

BUDGET 2022 HIGHLIGHTS

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INTRODUCTION

On the 11th of October, the Minister of Finance Hon. Clyde Caruana presented the budget for 2022 entitled 'The Malta we want for our children'. The budget is illustrated in a way that helps the Maltese economy recover in an efficient manner from the repercussions of the COVID-19 pandemic.

Nevertheless, in 2021, Malta's economy has recouped quite well in the past year and prospects by the Ministry for Finance look positive. Real GDP is expected to grow by 6.5% in 2022, 4.7% in 2023 and 4.5% in 2024. That being said, the government is envisaging a national deficit above the thresholds dictated by the Stability and Growth Pact, at 5.6% of GDP and national debt at 61.3% of GDP. On a positive note, employment is expected to increase by 2.2% over 2022 whilst unemployment is expected to stabilise at 4%.

In 2021, the government implemented a number of schemes to aid sectors/individuals which were negatively impacted by the pandemic, particularly in terms of income. Similar to 2020, the government introduced a set of vouchers to help various sectors. The vouchers amounted to €100 including four €15 vouchers which could be used for restaurants and accommodation and another three €10 vouchers to be used for retail and services.



Budget
2022

During the budget speech for 2022, some main points that were announced include the cost-of-living adjustment (COLA) increase to €1.75, as well as a higher threshold for the in-work benefit. Workers who do not work in a managerial capacity and earn up to €20,000 will benefit from a flat 15% tax rate on the first €10,000 they earn from overtime labour. In terms of yearly tax refunds, the greatest refund available will be €140, while the lowest refund would be €60.

Parents who work late hours, shifts, or weekends will now be eligible for free childcare. Also, working pensioners will pay income tax on solely their employment income, not their pensions. Business succession is also taken into consideration as the government is extending the reduction in stamp duty from 5% to 1.5% when family businesses are transferred to younger generations. Even more interesting is how this budget allocated funds for a massive and much-needed afforestation project at Inwadar Park with the aim of planting over 50,000 mature trees.

This budget also steers away from the usual direction by providing relief from capital gains tax and stamp duty on the purchasing of old and vacant properties, and/or situated in urban conservation areas and/or built-in a traditional Maltese style. Buyers who opt to renovate such properties will also be able to benefit from a VAT refund of up to €54,000.

Our team of economists have the pleasure of providing a summarised version of the salient points emanating from this year's budget. We invite you to stay up to date with our socials and website on www.pkfmalta.com for more economic insights and analysis concerning next years' budget.

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2022

ECONOMY

- For the fifth consecutive year, no new taxes have been introduced.
- The additional cost of living for low-income families increases.
- The budget deficit is to be halved to 5.6% as the economy recovers from the pandemic of COVID-19.
- As of 1st June 2022, tax arrears crackdown with a pledge to cease regular amnesties on penalties and the interest rate on unpaid tax to increase to 7.2%.



Budget
2022

EMPLOYMENT

- The tax rate applicable for part-time is to be reduced from 15% to 10%.
- A benefit of €150 for those employees who work nights, weekends and shifts in sectors such as hospitality, transport, manufacturing etc, who earns a salary less than €20,000 per annum.
- Employees who earn a salary of less than €20,000 in a non-managerial position will be taxed 15% on their first €10,000 earned from overtime.
- Cost of living to increase to €1.75 per week.
- Part-time workers with more than one employment, can pay social security contributions on more than one employment, up to 40 hours per week.
- The amount of tax refund cheques has increased to €60 and €140 where the people in lower-income brackets earn the highest amounts.

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2022

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STUDENTS

- Stipends to be increased by 10%.
- Students working up to 25 hours per week are still entitled to their stipend.
- Investment in more private sector apprenticeship placements
- School principals are to receive €10,000 each to spend on food and basic needs for disadvantaged pupils.

Budget
2022

PROPERTY AND INDUSTRIES

No capital gains tax or stamp duty on the purchase of properties that are:

- more than 20 years old and have been vacant for seven years or more,
- in Urban Conservation Area (UCAs),
- build in a traditional Maltese style.

- First-time buyers of such properties will receive a grant of €15,000. If these first-time buyers are Gozitan, they will receive a grant of €30,000 instead.

- A refund of VAT up to €54,000, on the first €300,000 spent on renovations works is given to those people who renovate such properties.

- The existing scheme for first-time and second-time buyers will be extended for another year.
- The tax due on the first €200,000 of the value of properties purchased or sold and rented for at least 10 years to tenants qualified for the Housing Authority's rent benefit would be halved.
- The existing schemes to help home ownership for the disadvantaged are also extended. As well as €300,000 to the church's Foundation for Affordable Housing.
- Subsidies of up to €25,000 are given for those rent housing built before 1995 with a value of up to €250,000 that need structural repairs.
- Tax benefits for private property that is rented out as affordable housing.
- A €470 million investment for the modernisation of various industrial estates.
- An extensive roads programme will be pursued, but no new infrastructure projects will be undertaken.
- Continuation of the airport road traffic intersection project and Mrieħel bypass which will include "extensive tree-planting" Works in regenerating Grand Harbour

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2022

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TRANSPORT

- As of 1st October 2022, free public transport for everyone.
- The grants for purchases of a new electric vehicle or plug-in hybrid motor vehicles increased from €8,000 to €11,000. If used together with the motor vehicle scrappage scheme such grant may increase up to €12,000.
- The grant for scrapping polluting motor vehicles in Gozo is to increase from €1000 to €2000.
- The five-year exemption on license fees for electric vehicles has been extended. Also, electric vehicles will remain exempt from registration tax.
- 1,200 electric vehicles charging points are to be installed in the next three years.
- A new grant for minibuses, coaches and trucks that install photovoltaic panels of up to €900.
- VAT refunds for bicycles and electric bikes will remain.

PARENTS

- Free childcare services are to be extended for those people who work evenings, weekends and shifts.
- Parents with joint income of up to €50,000 who have children under the age of 23, can now take advantage of this in-work benefit, as the threshold increased from €35,000.
- The threshold for couples where only one of the parents is employed is now raised from €26,000 to €35,000. Whereas the threshold for single parents is now raised from €23,000 to €35,000.
- The grant given to new parents is to increase from €300 to €400.
- Parents-to-be shall receive a starter kit with 'sustainable products' for their newborn.

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Budget
2022

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PENSIONS

- Pensioners will receive an extra €5 a week, of which €1.75, is the increase allocated for the cost of living.
- The supplementary allowance for those married pensioners, who do not earn more than €14,318, will be increased. Depending on their income they will receive between €3.47 and €6.50 a week.
- Single pensioners, including those widowed, whose income does not exceed €10,221, will receive between €4.10 and €5 per week.
- The taxable ceiling on pensions is to be increased to €14,318.
- An increase of €200 for service pensions. These will not be factored into the social security pension calculation.
- Those people who have reached retirement age, but do not qualify for the pensions, because they did not have sufficient contributions, will have an increase in their annual bonus of €150.
- In five years time, income earned by pensioners will not be subject to tax.

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Budget
2022



ENVIRONMENT

- An afforestation project of 40,000 indigenous trees, to be planted at the Inwadar national park in Marsascala. This is said to be bigger than Buskett.
- Restorations to be done at San Anton Gardens.
- Feasibility studies are to be undertaken, in turning Floriana Saint Anna Street, into a pedestrian zone and garden.
- Other restoration projects are planned at the family park in Bnghajsa, the Marsascala family park, Gnien Kottoner and San Klement park in Zabbar.
- The Pace Grasso stadium in Paola, will be converted into a 12,000 square metre community open space, with 165 trees, 2,500 shrubs and 1,500 ornamental plants to be planted.
- Roofing over of regional road in Santa Venera will be completed under public-private partnership
- 60 football fields worth of open space, 60,000 trees and 86,000 square metres of 'landscaping', to be planned in the Ta'Qali national park.
- Carbon trading schemes for public and private entities are being planned.
- €10 million are invested to rebuild 30km of rubble walls across Gozo.
- Rehabilitation plans for Comino, Victoria Lines, Għadira s-Safra wetland.
- The schemes to encourage the purchasing of solar panels, water heaters, heat pumps will remain.
- A repair centre has been proposed, where individuals will be able to get their damaged goods repaired.
- The New Water project to provide recycled sewage water to farmers will remain.
- A grant of up to €8,000 is given to farmers that turn untitled agricultural land into orchards of fruit trees.
- Incentives to encourage more organic farming.



Budget
2021

HEALTH

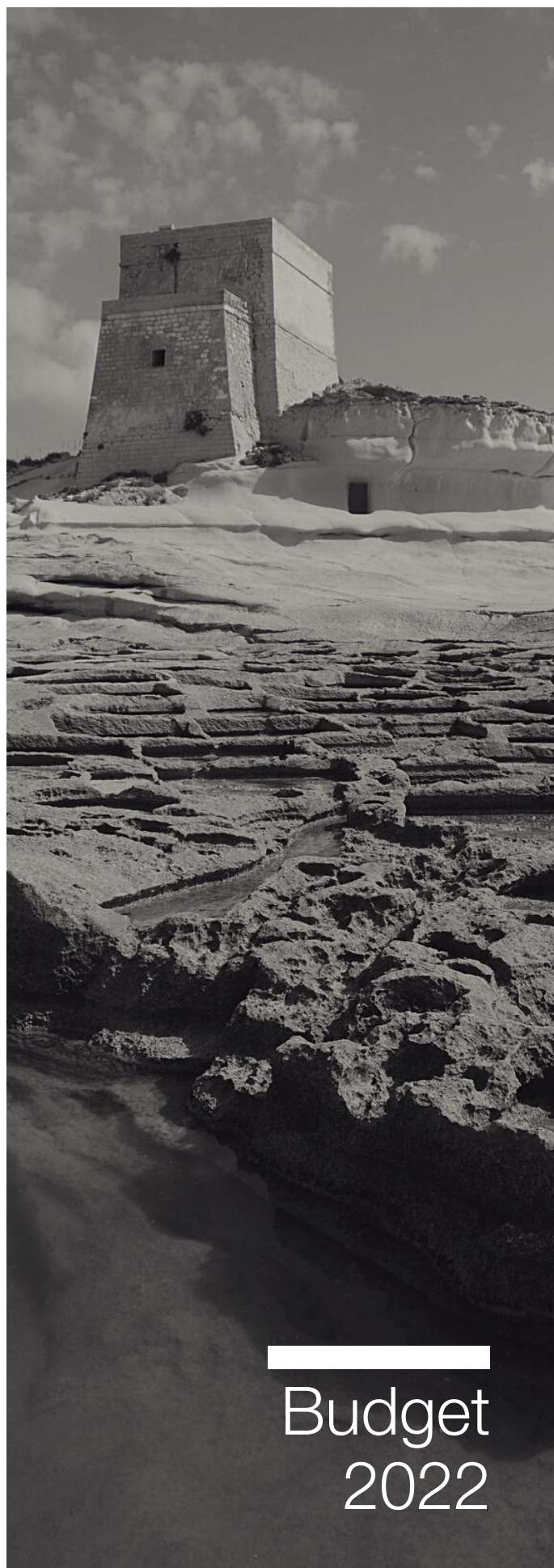
- The list of medicines distributed by the government, will now include also medicines for cancer, osteoporosis, fibromyalgia, circulatory conditions, inflammatory conditions, rare diseases, IVF patients and certain rare/extreme allergies.
- Those senior citizens aged 80 and over, who are eligible for the supplementary allowance, will as of next year, be entitled to free medicines.
- The glucose monitoring programme is to be extended to youths between the age of 17 and 21.
- A new blood bank and facility for stem cell processing and storage are in the plan to be developed.
- Extra space is to be rented for Mater Dei patients, to give them more acute and elective services.

SPORTS AND TOURISM

- A new football ground in Msida.
- To work on waterpolo pitches found in Marsascala, Valletta, Marsaxlokk.
- Rowing tanks are to be developed in order to encourage local rowers.
- Since the Games of the Small States of Europe will be held in Malta in 2023, grants in the region of €7 million started being distributed from sports associations and the Maltese Olympic Committee.
- Plans to build an outdoor velodrome in Ta' Qali national park.
- Xewkija heliport is to be upgraded.
- New agency to regenerate tourist areas focusing on St Paul's Bay, Buġibba, Qawra and Xemxija.

DISABILITY

- Allowances for children with mental or physical disabilities will increase by €5 a week.
- An increase of €200 in the grant for parents who quit their employment to take care of a disabled child, under the age of 16, to receive between €300 to €500.
- The 'carer at home benefit' will increase from €6,000 to €7,000.
- The subsidy rate for the 'Home Helper of Your Choice' scheme is to increase from €5.50 per hour to €7 per hour.
- Means testing is no longer required for severe disability benefits.
- An investment in schools of autism units, Braille machines and occupational therapy.
- Community hub for disabled and 'drive from wheelchair' vehicle, to teach those with disabilities how to drive.



ARTS AND CULTURE

- From next year, artists will be taxed an income tax rate of 7.5%.
- For artistic events, a €1 million guarantee fund will be established, so that producers and organizers can recover their costs if unexpected restrictions are imposed.
- An additional €2 million has been set aside in case seats cannot be sold due to constraints.

BUSINESSES

- Offering 'start-up visas' to attract start-ups to Malta.
- Stamp duty applicable when passing on family business to a relative will go down to 1.5% from 5%.
- Rent subsidies for businesses have been extended.

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Budget
2022

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