

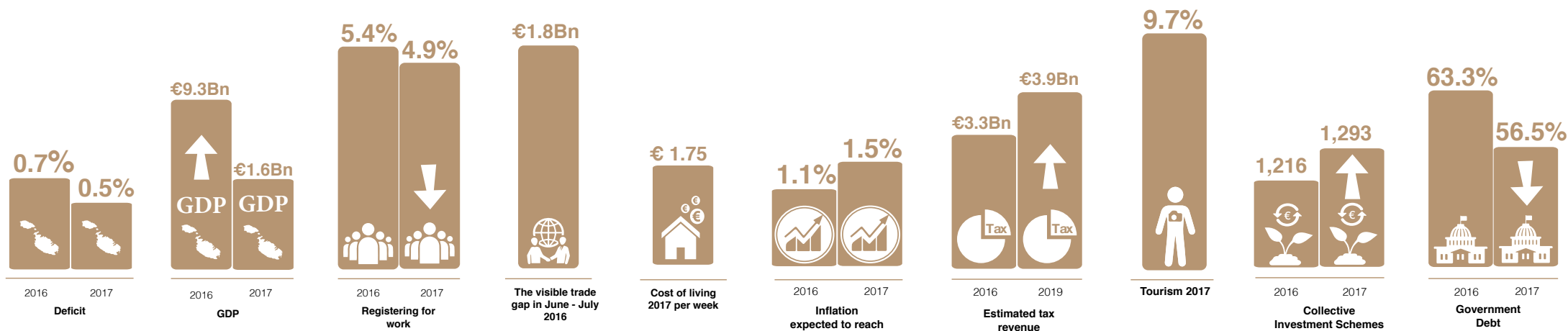
# BUILDING ON STABILITY

Malta Budget 2017

# BUDGET 2017

The Minister of Finance Hon. Minister Edward Scicluna yesterday presented the 4th budget of the current legislature. The 2017 budget shows a drive to continue building on the country's successes and the initiatives in previous budgets which have led to economic growth and increase in employment. It outlines plans to continue to strengthen the economy and increase incentives for people to seek gainful employment and to assist youths to acquire the skill necessary for Malta's key industries through investment in academic and vocational education. It also reinforces the government's continued support of the financial services industry and its commitment to forge ahead to ensure that Malta remains a competitive yet compliant jurisdiction within a rapidly evolving international landscape.

## General Overview



## Tax

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The Hon Minister reiterated the government's full support for the financial services industry and the importance of defending the integrity of Malta's tax system while at the same time ensuring dynamic growth for the industry to remain competitive yet compliant with the latest international developments. To this end the government intends to introduce measures to continue to incentivise foreign investment in Malta such as

- the elimination of the discrimination between debt and equity financing,
- the introduction of fiscal consolidation for groups of companies and
- a notional interest deduction.

Eliminating tax evasion continues to be high on the government's agenda and a **Joint Enforcement Task Force** is being set up between the Inland Revenue, VAT and Customs Department assisted by the Tax Compliance Unit in order to combat tax evasion and unfair business competition.

## Fiscal Incentives

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### Incentives to encourage investments on the Malta Stock Exchange

#### ***Capital Gains***



- Tax exemption of gains arising on disposal of shares listed on MSE by persons who held the shares prior to listing, currently taxed at 15%
- Exemption also introduced for gains arising from transfer of shares listed on the alternative trading platform.

#### ***Dividends***

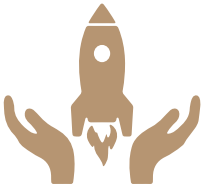


- Full credit for tax at source on dividends received by shareholders holding not more than 0.5% of the capital of company listed on the Malta Stock Exchange
- Effective for distributions out of profits earned post 01/01/2017

#### ***Tax Credits***



- Tax credit up to a maximum of 30% of development expenses incurred for the development of digital games with a cultural theme.
- Malta Enterprise scheme providing tax credit of between 25-45% of research expenditure incurred by businesses set up by individuals requiring special assistance.
- Tax credits through Malta Enterprise Schemes for renovation of hotels and restaurants.



### ***Start Ups***

- Start up companies with a turnover of less than €80,000 per annum may opt:
  - o to be exempt from the requirement to have their financial statements audited for the first two years; or
  - o to be subject to an audit and claim a deduction of 120% of the audit fees (limited to €700 per annum).



### ***Risk Investment Scheme***

- Maximum credit of €250,000 per annum will be granted to persons investing in SMEs or in funds that invest in SMEs registered on an alternative trading platform such as 'Prospects'



### ***Immovable Property***

- Property tax on inherited property transferred by judicial sale by auction
- Property inherited after November 1992 transferred by judicial sale will be subject to 7% final withholding tax

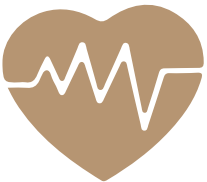
## **Other Tax measures**

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### ***Registration of lease agreements***

- Contracts of lease and renewals for a term exceeding 3 months will need to be registered, either by the lessor or by the lessee, with the Inland Revenue Department



### ***Fiscal incentives for contributions to private pensions***

- Where an employer or group of employers set up a private pension scheme on behalf of employees, such employer will be entitled to:
  - o an income tax deduction equivalent to the amount contributed to the scheme; and
  - o a credit of €150 for every €1,000 contributed.
- Amount contributable will not be treated as a fringe benefit in the hands of the employee



### ***Stamp Duty incentives***

- Extension of duty exemption for first time buyers
  - o The duty exemption for first-time buyers will be extended for contracts of sale concluded by the 31st December 2017
  - o Reduced duty on acquisition of property in Gozo
  - o Reduction in duty on the acquisition of property in Gozo from 5% to 2% applicable to promises of sale registered during 2017, provided that the contract of sale is concluded by 31st December 2018.
- Reduction in duty from 5% to 1.5% on the transfer of business property, from parents to their children during 2017.



### ***Financial services***

Amendments to the legal infrastructure shall take place in the areas of insurance, collective investment schemes and securitisation in order to ensure the continued developments of these sectors.



### ***Gaming***

- 2017 will see the launch of the regulatory framework by the Gaming Authority intended to address the industry's needs and provide it with the tools to achieve its objectives
- A European Gaming Institute of Malta will also be set up to ensure that persons working in the gaming industry possess the required specialized expertise.

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