

MALTA BUDGET 2024: Key Highlights



1. ECONOMIC HIGHLIGHTS

1.1 ECONOMIC OUTLOOK

On the 30th of October 2023, Finance Minister Clyde Caruana presented the budget measures for 2024. During his speech, the Minister emphasised on the challenges Malta faces as the last few years have been dictated by a pandemic and the wars in Ukraine and the Middle East, which affected lives and economies.

Malta's economy is forecasted to grow by 4.2% in real terms during 2024. The Government expects that inflation will decrease to 3.7% in 2024 and that increases in prices for food and services will persist, but at a more moderate rate.

Malta's debt to GDP ratio currently stands at 52.8% and it is expected to increase to 55.3% in 2024 and ultimately to 56.9% in 2026, one of the lowest in Europe. The Government is expecting that the deficit will fall to 4.5% in 2024, and continue to fall by 0.5% each year until at least 2027. Employment is expected to increase by 4.4% with the unemployment rate expected to stand at 2.7%.





2. EMPLOYMENT MARKET, PENSIONS & SOCIAL MEASURES

2.1 COST OF LIVING ALLOWANCE (COLA) AND LABOUR MARKET INCENTIVES

The 2024 cost of living adjustment applicable to all workers, pensioners and social benefits beneficiaries, will amount to €12.81 per week, a higher increase when compared to 2023. Moreover, the Government announced an additional COLA top-up of between €100 and €1,500 depending on the household income and size.

2.1 CHILDREN'S ALLOWANCE

Children's allowance will increase by €250 per child per year.

Low-income families whose children reach 16 years of age and thus are not eligible for the children's allowance are to receive €500 per year for three years, provided that the child continues studying and living in the same household.

A one-time payment of €500 will be given on the birth or adoption of the first child and a further €1,000 for the second child.



2. EMPLOYMENT MARKET, PENSIONS & SOCIAL MEASURES

2.3 UNEMPLOYMENT BENEFITS

Unemployed persons will receive 60% of their previous salary for the first six weeks, 55% for the next 10 weeks and 50% for the final 10 weeks. The unemployment benefit will be capped at 175% of the minimum wage.

Those who are temporarily unable to work will be able to avail of a partial invalidity benefit.

2.4 INCENTIVES FOR PENSIONERS

The Minister announced an increase in pensions of €15 per week resulting in an increase of €780 per annum. The increase is inclusive of the €12.81 COLA leading to an additional increase of €2.19 per week.

In addition, the budget also includes a pledge for a further addition to pensioners who started receiving a pension from 2009 onwards, up to a maximum of €1 weekly.



2. EMPLOYMENT MARKET, PENSIONS & SOCIAL MEASURES

2.4 INCENTIVES FOR PENSIONERS (CONT.)

The Budget provides for an amendment in the pension's calculation mechanism used for persons born before 1962 so that the pensions are calculated with the same formula as for those born after 1962.

Moreover, an additional incentive will be provided for those who remain in employment after reaching retirement age:

- An increase of 6.5% if retirement is postponed by one year;
- An increase of 13.5% if retirement is postponed by two years;
- An increase of 21% if retirement is postponed by three years;
- An increase of up to 29% if retirement is postponed by four years.

In 2024, the support provided to persons who do not have enough social security contributions to receive a pension, is to be increased to €500 for persons with up to four years of contributions, and €600 for those who paid up to nine years of contributions.

In order to encourage pensioners to continue working, the Minister announced an increase of the maximum amount of working income that will be untaxed to 60%.



2. EMPLOYMENT MARKET, PENSIONS & SOCIAL MEASURES (cont.)

2.5 CARERS' ALLOWANCE AND BENEFITS ASSOCIATED WITH DISABILITY

The allowance for parents who decide not to work, to care for their severely disabled children will rise by €12.81 a week. The standard disability benefit will increase by €8.54 a week.

Parents of persons with disability will continue to benefit from a tax credit with respect to expenditures on therapy. This will increase from €200 to €500 per year, per child.

In 2024, the grant provided to hire a carer will be increased by €1,000 to €8,000 annually paid as a monthly benefit. The grant, known as the Carer at Home scheme, is open to persons over 60 years of age who hire a carer with a recognised qualification. Moreover, those who choose to live at home or pay for a private care home, will receive a benefit of €300 per year (increased to €450 for persons over 80 years of age).

2.6 EDUCATION AND STUDENTS-RELATED MEASURES

Students will receive an increase in stipends of €64 per year with even higher stipend for students registered for certain courses. The incentive for students in year seven to be given a laptop will be extended in 2024.

2. EMPLOYMENT MARKET, PENSIONS & SOCIAL MEASURES (cont.)

2.7 OTHER SOCIAL AND FAMILY MEASURES

The annual tax refunds will remain between €60 and €140 during 2024. As in previous years, those with the lowest income will receive the higher refunds as per the table below:

Chargeable Income (€)	Tax Refund		
	2022	2023	2024
Single Rates tax computation			
€0 - €15,000	€125	€125	€125
€15,001 - €30,000	€95	€95	€95
€ 30,001 - €59,999	€60	€60	€60
Married Rates tax computation			
€0 - €20,000	€140	€140	€140
€20,001 - €40,000	€110	€110	€110
€ 40,001 - €59,999	€65	€65	€65
Parent Rates tax computation			
€0 - €15,000	€135	€135	€135
€15,001 - €30,000	€705	€105	€105
€ 30,001 - €59,999	€60	€60	€60



3. INCENTIVES APPLICABLE TO THE HOUSING MARKET

3.1 INCENTIVES FOR FIRST TIME & SECOND TIME BUYERS

The reduced stamp duty rate for first-time buyers and second-time buyers will be extended for another year.

3.2 PROPERTY IN UCAs AND VACANT PROPERTY

The Government announced that the exemption from Stamp Duty and Property Transfer Tax on property purchases and transfers on the first €750,000, which is:

- a) built more than 20 years ago and which have been vacant for seven years; or
- b) within the UCA;

will be extended to 2024.

Moreover, there will be a VAT saving of up to €54,000 on the first €300,000 expenditure on restoration works. First-time buyers of either UCA or vacant property in Gozo will benefit from an additional €10,000 grant (amounting to €40,000 in total). The equivalent grant for either a UCA or vacant property situated in Malta would amount to €15,000.





3. INCENTIVES APPLICABLE TO THE HOUSING MARKET (CONT.)

3.3 OTHER MEASURES RELATED TO PROPERTY

The Government announced changes to the Private Rent Housing Benefit Scheme, which will see a maximum increase from €3,600 to €4,200 for a single person, and an increase from €4,800 to €5,400 for a family with one child.

For a family with two or more children, the increase would be from €5,000 to €6,000. The minimum will also rise to no less than €125 a month..

4. MALTA'S RESPONSE TO INTERNATIONAL TAX MEASURES

The Minister for Finance confirmed that Malta will not be implementing and transposing the Pillar 2 Directive with effect from 2024. This means that Malta will not introduce any top-up tax (that is there will be no Income Inclusion Rule (IIR), Undertaxed Payments Rule (UTPR) or Qualified Domestic Minimum Top-up Tax (QDMTT) in 2024) that increases the effective tax rate (in Malta) to 15%.

This signifies Malta's plan to play a wait-and-see game and observe with attention the global developments and act thereon at the appropriate time.

Moreover, there will be no changes to the present full imputation system, but it is expected that new forms of grants and tax credits (Qualified Refundable Tax Credits - QRTCs) will be implemented, which are in line with the Pillar 2 Directive. The Finance Minister expects that such QRTCs will offset the expected tax on MNEs with Maltese constituent entities due to the implementation of the Pillar 2 provisions in the ultimate parent entity state.



5. BUSINESS AID MEASURES

The Finance Minister announced the introduction of Venture Capital Fund with the aim of helping startups, especially those investing in technology and those with limited access to finance. It was also announced that the EU Startup Summit will take place in Malta during the years 2024 - 2026.

The following Schemes will be extended to apply for another year:

- Startup Finance
- Seed Investment Scheme
- Skills Development Scheme

Further to the above, more incentives are expected to be introduced next year with the aim of increasing investment in:

- Blue Med
- Semiconductors
- Manufacturing industry
- Gaming industry

There will be millions available through EU-funded schemes for SMEs, Business Enhance (€40 million) and INVEST EU (€16.5 million).



6. FAMILY BUSINESS MEASURES

The reduced stamp duty rate of 1.5% on inter-vivos transfers of family businesses will be further extended to apply for another year.

Registered family businesses will benefit from an higher tax credit capping when compared to other businesses.



7. ENVIRONMENTAL MEASURES

5.1 INCENTIVES FOR CLEAN TRANSPORT

The Government announced the extension of the grant on the purchase of an electric car if one also scraps his old car in the process. Those who used an older, similar fund for plug-in hybrid cars but are still waiting for their vehicle to arrive in Malta will continue benefiting from the €11,000 grant.

There will be also an incentive for persons purchasing their own e-scooters.

5.2. OTHER ENVIRONMENTAL MEASURES

As part of Project Green, the Minister said that around 80,000 sqm of land will be developed into urban green spaces and over 5,000 trees are set to be planted.

The schemes to encourage the purchase of solar panels, solar water heaters, heat pumps and other such devices will be extended during 2024.



6. OTHER MEASURES

The Finance Minister announced that the fee for work permit application required by third country nationals working in Malta will be higher than the renewal fee, however no clarification was provided as to how this will be achieved.

The Minister also hinted at the removal of the requirement to prepare audited financial statements for companies registered under the Merchant Shipping Act.



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