

# Budget 2008 Highlights

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- Cost of Living increase: Lm1.50 (€3.49) per week effective from 1st January 2008.
- Establishment of a Research and Development Centre in conjunction with the University of Malta with the injection of Lm40,000 (€93,100) seed capital. This centre may be beneficial to commercial entities conducting research and development.
- The new law regarding Industry Promotion: research and development incentives; aid schemes for investment in Gozo; favourable financing at lower interest rates; assistance in the promotion and marketing outside Malta.
- Assistance by ETC in the form of a grant of up to 60% of the national minimum wage, to incentivise the inclusion of disadvantaged persons.
- Scheme for long-term unemployed persons to be employed with private enterprises for 3 months and working up to a maximum of 30 hours per week. In return, private companies will reimburse 75% of the minimum weekly wage paid to these employees.
- Promotion of temporary employment by crediting back the National Insurance Contributions for unemployed persons seeking temporary employment.
- As from 1<sup>st</sup> January 2008, maternity leave will be extended from 13 weeks to 14 weeks and maternity benefit will be increased accordingly. Employers will be given credit to their share of national insurance contributions paid on this extra week.
- Existing ETC grant schemes involving training and technical assistance to new self-employed persons will be enhanced for Gozitans.
- Existing ETC "Employment Aid Scheme" in Gozo will remove the capping of 5 employees in order to qualify for the assistance, thus capturing a wider category of enterprises.
- Allocation of Lm200,000 (€465,900) in grants for the furtherance of Masters or Ph. D studies, through the Government Scholarship Scheme.
- Stipend to students resident in Malta but who are reading 1<sup>st</sup> degree studies abroad.
- Income tax rebate up to a maximum of Lm42.93 (€100) for parents paying sport fees (as approved by the Malta Sports Council) on account of their children.
- Refund of VAT paid on expenditure related to improvements of sports facilities carried out by recognised Sports Associations.
- Income tax deduction equivalent to the amount of sponsorship granted by a private enterprise to promote Sports Associations or athletes in the participation of national or international sports events.
- Reduction of VAT from 18% to 5% on the letting of spaces for cultural and artistic events, as well as on the entrance fees to museums, artistic exhibitions, concerts and theatres (excluding cinemas).

- VAT exemption on training related to artwork as provided by an accredited organisation by the Registrar for Training in Arts.
- Establishment of Film Fund with the injection of Lm100,000 (€232,937) to promote Maltese filming.
- Establishment of Arts' Fund with the injection of Lm100,000 (€232,937)
- Income tax deductions of the amount equivalent to financial assistance by private enterprise to a recognised non-profit making cultural organisation or to funds forwarded to the Arts' Fund.
- Income tax deductions of up to a maximum of Lm8,000 (€18,635) of the amount equivalent to financial assistance (including scholarships) by private enterprise to Maltese artists.
- Rebates to property development, which includes in its construction process, insulation methods, use of clean energy equipment, conservation of rain-water and the use of other energy efficient equipment.
- Increase in the refund on the price of electric cars to 20%. Introduction of reserved parking facilities for electric cars providing the opportunity to have the car charged with solar-generated energy.
- Doubling of Children's Allowance amount for the 2<sup>nd</sup> and other children, which would become equivalent to that of the 1<sup>st</sup> child.
- Reduction of minimum threshold (to calculate children allowance) from Lm2,770 (€6,452) to Lm2,000 (€4,658).
- Increase of minimum children allowance from Lm52 (€121) to Lm107 (€250) per annum. This minimum allowance will be entitled to all children.
- Adjustment in the maximum threshold of the supplementary allowance entitlement to reflect the Cost of Living Increase. This secures the right to entitlement of the supplementary allowance.
- Fostering allowance increases from Lm5 (€12) to Lm17 (€40) per week while the orphans' grant will increase from Lm4.74 (€11) to Lm20 (€47) per week.
- Tax rebate up to a maximum of €1,000 (Lm429) per annum for parents who have their children attending private kindergartens.
- Relief from the payment of *causa mortis* stamp duty by the surviving spouse on their residential dwelling unless it is sold until the death of that surviving spouse.
- Subsidy of 1% above the Central Bank's intervention rate if such rate is higher than 3.75%. The subsidy will be granted on a period of 10 years and the value of the residential property being subsidised should not exceed Lm50,000 (€116,468).
- The reduced stamp duty rate of 3.5% on the first Lm30,000 (€70,000) of the value of a residential property, will be extended to the first Lm50,000 (€116,468).
- One-time transfer of a property from the parents to their children will be reduced from 5% to 3.5%.

- Extension of the Equity Share Scheme managed by the Housing Authority. The Authority will finance a maximum of Lm14,000 (€32,611) on finished property or Lm10,000 (€23,293) on shell property.
- As from 1<sup>st</sup> January 2008, the cost of Living increase will be given in full to all the pensioners.
- Deduction of Lm200 (€466) from the total income of a pensioner receiving Service Pensions, for the scope of calculating the 2/3 Social Security Pension.
- Deduction of Lm859 (€2,000) from the taxable income of an elderly person or of either of his family members, where such an elderly person is resident in a private old people's home.
- Exemption from payment of ETC permits required to employ a foreign personal assistance to a severely disabled person. Additionally, they are also exempted from the payment of the employer's NI contributions which they pay on account of this foreign employee.
- Elimination of means test in the calculation of allowances to disabled children, to a single allowance rate of Lm7 (€16.31) per week.
- As from 1<sup>st</sup> January 2008, enterprises employing a disabled person as registered with the ETC, would be exempt from paying NI Contributions in the first three years of employment.
- Revision of tax bands allowing a maximum tax saving of Lm341 for a married couple opting for joint tax computation, Lm460 for a married couple opting for separate tax computation and Lm230 for a single person.

Revised Income Tax Rates for Single Individual Declarations			
Present		Revised	
Income up to (Lm)	Rate - %	Income up to (Lm)	Rate - %
0 – 3,250	0	0 – 3,498	0
3,251 – 5,500	15	3,499 – 6,010	15
5,501 – 6,750	25	6,011 – 8,156	25
6,751 and over	35	8,157 and over	35

Revised Income Tax Rates for Married Couples presenting a joint declaration			
Present		Revised	
Income up to (Lm)	Rate - %	Income up to (Lm)	Rate - %
0 – 4,500	0	0 – 4,894	0
4,501 – 8,000	15	4,895 – 8,800	15
8,001 – 10,000	25	8,801 – 12,020	25
10,000 and over	35	12,021 and over	35

## Disclaimer

The above information is being provided as a general guide only and should not be considered as a substitute for professional advice. *For further information you can contact Christian Vella on christian@3a.com.mt.*