

### 1. ECONOMIC HIGHLIGHTS

#### 1.1 ECONOMIC OUTLOOK

On the 24th of October 2022, Finance Minister Clyde Caruana presented the budget measures for 2023. During his speech, the Minister highlighted the global challenges which Malta faces, in particular the war in Ukraine and rising prices.

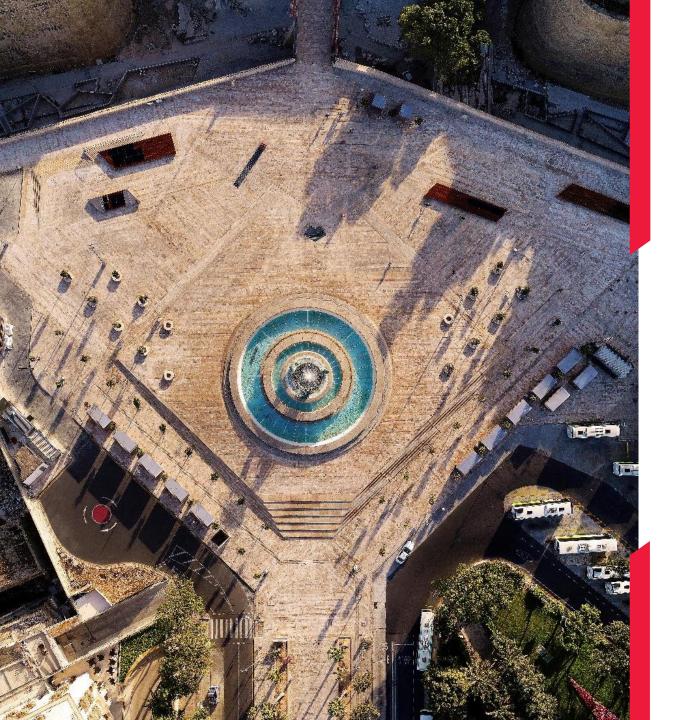
Malta's economy is forecasted to grow at 3.5% in 2023, outpacing the EU average, but marking the slowest rate of GDP growth in more than a decade. Private consumption is expected to rise around 4%.

The Government is expecting that inflation will stand at an average of 5.7% in 2022 and then it will decline to an average of 3.7% in 2023.

Malta's debt currently stands at 57% (or a national debt of €8.3 billion) of the country's GDP and this debt is forecasted to increase to 59.1% in 2023. The Government is expecting that the deficit will remain stable at 5.8% for 2022, before decreasing to 5.5% in 2023. The Government's plan is to keep the debt-to-GDP ratio close to, or below 60% during 2024.

The unemployment rate is expected to hover at around 3.1 %.





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

The work benefit for workers working unsocial hours will improve to €150.

#### 2.1 CHILDREN'S ALLOWANCE

Children's allowance will increase by €90 per child per year.



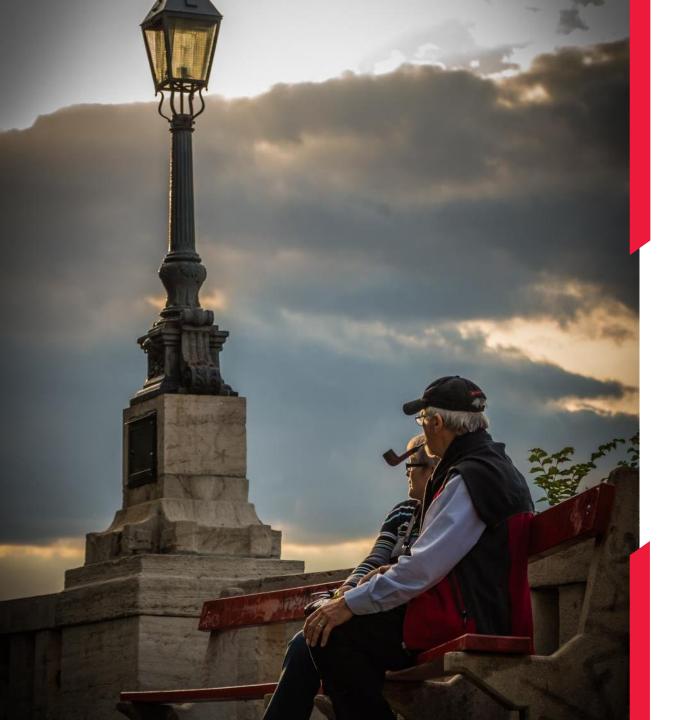
#### 2.6 INCENTIVES FOR PENSIONERS

In addition to the increase in COLA (€9.90 per week), pensioners will be given another increase of €2.60 per week, for a total increase of €12.50 per week, equivalent to an annual increase in pensions of €650.

The applicable pension income tax exemption threshold is being raised to  $\le 14,968$  in order to ensure that pension income remains exempt from tax. In addition, couples that are in receipt of a pension and opt for a joint tax computation, will continue to enjoy the tax exemption threshold applicable to non-pension income up to  $\le 3,600$  per year over and above the pension income.

In 2023, 56,000 pensioners will benefit from a variable additional increase up to a maximum of €1.50 per week, with an expenditure of almost €1.7 million. The Government also announced that the service pensions will increase by an additional €200 per annum.

It has also been announced that the widow's pension will be gradually adjusted such that by the end of this legislature, such pension will be equivalent to the pension the deceased spouse's pension would have been. This will translate into an increase of €3.54 per week on average in widows' pension.



#### 2.3 INCENTIVES FOR PENSIONERS (CONT.)

Elderly who have reached the retirement age but who do not qualify for the pension as they do not have sufficient social security contributions will receive a  $\leq 50$  increase in their bonus every year, resulting in an annual amount of  $\leq 450$  for people who have less than five years of paid contributions and up to  $\leq 550$  for those who have less than 10 years of contributions paid up.

In order to encourage pensioners to remain in employment, individuals who opt to continue to work past their retirement age will have 40% of their pension income excluded from the pension income which is brought to tax. Moreover, the Minister confirmed the plan announced last year that within five years, all pension income will be excluded for tax purposes for pensioners.

In addition to the above, a new scheme will be introduced to encourage members of disciplined corps (policy, army and civil protection) to continue working past their 25-year retirement period. The scheme will allow them to improve their service pension by 23% if they work for an additional four years.



### 2.4 CARERS' ALLOWANCE AND BENEFITS ASSOCIATED WITH DISBAILITY

The allowance for parents who decide not to work, to care for their adult, severely disabled children will rise from the current €500 to €4,500. Parents of persons with disability will also be entitled to a tax credit with respect to expenditures on therapy. This will be capped at €200 per year, per child. Those who buy a vehicle modified for wheelchair users will get a 20% subsidy on the purchase price.

## 2.5 EDUCATION AND STUDENTS-RELATED MEASURES

Students will receive a pro-rata increase in their stipends as well as a pro-rata cost-of-living increase as from next year. The estimated increase would be of around EUR50 per year. This will be over and above the 10% increase which started to apply from last year. For example, a student following a generic course last year started receiving a stipend of €100.92 from €91.75. Tax credits for Master and Doctoral degrees will also be sustained next year. Students in year seven will be given a new laptop starting from the next scholastic year. That is an extension of the Government's one-tablet-per-child policy.

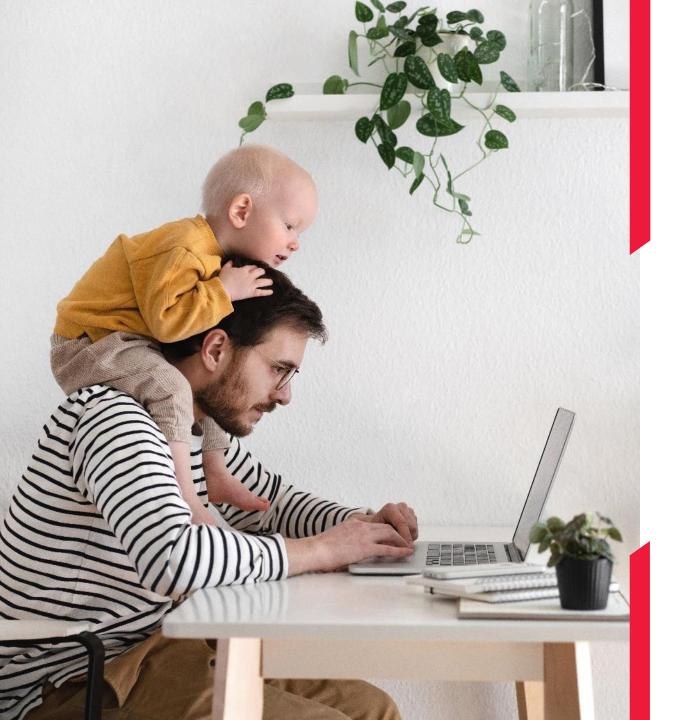


#### 2.6 OTHER SOCIAL AND FAMILY MEASURES

The Government has announced that 80,000 vulnerable people will receive an additional cost-of-living adjustment, amounting to around €300 per year. The measure will apply to those receiving social benefits and those earnings less than the median income, which in 2022 amounted to €17,796. The grant will be provided if global inflation in the previous 12 months is higher than 2% and if inflation in three of the five following components, which are considered as basic in the calculation of the retail price index, exceeds the average of the previous five years. The basic components are:

- 1. Food
- 2. Accommodation
- 3. Energy, Water, Gas and Fuel
- 4. Home and household appliance maintenance
- 5. Private healthcare

Principals of schools located in certain areas will receive additional funds to the €10,000 per year which was announced last year. Such funds will be allocated to children coming from financially challenged families.



### 2.6 OTHER SOCIAL AND FAMILY MEASURES (CONT.)

The annual tax refunds will be between €60 and €140 during 2023. As in previous years, those with the lowest income will receive the higher refunds as per the table below:

Chargeable Income (€)	Tax Refund		
Single Rates tax computation			
	2021	2022	2023
€0 - €15,000	€80	€125	€125
€15,001 - €30,000	€65	€95	€95
€ 30,001 - €59,999	€45	€60	€60
Married Rates tax computation			
_	2021	2022	2023
€0 - €20,000	€95	€140	€140
€20,001 - €40,000	€80	€110	€110
€ 40,001 - €59,999	€50	€65	€65
Parent Rates tax computation			
	2021	2022	2023
€0 - €15,000	€90	€135	€135
€15,001 - €30,000	€75	€105	€105
€ 30,001 - €59,999	€45	€60	€60



#### 2.6 OTHER SOCIAL AND FAMILY MEASURES (CONT.)

Parents who send children for sports, art or cultural activities will benefit from a tax deduction of €300 (increased from the current €100).

The rent subsidy offered to families living in one-bedroom apartment will increase from €400 to €500 per month, for two-bedroom apartment from €500 to €600 per month, and for three-bedroom apartment from €600 to €700 per month.

#### 2.7 OTHER INCENTIVES

Royalties received by authors and co-authors will be taxed at a rate of 7.5% (reduced from 15%).

## 3. INCENTIVES APPLICABLE TO THE HOUSING MARKET

#### 3.1 INCENTIVES FOR FIRST TIME BUYERS

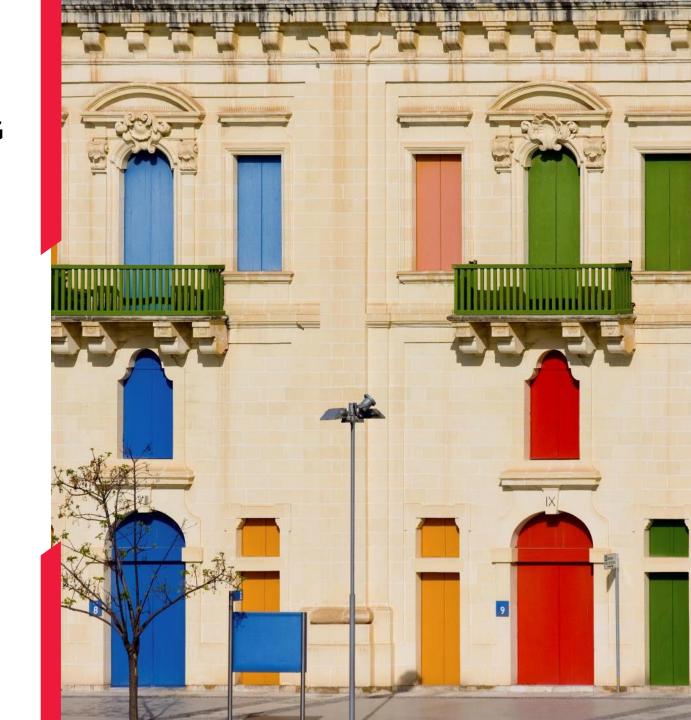
First-time buyers will be granted €10,000, spread over ten years, which is meant to be offset against home loan repayments, on property purchases up to €500,000. The scheme will apply to all property purchases since January 2022. The reduced stamp duty rate for first-time buyers, second-time buyers and the purchase of property in Gozo 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; or
- c) for new properties that are built in typical and traditional Maltese style and architecture

will be extended to 2023. In addition, first time buyers of such property will continue receiving a €15,000 (€30,000 if the property is in Gozo) grant.





# 3. INCENITVES APPLICABLE TO THE HOUSING MARKET (CONT.)

#### 3.3 OTHER MEASURES RELATED TO PROPERTY

The Government announced that the scheme, which supports buyers to pay for their mortgage deposit is to be extended to properties valued up to €225,000, up from the current €175,000.

The refund of VAT up to €54,000 on the first €300,000 of property renovation and restoration will be retained for 2023.

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### 4. BUSINESS AID MEASURES

## 4.1 TAX INCENTIVES FOR TRANSFERS INTER VIVOS OF FAMILY BUSINESSES

The Government will extend to 2023 the reduced rate of 1.5% stamp duty on the inter vivos transfer of a family business to descendants.

#### 4.2 TAX INCENTIVES FOR SOCIAL ENTERPRISES

Social enterprises (in terms of the Social Enterprises Act) will benefit from a €70,000 tax credit over three years under the Micro Invest scheme.



### 4. BUSINESS AID MEASURES (CONT.)

#### 4.3 MALTA ENTERPRISE SCHEMES

Malta Enterprise will be doubling the financial assistance in the form of cash grants for all Maltese companies that invest in digital and sustainable projects. The grant will be covering 50% of the eligible investment, up to a maximum of €100,000.

Gozitan businesses as well as start-ups will continue to benefit from an additional financial assistance of 10% in the form of a tax credit, which grant can be doubled to 20% if the companies invest in projects that reduce carbon footprint of the operation. When they invest in their own companies, the tax credit that these businesses can benefit from will be double.

Small and medium enterprises will be able to benefit from a maximum of €40,000 in tax credit when investing in digital projects, projects that reduce energy and water consumption or in investments that increase efficiency by reducing the waste of raw materials or waste.

### 4. BUSINESS AID MEASURES (CONT.)

#### 4.4 OTHER BUSINESS INCENTIVES

A rent subsidy offered to local businesses to meet their environmental, social and governance objectives will increase to €50,000 for first three years. The scheme can be extended to apply to a maximum of six years.

Next year the Government will continue to offer cash opportunities with an investment of around €40 million for small and medium enterprises under the Business Enhance schemes. In addition, Malta will also be participating in the InvestEU initiative with other opportunities for enterprises.

The European Commission selected to fund Malta's proposal for the project of Digital Innovation Hub (DIH). The DIH aims to provide opportunities of digital transformation to Small and Medium Enterprises (SMEs) and Start-ups, through technologies such as Artificial Intelligence, Cyber High-Performance Computing (HPC) and cloud solution.





### 5. ENVIRONMENTAL MEASURES

#### 5.1 INCENTIVES FOR CLEAN TRANSPORT

The Government announced an increase in the grant to buy an electric car from €11,000 to €12,000 if one also scraps his old car in the process. Those who tapped an older, similar fund for plug-in hybrid cars but are still waiting for their vehicle to arrive in Malta will still receive the €11,000 grant.

#### 5.2. OTHER ENVIRONMENTAL MEASURES

The Government is working on launching an initiative for carbon farming. The first phase of the project was carried out in 2022 through a pilot project. It will continue throughout the year 2023 where the effect of the pilot project will be analysed, and a strategy will be then created. The Government has invested in the water production and distribution systems, including growth of approximately 30% in the production capacity of the reverse osmosis plants in Malta. To continue to meet demand after 2030, this year the second phase was launched to increase water production by another 20% and increase water reserves, with an investment of more than € 12 million.

The schemes to encourage the purchase of solar panels, solar water heaters, heat pumps and other such devices will be extended during 2023. There are also plans to install 1,200 additional EV charging points across the country by 2024.



### 6. HEALTH CARE MEASURES

The Minister for Finance announced that a number of medicines will start to be offered for free as from next year. These amongst others include HPV injection, which will be given to all males born from the year 2000 onwards, medicines for those suffering from multiple sclerosis or prescribed chemotherapy pumps. More persons are expected to benefit from free medicines treating diabetes and osteoporosis.

There will be a fund treating urgent cases of persons with suspected cancer diagnoses. Such persons will be provided with the relevant treatment in the first 12 weeks.

### 6. OTHER MEASURES

Finance minister Clyde Caruana said that it is time for various residency schemes to be revised. During 2023, there will be a revamp of the Global Residence Programme and the Malta Residence Programme to ensure they continue reflecting today's markets (for example the UK market) and given international pressures.

In this respect the Minister announced an upcoming update to the main legislative acts, the official guidelines and the administration policies associated therewith.



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