

Melvyn Mangion on the Malta Budget 2023

The Malta Budget, delivered by the Minister for Finance and Employment, place on the 24th of October 2022. Here is a summary of the key highlights from Malta Budget 2023.

Social Measures

- COLA increase for all employees and people on social benefits will be of €9.90.
- Pensions will be increased by a total of €12.50 per week including COLA, which means an effective increase of €2.60 beyond COLA.
- EU funds to be directed towards the social partners to allow them to participate in consultation before decisions are taken.
- From 2023, the government will award two years of National Insurance Credits for all those who did not work for a period between 18 and 30 years of age, while receiving psychiatric care.
- The government will be increasing its bonus by €50 for those persons who have reached retirement age but have not accrued sufficient National Insurance contributions to qualify for a pension. In 2023 the bonus for those with less than 5 years of contributions will increase to €450 per annum, whereas for those who pay more than 5 years of contributions but less than 10 years of contributions the bonus will increase to €550 per annum.
- Carers Grants to be increased from €500 to just over €4500 per annum, and will be paid every three months.
- Government will invest €4.2 million in Personal Assistants and Independent Community Living for persons with disability.
- Pensioners will receive the cost-of-living bonus in full, up to a maximum of €1.50 a week.
- An in-work benefit of €150 will be given to those working atypical hours and whose pay does not exceed €20,000.
- The one-tablet-per-child policy will be extended. A new laptop will be provided for each Year 7 student from the 2023 scholastic year.
- Schemes related to training will be extended with an investment of approximately €10 million in the Youth Guarantee Scheme, together with Training for Employment, Investing in Skills and access to Employment.

Property Measures

- € 10,000 grant directed to first time buyers over a period of 5 years.
- Extension of the deposit payment scheme to include properties up to a maximum of €225,000.
- Capital Gains Tax Exemption extended.
- 1st time buyers' scheme extended.
- Extension of VAT scheme applicable to the restoration of qualifying properties.

Tax Measures

- The limit for pensionable income which is exempt from taxation will be increased by the same amount that pensions will be increased. This will see the limit increased to €14,968. The tax exemption on other income for those operating under a married tax status will increase to €3600 a year. A new limit will also be introduced for those

born after 1962. This limit will be tied to the highest pension that the person in question can receive.

- 20% of income deriving from pensions for those in work will be excluded from taxation, with 40% of income from pensions excluded in 2023. This is in the context of all pensionable income becoming tax exempt over a 5-year period for those in work.
- The tax on royalties for authors and co-authors will be reduced from 15% to 7.5%.
- An individual tax refund of between €60 and €140 will be issued in 2023. 250,000 people will benefit from this at a total cost of €26 million.
- Businesses that invest in their company, may benefit from tax credit of up to €40,000 if projects cover digitalisation, decrease in energy consumption and water usage or reduction of raw materials and waste. This will apply to all businesses, including SMEs, self-employed and family businesses.
- Gozitan businesses and start-ups will continue to benefit from additional financial assistance of 10% as tax credit. This can increase up to 20% if investment is made in projects that reduce carbon footprint.
- Investing in Social Enterprises: Several benefits that are available for commercial companies will be extended to social enterprises, such as Micro Invest. Social Enterprises may be eligible for a tax credit of up to €70,000 over 3 years.
- Concession of Family Business Transfers: The reduction in stamp duty from 5% to 1.5% on family business transfers will be extended.
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- Tax Rebate for Sports, Arts and Culture, increasing from €100 to €300 for parents who send their kids to related activities.
- Extension of other schemes, such as:
 - Grants upon purchase of electric vehicles and electric motorcycles;
 - Grants to incentivise the purchase of mopeds, pedelecs and motorised bicycles;
 - Grants for small petrol motorcycles; and
 - Grants for the conversion of petrol vehicles to gas.
- Plug in hybrid vehicles will remain exempt from registration tax. A further exemption from the annual circulation tax shall apply for 5 years from the date of registration.

Economic & Business Measures

- Enhancing the start-ups ecosystem: A one-stop shop will be launched next year to offer assistance to potential start-ups and advisory support to make better use of Schemes managed by Malta Enterprise and other entities. An international conference “EU Start-Ups Summit” will be launched to attract some of the best European start-ups to Malta.
- Malta Enterprise will develop a new Business Incubation Centre, alongside the Kordin Business Incubation Centre, by tapping into European Funds. It will aim to be a high quality touch down facility for innovative start-ups that will help to diversify the Maltese economy.
- Invest in Small and Medium sized enterprises: More cash grants with an investment of around €40 million for SMEs through the Business Enhance scheme. Malta will also participate in the Invest EU initiative for other opportunities. Other financial

instruments for businesses supported by European funds will continue in the years to come.

- A Digital Innovation Hub (DIH) supported by European funds will start providing opportunities for digital transformation of SMEs and start-ups through the introduction of technologies such as AI, Cyber High Performance Computing (HPC) and cloud solutions.
- Assistance for Maltese and Gozitan businesses that invest in digital and sustainable business models.
- Malta Enterprise will double its financial assistance in the form of cash grants to companies that invest in digital and sustainable projects.
- Incentivising enterprises to invest: The scheme that supported Covid-19 impacted companies by offsetting against income tax of sustainable companies will be extended for another year. This will allow companies that had unused capital allowances in 2020 and 2021 due to loss incurred during the pandemic. Applicants may benefit from reduction of tax benefit for all taxable income originating from other companies of the same group in 2022 (Year of Assessment 2023).
- From next year Maltese businesses will benefit from annual financial assistance of €50,000 instead of €25,000 for the first 3 years by means of the rent subsidy scheme. The period of the scheme will also be doubled from 3 years to 6 years.
- Simplifying bureaucracy for businesses: A committee has been appointed to ensure the right of a basic bank account for businesses as well as a Credit Review Office to facilitate relationships between the interests of commercial banks and their clients for loan applications.

For more information about the measures announced during Malta Budget 2023, we invite you to contact Melvyn Mangion through www.melvynmangion.com