

Budget 2007 Highlights

Prepared by Christian Vella



- Cost of Living increase: Lm1.75 per week effective from 1st January 2007.

- As from 1st January 2007, tax rebates for parents who send their children to private schools, will increase to Lm400 on account of children attending primary schools and Lm 600 on account of children secondary schools.

- From 1st October 2007, students taking post-graduate courses at Masters or Doctorate level on a full-time basis within the private sector would be able to benefit from certain grants.



- Proposed major changes in legal structure with respect to the promotion of the local industry – possible entire replacement of the current Business Promotion Act.

- Services and activities related to cultural events, organised by non-profit making cultural organisations will be exempt without credit from Value Added Tax.

- Option for exemption from social security contribution payments for host families of foreign students and which proves to be their main income.

- A spouse which is employed by the other spouse (which would be a self-employed sole trader) will be considered as a normal employee for tax purposes. Additionally, they would be recognised by the Social Security Department as eligible for social security benefits and pension as long as social security contributions are paid on a regular basis. The wage cost of such family employees would also be tax deductible in the books of the particular sole trader.

- Agreement with the EU commission on Malta's full-imputation system of taxation, which mainly addresses anti-avoidance measures and to curb down any abuses from the same system.

- The Government is once again promoting the concept of venture capital funding and is allocating an initial fund of Lm900,000 to set it up in motion.

- Reduction of 25% in licenses for Gozitan accommodation and catering establishments.

- 5% tax rate for income from letting of immovable property to the Housing Authority by private individuals or companies for a period not less than 10 years.

- Introduction of energy benefit in the form of vouchers to be presented with water and electricity bills for families in need and receiving non-contributory benefits.

- Subsidy of 20% up to a maximum of Lm 50 on certain electronic appliances, which are certified as energy savers.

- Social Security Contributions of part-time workers (which is their main employment) and working more than 8 hours a week, will be adjusted from a current fixed rate of Lm5.79 per week to 10% of the basic pay per week.
- A maximum tax rebate of Lm400 for childcare facility expenses. Expenses related to the provision of childcare facilities by an employer to the employees will be tax deductible. Such childcare facilities will no longer constitute any fringe benefits.
- Revision of tax bands allowing a maximum tax saving of Lm243 for a married couple opting for joint tax computation, Lm310 for a married couple opting for separate tax computation and Lm155 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 – 3100	0	0 – 3250	0
3101 – 4100	15	3251 – 5500	15
4101 – 5000	20		
5001 – 6000	25	5501 – 6750	25
6001 – 6750	30		
6751 and over	35	6751 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 – 4300	0	0 – 4500	0
4301 – 6000	15	4501 – 8000	15
6001 – 7250	20		
7251 – 8500	25	8001 – 10000	25
8501 – 10000	30		
10000 and over	35	10000 and over	35

- Tax refunds due and attributable to years of assessment prior to 1999, will be reimbursed on a period of not longer than 36 months. Failing to honour the commitment, the Inland Revenue will start incurring 1% per month on any refund not reimbursed within the committed date.
- Settlement of long outstanding amounts due to persons that had their property expropriated.
- Increases of Lm12.50 and Lm20 in supplementary benefits.
- As from 1st June 2007, there will be a reduction of Lm10 in departure taxes.
- Persons benefiting from severe disability pensions will not have their pension withdrawn within the first 5 years of marriage.
- Widows and widowers would still retain the same pension rate even if they earn more than the minimum wage or during the first 5 years of a subsequent marriage.

- Adjustments to stamp duty reduced rate values when property (as ordinary residence) is being transmitted causa mortis between the deceased spouse, the surviving spouse and other heirs of the deceased spouse.

Disclaimer

The above information is being provided as a general guide only and should not be considered as a substitute for professional advice.

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