

MALTA BUDGET 2021



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19TH OCTOBER 2020

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General Overview

THE MINISTER FOR FINANCE HON. PROF. EDWARD SCICLUNA, PRESENTED THE BUDGET SPEECH FOR 2021 ON THE 19TH OF OCTOBER 2020.

IN THIS DOCUMENT, YOU WILL FIND THE LATEST ECONOMIC FORECASTS, COMPARATIVES AND INDICATORS AS WELL AS THE MAIN MEASURES WHICH WILL BE IMPLEMENTED IN 2021.

THIS BUDGET IS BEING PRESENTED IN THE WAKE OF THE COVID-19 PANDEMIC, FOLLOWING TWO OTHER MINI BUDGETS HELD EARLIER IN THE YEAR TO ENCOURAGE ECONOMIC GROWTH. THE THEME OF THIS YEAR'S BUDGET IS **MOVING FORWARD STRONGLY**.

HIGHLIGHTS OF MALTA BUDGET 2021

- A €1.75 increase in COLA to employees, pensioners and pro-rata to students receiving a stipend.
- Addition day of vacation leave added to current entitlement
- An increased tax rebate of between €45 and €95 will be granted once again to all those in employment who earn less than €60,000
- Vouchers of €100 to be granted once again, €60 for restaurants and hotels and €40 for retail and services.
- Increase in Children's Allowance by €50 and €70 to low income earners.
- No new taxes, tariffs or duties announced and no increase in existing ones
- Improvement in the In-Work Benefits thresholds.
- Increase in Foster Care Allowance to €5,720
- Adoption Allowance to be increased to €1,000
- Pensioners to receive a further increase of €3.25 per week in addition to the COLA increase
- Tax Rebate allowance for pensioners extended and Increased.
- Carer at Home Scheme increased to €6,000
- Government Savings Bond 62+ with a higher interest rate to be re-issued

Economic Indicators



Malta registered a 7.7% shrinkage in GDP in the first 6 months of 2020, as expected given the Covid-19 pandemic.



A surplus was registered in 2019. In 2020 a deficit of 9.4% of GDP is expected.



Unemployment rate in August was at 4.1%. Youth unemployment in May was at 10.9% and curbed to 9.5% in August.



National debt to GDP ratio is at 44% of GDP. A 7.4% of GDP shrinkage of the Maltese economy is expected in 2020.

Fiscal and Other Measures

Property

First time buyer scheme has been extended and improved whereby no stamp duty is paid on the first €200,000, while second time buyers may avail of a reduced rate of stamp duty, at 3.5%, on the first €200,000. The second time buyers' scheme will also apply to those who inherit a residential property and had established therein their primary residence.

The reduced rate of 1.5% stamp duty on the first €400,000, and property sales tax of 5% announced in the recent Economic Regeneration Plan have been extended, subject to registering the promise of sale by 31st March 2021 and final contract done by 31st December 2021,

Donated property by parents to their children, where the latter establish their main primary residence will also avail of an exemption of stamp duty on the first €250,000 and 3.5% on the remaining value.

The profits derived on cessation of the right for a promise of sale (*konvenju*) will now be wholly taxed at a rate of 15%.

Family Reorganisation

The 1.5% stamp duty on the donation of family business has been extended by another year up till the 31st December 2021.

Royalty Income

Tax on Royalty Income to be taxed at withholding tax of 15%.

Covid-19 Measures

The Covid-19 Wage Supplement has been extended till March 2021, however being granted to those who require it most.

Other measures including tax deferrals and moratorium will be kept.

EU Funds

Malta has been granted €2.25billion in EU Funds which will be distributed under various schemes.

Innovative Economy

The Digital Economy Think Tank will be launched to implement a national digital strategy, including AI, esports and video game development.

Start-Ups

A framework to attract start-ups to Malta will be launched, including a venture capital fund.

VAT

The threshold for VAT exemption to be increased to €30,000.

Innovation

Malta Enterprise will be tasked with launching a scheme to incentivise companies employing less than 50 to invest in technology, become more cost efficient, enter new markets and employ qualified personnel. This will cover 50% of the expense with a maximum of €200,000 with an additional €35,000 for those who collaborate with local research institutions.

Tourism

A strategy leading to 2030 to rebuild our tourism industry will be launched. This will include a Net Zero Carbon Neutral strategy and the promotion of digital innovation.

Gozo

The launch of the Innovation Hub, a second fibre optic cable and the work on the Astronomical Observatory are to add higher quality work in Gozo. Other employment schemes will be extended.

Further investments in infrastructure and restoration are planned, including the Olympic pool and sports centre.

Green Economy

The plan is to have a carbon neutral country. Further investment in water conservation and further studies in an underground transport system.

The Malta Stock Exchange will provide incentives for the launch of Green Bonds.

Importation of single-use plastics to stop in 2021, and the sale of these in 2022.

VAT refund on bicycles and e-bikes to be extended. The same applies to incentives on the purchase of motorbikes and scooters.

Health and Education

The Outpatients Department in Mater Dei will be rebuilt, and a new blood bank will be built.

Schools in Santa Lucija & Qormi will be upgraded to meet today's educational standards

Post-secondary students will benefit from a year of free internet. This will help them carry out their studies and encourage more young people to continue their education.

About Us

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Providing services to a list of prestigious clients, the firm enjoys an excellent reputation which stems from our dedication, professionalism and enthusiasm to serve our clients.

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Our team put dedication into guiding clientele, through the numerous opportunities which Malta can offer.

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