



2024 BUDGET



CAMILLERI PREZIOSI

ADVOCATES



Budget 2024

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Overview

The Budget for the 2024 legislature was presented to the Maltese Parliament on the **30th of October 2023**, against a backdrop of momentous global economic influences, including the upheaval being caused by the Russia-Ukraine war, the recessions being experienced by a number of European states, as well as the unprecedentedly high inflation rates.

Despite the Malta's high inflation rate, various measures are also being implemented to counteract the effects of the rising cost of living particularly felt by those who are most vulnerable, such as **pensioners** and **low-income families**. This is evidenced through the minimum wage raise, increases in pensions and children's allowance.

High on Government's agenda is the prioritised action against **climate change**, with the aim of reaching climate neutrality by 2050. This will be achieved through fostering sustainable investment in Maltese businesses, guaranteeing a concrete commitment to green infrastructure, increasing waste and energy security and diversification in Malta, and allocating larger sums of money to cleaner transport and renewable energy sources. The Climate Action Authority is being established to work towards attaining this goal.

For another year running, **no new taxes** were introduced.



Economic Performance



Gross Domestic Product

- GDP growth of **4.2% of GDP** in real terms in 2024, driven primarily by **domestic demand**.



Inflation

- The annual inflation rate for 2023 is anticipated at **5.7%**, which is however expected to **ease at 3.7%** in 2024.



Unemployment

- The unemployment rate is expected to remain steady at **2.7%** throughout 2024.



Government Debt

- **4.5% deficit of GDP** is expected for 2024, a slight decline from the 5.0% deficit expected to be registered for 2023. The **debt-to-GDP ratio** is expected to amount to 52.8% for 2023, increasing to **55.3%** in 2024.



Cost of Living Increase (COLA)

- **COLA will be increased by €12.81 per week** in 2024, and is applicable to employees, pensioners and individuals receiving social benefits.

Personal Income Tax Measures

- Workers are set to continue benefitting from the extended tax refund scheme featuring payments between **€60** and **€140** to be made to recipients based on their income.
 - Aimed at encouraging pensioners to continue working beyond retirement age, the **tax-free bracket for pension income** is being increased from **40% to 60%**.
 - Any **widow/er below the age of 61** receiving a pension shall be **exempt** from paying income tax on such pension income with effect from 1st January 2024.
- With effect from 2024, the **tax credit** for parents with children with disabilities receiving qualifying therapy, will be increasing from **€200** to **€500**.
 - **Updates** are in the pipeline to the scheme providing fiscal incentives to **highly qualified persons**, with a view of this being better aligned with Malta's economic development.
 - **Extension** of the reduced tax rate of **7.5%** currently applicable to income derived by athletes, licenced coaches, to **other persons engaged in sports activities**.





VAT Measures

- The **VAT refund scheme on restoration works**, which currently reimburses first-time buyers for the cost of construction, completion and any rehabilitation works, will be **modified** to address the anomaly in the system under which couples are presently eligible for a higher refund than single persons.
- As is the case with income tax, certain **VAT incentives** will also be applicable to persons buying or selling property located in an urban conservation area or property which has been built for more than 20 years and has been vacant for a period of more than seven years. In this respect, such persons will also benefit from a **VAT refund of a maximum of €54,000** on the first **€300,000** restoration and renovation related expenses.



Pillar II Developments & Other International Tax Measures

- The Minister has announced Malta's approach to **deferring** the implementation of the Pillar II rules, as permissible under the EU Minimum Tax Direction. In this respect, the three main components of the Pillar II rules, namely, the **Inclusion Rule (IIR)**, the **Undertaxed Profits Rule (UTPR)** and the **Qualified Domestic Minimum Top-Up Tax (QDMTT)** **will not be introduced by Malta in 2024**.
- For the foreseeable future therefore, there are **no plans** to alter Malta's **full imputation system** of taxation.
- In order to comply with the OECD global minimum tax framework, Government has pledged its commitment to implement tax incentives in the form of **grants** or **tax credits**, the latter also known as **Qualified Refundable Tax Credits (QRTCs)**.
- Certain **fiscal incentives** are expected to be introduced in accompaniment of Government's pursuit of new economic niches, including **Real Estate Investment Trusts (REITs)** and **aircraft leasing**, amongst others. Particularly in relation to aircraft leasing, Government is exploring the implementation of a **specialised tax depreciation framework**.

Immovable Property

- The first **€200,000** of the value of immovable property will be **exempt** from income tax and stamp duty where said property is transferred to individuals that benefit from schemes managed by the Housing Authority.
- First-time buyers who acquire property will continue to be eligible for a **grant of €10,000** spread across 10 years.
- The **reduction in stamp duty rate** shall be extended by another year for **first-time buyers** and **second-time buyers**. *However*, the 2% reduced stamp duty rate applicable to transfers of **immovable property situated in Gozo**, will not be extended, and therefore, promise of sale agreements executed after 31 December 2023, will be charged to stamp duty at the **rate of 5%**.



Immovable Property (cont.)

- The previously announced incentive concerning the **exemption** from income tax on capital gains and stamp duty applicable to transfers of residential properties located in **urban conservation areas** or those that have been **vacant** for a minimum of seven (7) years, **will continue to apply**. In this respect, **no tax** shall be due on the first €750,000 of the higher of the value and consideration of the property.
- First-time buyers of qualifying properties will also be eligible for a **one-time grant of**:
 - **€15,000** if the property is located in **Malta**;
and
 - **€40,000** if the property is located in **Gozo**.





Incentives for Domestic Businesses

- Government is once again extending the concession on the reduction of stamp duty from 5% to 1.5% applicable on an *inter vivos* **transfer of a family business** to descendants.
- A **tax credit** of **up to €500** is available to businesses that **donate to voluntary organisations** registered with the Commissioner for Voluntary Organisations that support social, environmental, or animal welfare causes.
- SMEs will continue to be able to avail themselves of different EU funding schemes, including cash grants under the **Business Enhance Scheme** (€40 million) and the **INVEST EU Scheme** (€16.5 million), facilitating access to bank financing.
- Obligations for small business owners to **file audited accounts for tax purposes to be made less stringent**.
- Introduction of **fiscal incentives** targeted specifically to assist **family businesses** which internationalise, innovate and digitalize.
- A **Venture Capital Fund** has been established to facilitate access to finance to **start-ups**, particularly those focused on **technology**.
- The Minister has announced the **extension of various schemes** in 2024, including the **Seed Investment Scheme**, the **Startup Finance Scheme**, the **Skills Development Scheme**, the **Rent Subsidy Scheme**, the **Innovate Scheme**, the **Smart and Sustainable Scheme** as well as the **Investment Aid for Energy Efficient Projects Scheme**.
- SMEs will be able to continue tapping into **free energy audits**.

Greener Economy

- The Minister confirmed that work is ongoing to **install 1,200 new charging points** as announced under the previous budget, whilst also confirming the extension of **grants to purchase electric vehicles, motorcycles and e-bikes**; scrappage of older vehicles; conversion of vehicles to run on LPG.
- A scheme to be introduced whereby **incentives** will be given for the purchase of **e-kick scooters**.
- Continued extension of the **exemption from registration tax**, and exemption from **paying the annual road licence** for electrical and plug-in hybrid vehicles, for a period of five (5) years from first registration.
- Implementation of **different schemes to incentivise investment in renewable energy**, including schemes relating to installation of solar panels, renewable power storage batteries, heat pump water heaters and restoration of wells in old houses.





Other Measures

- The Minister has announced the creation of a **Common Central Data Repository** which will simplify the process for doing business in Malta, including eliminating the requirement to submit the same type of documentation multiple times to different regulatory entities. A **new digital platform** has also been launched by the **Malta Business Registry** aimed at facilitating company formation, as well as the submission and processing of documentation online.
 - Ongoing discussions with local banks with a view of providing businesses with accessibility to a **basic bank account in Malta**.
 - A capital investment of €215 million to be made in Malta's **new national airline**, with the aim of this being operational as from the 31 March 2024.
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- Proposed changes to **current fee structuring** attaching to the process for renewal of the **single work permit**.
 - New regulations set to apply to **Outsourcing and temping agencies**.



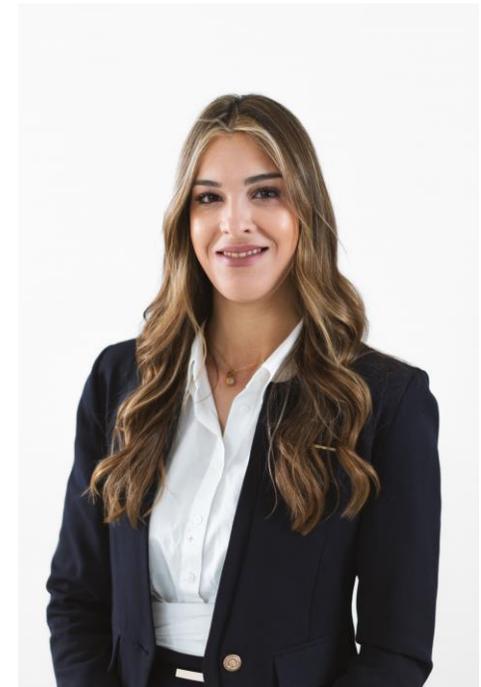
Donald Vella

donald.vella@camilleripreziosi.com



Kirsten Debono Huskinson

kirsten.debonohuskinson@camilleripreziosi.com



Gabriella Chircop

gabriella.chircop@camilleripreziosi.com



CAMILLERI PREZIOSI
ADVOCATES

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