

Budget 2009 Highlights

On the 3rd of November 2008, Hon. Tonio Fenech, Malta's Minister of Finance, delivered the Budget for 2009. In general, the Budget entitled 'Responsibility, Sustainably and Solidarity' aims to introduce measures targeted towards the use of green technology and has continued to foster industrial development to stimulate the Maltese economy. The Maltese government has announced various regeneration and restoration projects such as the regeneration of the Menqa at Marsa, the restoration of the Upper Barrakka Gardens, the development of yacht marinas in Kalkara and Sa Maison and a new cruise terminal at Boiler Wharf.

The main highlights of the Budget 2009 were the following:

- A weekly wage increase of €4.08 to compensate for the increase in the cost of living.
- Interest on outstanding payments of income tax and VAT will be reduced by 25%. This implies that the previous applicable interest rate of 1% per month or 12% per annum on outstanding payments of tax shall be reduced to 0.75% per month or 9% per annum. The government has also announced the intention to introduce a new system of tax penalties to encourage more compliance by defaulting taxpayers. Defaulting taxpayers shall be exposed to criminal charges in addition to administrative charges.
- The tax exempt portion of income from the hosting foreign students shall be increased to €3,500.
- The Government shall be introducing tax incentive schemes aimed at small entrepreneurs who invest over €10,000 in their business. The benefit should result in a tax credit for a period of two years.
- Annual licenses for yachts shall be revised as follows:

Yachts	Annual license fee (€)
Yachts without engine	90
0 to 9.9 hp	120
10hp to 25hp	140
26hp to 50hp	165
51hp to 75hp	185
76hp to 150hp	190
151hp and over	200

- Women who have been absent from work during the last five years and whose children do not exceed the age of 16 shall be exempt from income tax during their first year of employment.
- Similarly, mothers whose children were born on or after 2007 and who have not been absent from employment for a period which does not exceed 5 years should shall be exempt from income tax during their first year of employment.
- The government has emphasised that there will be no changes with respect to the manner in which overtime is currently being paid.

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- By virtue of the introduction of a Local Council Green Challenge Award, local councils which introduce initiatives for improving the environment shall be awarded a €100,000 grant.
- Local Council Enterprise Support Award Scheme: Those local councils introducing measures aimed to stimulate and encourage business shall be awarded a grant of €100,000
- Special one-off scheme for the restoration of residential facades originally built prior to 1950. The scheme consists of a refund of 30% of the total expenditure up to a maximum of €2,500
- Personal income tax bands for single and married rate computations shall be revised again for the basis year 2009. The new tax bands which should result in a reduction in personal income tax shall be as follows:

Income Tax Rates for Single Individual Declarations			
Present Rates of Tax (2008)		Revised Rates of tax (2009)	
Income up to (€)	Rate - %	Income (€)	Rate - %
0 – 8,150	0	0 – 8,500	0
8,151 – 14,000	15	8,501 – 14,500	15
14,001 – 19,000	25	14,501 – 19,500	25
19,000 and over	35	19,501 and over	35

Income Tax Rates for Married Couples opting for a joint declaration			
Present Rates of Tax (2008)		Revised Rates of tax (2009)	
Income up to (€)	Rate - %	Income (€)	Rate - %
0 – 11,400	0	0 – 11,900	0
11,401 – 20,500	15	11,901 – 21,200	15
20,501 – 28,000	25	21,201 – 28,700	25
28,001 and over	35	28,701 and over	35

- To incentivise the use of bicycles, the Maltese government has proposed a refund of 15.25% on the acquisition price of each bicycle.
- New measures aimed to continue stimulating industry including the introduction of The Small Business Act and the long-awaited introduction of General Accounting Principles for Small Enterprises to replace International Financial Reporting Standards
- The introduction of new incentives by the Malta Enterprise with an investment of 20 million over a five year period including the following:
 - International Competitiveness
 - Grants for Research and Development
 - Innovation Act
 - Small Start up Scheme
 - E-business Development Grant Scheme

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- New regulations concerning *Energy Performance of Buildings* where with every development permit, one has to present the so called *energy performance certificate*.
- Distribution of security vouchers to families exchangeable for energy saving bulbs from an outlet of their choice.
- Introduction of €0.25 and €0.50 on incandescent and fluorescent lamps and neon tubes respectively.
- 2/3 refund to households investing in solar water heaters, up to a maximum of €460. Applications are received on a first come first served basis until the total allocation is exhausted.
- Funding of 50% of the expenditure in photovoltaic cells up to a maximum of €3,000. Applications are received on a first come first served basis until the total allocation is exhausted.
- Assistance of 33% of the expenditure in insulation on roof tops and double-glazed glass, up to a maximum of €300. Applications are received on a first come first served basis until the total allocation is exhausted.
- Malta Enterprise will continue to support enterprises which use energy saving and clean technology. This support may take the form of investment tax credits and the application of net metering.
- Support to the industry through the Business Advisory Scheme involving financial support on expenditure related to experts' advice on intelligent consumption of water and energy as well as waste management.
- Financial assistance of 40% of the expenditure related to audit exercises of current energy systems and consumptions in the industry with a maximum assistance of €300 for small enterprises and a maximum of €1,000 for large enterprises.
- Increase in excise tax on petrol and diesel by €0.035 and €0.02 per litre respectively.
- Major reforms in the Public Transport including full replacement of old buses by 2010 as well as increase in accessibility to bus stations.
- Liberalisation of services provided by taxis, coaches and mini buses.
- Revision of registration taxes on new motor vehicles with decreases of up to 44% and increases of up to 45% depending on age of vehicle, emissions and engine capacity. This measure will be effective from 1st January 2009 and applies to vehicle category M1 (private vehicles suitable to carry passengers) including those used for self-drive, lease and garage-hire. Transitional arrangements for new vehicles registered during 2008 are available.
- New registration scheme mechanism for second-hand vehicles and first used in Malta.
- Revision in the annual vehicle license regime of motor vehicles both non-commercial and commercial.
- Introduction of €0.15 eco-contribution on every carrying plastic bag provided by retail outlets which have to be also included in the fiscal receipt.

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- Introduction of €0.01 eco-contribution for every 80g on magazines and leaflets which contain more than 50% promotional and commercial nature and which are distributable on a door-to-door basis or with newspapers.
- Increase in the licenses of domestic and commercial swimming pools.
- Unemployed individuals who are receiving unemployment benefits and who are not reading for a training course, will have to conduct community work or public works up to 30 hours per week and in turn, the unemployment benefit increase up to 75% of the National Minimum Wage.
- Removal of duty on transfers *causa mortis* between descendents with special needs and their parents or guardians..
- A means tested scheme administered by the Housing Authority which finances up to 30% of monthly loan repayments for a period of 10 years on account of loans taken up by first-time buyers to finance their residential property.
- General decrease in excise tax on spirits and other alcohol but increased in legal age for alcohol consumption from 16 to 17 years of age.
- Increase in excise tax of €0.20 on tobacco and cigarettes.

For further information you can contact:

Mr. Christian Vella *+356 99829638 (Mobile)*
christian@3a.com.mt

Mr. Franco Falzon *+356 99895679 (Mobile)*
francof@3a.com.mt

or else please call at our offices on +356 2757 2757

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