

Budget Measures 2005

by MGI Malta



The following is a synopsis of the budget speech presented by the Prime Minister in his position as Minister of Finance on 24th November, 2004.

Please note that at the time of writing, certain measures announced in the speech are yet to be clarified and specific rules have to be published. Therefore the following write up may need to be revised once the exact details are known.

Vat

1. Upon application of a new permit with MEPA for a construction project, details of contractors related to the construction have to be submitted including VAT number. These will be forwarded to the Tax Compliance Unit.
2. One-time scheme for pending VAT payments. Interest and VAT are paid up to the date of the offer and the penalties for late filing are waived.
3. Partial VAT refunds on the organization of International conferences and seminars in Malta.

Social Measures

4. Tougher investigations on applications for invalidity pensions.
5. Increase in children's allowance for parents having 4 children and more.

Economic Measures

6. Various companies to be privatized, including:
 - Interprint Limited
 - Tug Malta Limited
 - Malta Dairy Products
 - MIA plc (remaining 20%)
 - Three Air Malta owned Hotels
 - Oil Facilities owned by Enemalta Corp.
7. Tougher controls on duty free diesel: refund of duty will be granted following payment.
8. New laws will be introduced to enforce data collection.



Employment

9. No transfer of feast days falling on a weekend to vacation leave entitlement (In 2005, 4 leave days will be forgone).
10. A cost of living increase of Lm1.75 per week to the wage packet of all employees

Income Tax

11. Relaxation of Article 14(1h) of the Income Tax Act – **Scientific Research**. Increase of tax incentive from 150% to 200% and extended to property such as construction of laboratories (related to research). Additionally this includes also study grants to employees to follow Masters and Ph.D courses.
12. Anyone employing someone with a Masters or Ph.D.in certain academic fields, will, for three years, be entitled to claim as additional allowable expenditure, 50% of employer's share of NI contribution paid for those employees.
13. Parents with children who have special needs attending private schools, and as a result have to pay for the provision of a facilitator, will be entitled to a further tax allowance of the first Lm4000 in respect of expenses incurred for the service of such facilitator.
14. Tax rebate of Lm 200 for every disabled child attending an independent school. Further refund on certain expenses to maintain a disabled child.
15. Couples with joint tax computation have limit of Lm 6,000 (i.e. maximum of Lm3000 each) in part-time income taxed at 15% between them. Effective 1st January 2005 and will be granted to couples even when one of them has no FULL TIME employment.
16. Women inactive from work for more than 5 years are given a tax holiday for the first year they return to work. Effective 1st January 2005. Whether the one year refers to first calendar year, first twelve months or first year of assessment is yet to be clarified.
17. Donations to local museums or 'Patrimonju Malti' organization as well as fiscal incentives on restoration of historic architecture shall be exempt from Income Tax.
18. New regulations on how to value shares upon transfer between group of companies where beneficial ownership remains unchanged.

19. Heirs inheriting property between November 1992 and 25 November 2003, and contract of sale has not been done by 25th November, 2003 have the opportunity to adjust the value of property declared .
 - i. This will result in increased payment of 5% stamp duty but no penalties or additional duty will be imposed).
 - ii. This concession will be extended up to June 2005. The potential tax savings on such revised value can be up to 35%.
20. Details of how the scheme will be implemented have yet to be announced.
21. Extension of the following incentives to SME's. The definition of an SME will be extended to anyone employing not more than 11 full-timers from 6 full-timers and having turnover not exceeding Lm 250,000:
 - i. IT expenditure deducted from taxable income in the year in which it is incurred.
 - ii. VAT refunds are paid within 30 days from date of submission of VAT return.
 - iii. Full time employees do not include apprentices and students.

Investment

22. For new commercial innovations (Venture Capital):
 - i. Partial tax credit on capital invested.
 - ii. Partial exemption on capital gains generated from investment.
23. Incentives to the Film/Cinema industry and related productions:
 - i. Reduced tax related to capital investment in infrastructure, equipment and machinery.
 - ii. VAT refunds.
 - iii. Full refund of SSC costs.
 - iv. 20% exemption from tax on certain expenses which have more than 50% value added.
24. Refund of 15.25% to musicians (including band clubs) on expenditure on musical instruments.
25. Introduction of law on *securitisation*.
26. Fiscal incentives to technological innovations in commerce and production as well as e-commerce.

27. Traineeship schemes of 13 – 52 weeks for unemployed. Employers are given training grants or half wage/salary of trainee – specific sectors.
28. Incentives on childcare facilities provided by employers.

Environmental Measures

29. The following are the revised incentives for the use of solar energy:
 - i. One time refund of 15.25% of CIF value at maximum of Lm 50 on appliances working with solar energy. Effective 1st January 2005.
 - ii. Free installation by Enemalta of new electric mains in new households containing solar energy equipment.
 - iii. Refund of 15.25% of electrical car values at maximum of Lm 500.
30. Eco-Tax will be extended to:
 - a) Plastic bags
 - b) Shampoo and toothpaste containers
 - c) Cleaning detergents containers
 - d) Mattresses
 - e) Gun powder and shot gun cartridges
 - f) Kitchen plastic consumables
 - g) Chewing gum
 - h) Other electrical products

Additional Burdens

31. Fuel surcharge of 17% on water and electricity consumption (excluding rent on meters). This surcharge will be revised every 6 months. For industrial concerns and hotels the surcharge has been capped at Lm5000 per annum.
32. 3% excise tax on mobile telephony services to be collected by customs office.
33. Increase of Lm 10 in passenger departure tax on air travel only, (applicable from 1st August 2005). Other conditions remain unchanged.
34. Minimum stamp duty on insurances repealed and replaced by 10% when premium is less than Lm 5. Effective 1st January 2005.
35. Public transport fees to be increased by 5c (except for elderly and students). Effective 1st January 2005.
36. Increase in the price of Kerosene to cost to 34.4 cents (equivalent to the price of Diesel fuel)

37. Increase of 5c in the price of cigarettes and a proportionate increase in other tobacco products.

Disclaimer

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MGI MALTA

BUSINESS SOLUTIONS WORLDWIDE

351/7 ZABBAR ROAD • FGURA PLA16 • MALTA
TELEPHONE +356 21 80 20 44 • FAX +356 21 67 54 18
WWW.MGIMALTA.COM • INFO@MGIMALTA.COM