Recovery Facility to be built so as to make a serious move towards circular economy.

- A new plant replacing the old one in Marsa to treat clinical waste and animal remains.
- Schemes will be extended and expanded covering packaging waste and electronic equipment.
- Beverage Container Refund scheme will be rolled out.
- Stop import of Single-Use-Plastics from January 2021.
- Phase out sale of Single-Use-Plastics from 2022.
- A new station for monitoring air quality with an expanded scope for monitoring.
- New test for vehicle emissions to be introduced; Worldwide Harmonized Light Vehicle Test Procedure (WLTP).
- Revision of registration tax, which will keep price the same or lower it.
- Five "Eco-Intermodal Hubs" to be installed which offer information on alternative transportation.
- 130 medium-fast and also fast-charging pillars to be installed for electric vehicles across country.
- 1.5-million-euro cash grant for scrapping of polluting vehicles based on a range of criteria.
- Extended measures to encourage purchase of electric vehicles.
- Special rate for residents who charge electric vehicles overnight.
- Schemes for bicycles and electric bicycles equivalent to a full refund on VAT extended again.
- Incentives increased for those who switch from petrol to gas for work - up to 400 euros.
- Scheme extended to all passenger transport vehicles and goods for up to 800 euros.
- When the annual circulation license for motorcycles with cubic capacity between 125cc and 250cc comes into play, the amount for license will be decreased from 65 euros to 25.
- All vehicles which are already registered with the Transport Authority, including motorcycles, will be able to apply for the vehicle to be licensed for use on weekends and the weekdays of Public and National Holidays only. In this case, they are to benefit from a reduction of thirty-five percent of the fee for the annual circulation license.

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