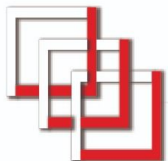
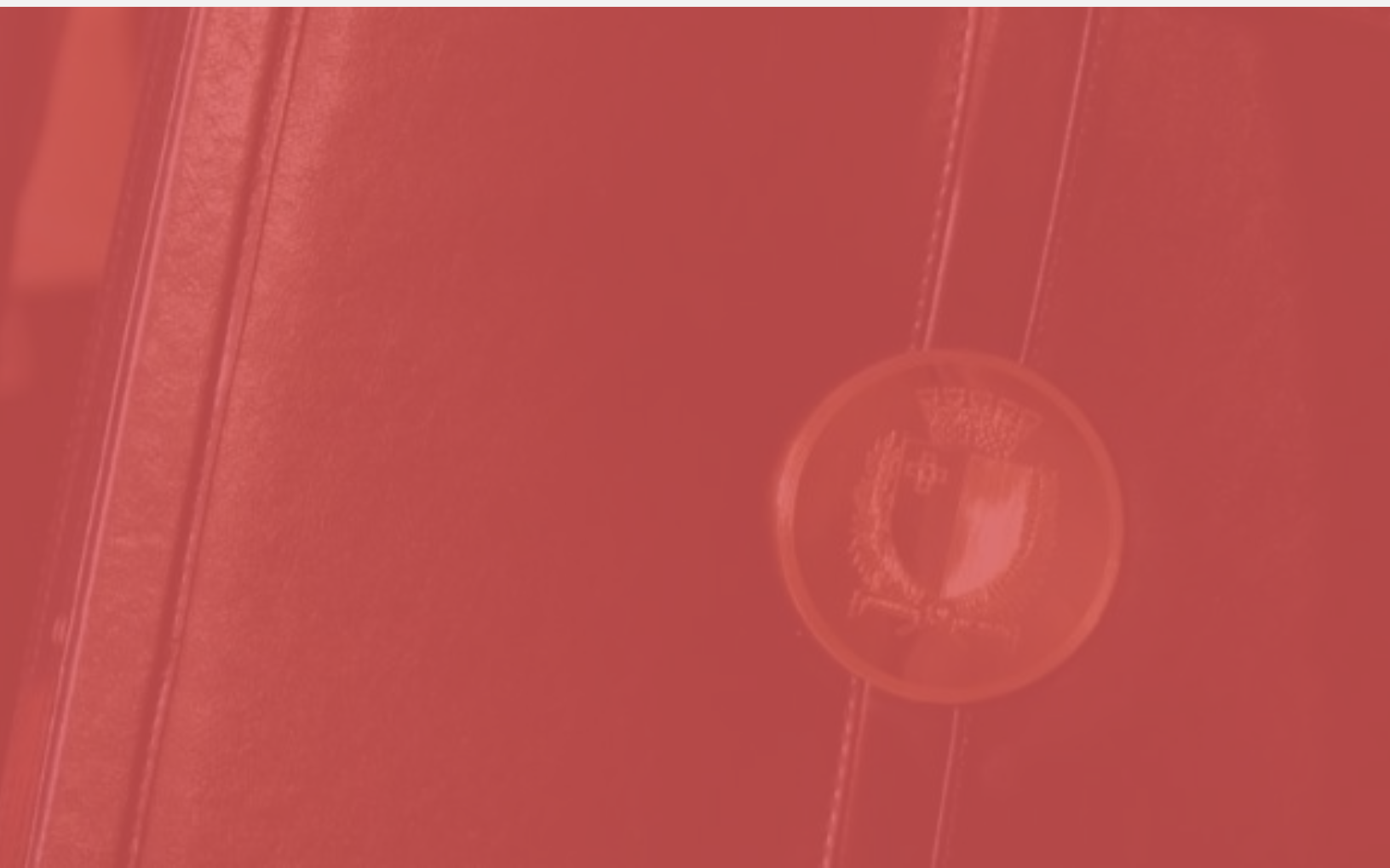


Malta Budget 2023

Highlights



GCB MALTA LTD
CERTIFIED PUBLIC ACCOUNTANTS & REGISTERED AUDITORS

Your Partner in Business

Budget Overview

Malta's budget for 2023 was presented to the Maltese Parliament by Finance Minister Clyde Caruana on October 24th. The minister's address was delivered against the backdrop of the first major conflict in Europe in decades and an economic crisis driven by runaway inflation and uncertainty about the war.

The budget laid out by the minister emphasises the need for sustaining economic growth throughout a period of increased volatility while also sheltering families from the impacts of inflation.



Government Finances and Economic Forecast

Malta's GDP during 2022 stood at €16.3 billion, up from €14.7 billion in 2021 and significantly higher than the €15.2 budgeted for 12 months ago.

Total revenue stood at €5.9 billion, up from €5.4 billion in 2021. At €954 million, the deficit was lower than that registered in 2021 but higher than €737 projected for 2022.

Public debt reached 56.97% of GDP in 2022.

The economy is forecast to grow by 3.5% in real terms and 7.3% in nominal terms by the end of 2023. Real growth in 2024 and 2025 is forecast at 4.3% and 3.8% respectively.

Growth over the next 12 months is expected to be mainly driven by an increase in domestic demand and an increase in private consumption of roughly 4%, with unemployment remaining low at 3.5%

Exports from Malta are expected to decrease by 2.5% while imports will increase by 2%

	2021	2022		2023
	Actual €000	Budget €000	Revised €000	Estimate €000
GDP	14,681,315	15,162,724	16,337,000	17,537,383
Total Revenue	5,412,213	5,704,710	5,930,249	6,368,120
Surplus/ (Deficit)	(1,233,877)	(737,075)	(954,647)	(979,921)
Public Debt	8,267,794	9,373,749	9,306,668	10,372,332



Innovation and the Economy

- **Energy price increases** will be absorbed by the government during 2023 at a cost of €600 million.
- Work on **second interconnector** between Malta and Sicily to strengthen Malta's security of supply of energy to begin in 2023.
- €40 million in cash grants for small to medium enterprises under the **Business Enhance Scheme**.
- **Venture Capital Fund** to help develop new economic sectors.
- Entities with **excess capital allowances** resulting from COVID-19 losses can once again be surrendered to other group entities and utilised in the basis year 2022.
- Eligible undertakings to continue to receive **rent subsidy** assistance for renting industrial space with aid increasing from €25,000 to €50,000 per annum over a six-year period.
- Up to €70,000 in tax credits over a period of three years for social enterprises through **Micro Invest scheme** extension
- A new **Business Incubation Centre** is to be developed to cater for innovative start-ups



- Stamp duty on transfer for family businesses to younger generations will again be reduced from 5% to 1.5%.
- One-stop-shop for start-ups under the **Start Malta** brand which will assist budding companies and host international networking events.
- €5 million fund for investment in research and innovation through a newly established **technology extension support** programme.
- **Horizon Europe** research programme to be broadened and the **National STEM Community Fund** enhanced
- Schemes related to **property purchases**, including first-time buyers' scheme, to be extended.
- Stamp Duty reductions for first-time buyers, second-time buyers and Gozo purchases have also been extended.
- Extension of scheme exempting from tax and duty the first €750,000 on transfers of immovable property that is older than 20 years and that has been vacant for more than seven years, or for properties situated in an Urban Conservation Area.
- A scheme through which buyers are supported in paying their mortgage deposit on a property has been extended and increased to properties worth up to €225,000.
- A contingency plan for **Air Malta** is being prepared so as to ensure that Malta has a national airline should talks with the European Commission on the company's restructuring fail.



Sustainability and the Environment

- Government will set up an agency to administer €700 million that will be invested in **green open spaces** over a period of seven years.
- Open **car parks** to be converted into underground facilities with overlying public spaces.
- Financial assistance to be provided by Malta Enterprise to companies investing in **digitalisation and sustainability**.
- Grants will cover up to 50% of investment costs up to a maximum of €100,000.
- Gozitan businesses and start-ups will be eligible to a 20% tax credit following investment aimed at reducing the enterprises **carbon footprint**.
- Up to €40,000 tax credit when investing in digital projects, projects which reduce energy and water consumption or in investments that increase efficiency by **reducing the waste of raw materials or waste**.
- Large vessels berthed in Malta's Grant Harbour to be connect to power grid to reduce emissions in the port area. A similar **shore-to-ship system** is planned for the Malta Freeport and will cost up to €50 million.



- €1 million to be invested in electrification of **public transport system** during 2023.
- €50 million in EU funds to be invested new electric vehicles. Grants for purchasing an **electric vehicles or plug-in hybrids** will remain €11,000 or €12,000 in cases where an old vehicle is scrapped.
- Owners of electric vehicles and plug-in hybrids will be exempt from paying **registration tax** and road license fees for a period of five years.
- Schemes for the **scrapping of old vehicles** to be extended, as will those aimed at converting small motorcycles from petrol to gas.
- Feasibility to be explored of removing non-core services from roads before 9am to reduce **congestion**.
- Schemes to support the installation **solar panels** and batteries for the storage of renewable energy, heat pumps, water heaters and solar water heaters, as well as schemes for the restoration of homes and wells have been extended.
- Interest-free loans to companies that replace their existing vehicles with an **electric fleet**.
- The **Multi-Material Recovery Facility** in Hal Far will start to operate in the beginning of 2023 and work will also start on an **organic waste processing** plant which will produce compost for agriculture as well as electrical energy through an investment of roughly €50 million.
- Gate fees at **landfills** to be revised upwards from January 2023 in reduce volume of landfilled waste
- €11 million is to be invested in a new pipeline to transfer water from the **Reverse Osmosis** plant in Cirkewwa to reservoirs in Ta' Qali and from Naxxar to Salini.
- A new €7 million sewage plant in **Sant'Antnin** is expected to start operating by the end of 2023.



Healthcare and society

- Cost-of-living adjustment (**COLA**) for 2023 will be set at **€9.90 a week** with all workers, pensioners and recipients of social benefits eligible.
- Increase in **pensions** of **€12.50** a week inclusive of cost-of-living adjustment.
- Government will be introducing a **new COLA mechanism** for vulnerable persons earning below the median equivalised income.
- **Untaxed pensionable income** to increase from €14,320 to €14,968 with pensioners applying married rates continuing to benefit from a further tax exemption on other income up to maximum of €3,600 per annum.
- A proportion of pension income earned by individuals past the **retirement age** will be exempt from tax. 20% will be exempt on pension earned during 2022 and 40% for that earned during 2023.
- **Children's allowance** to increase by €90 for every child while student **stipends** will increase pro-rata.
- Carers' grant to parents of children with a **disability** to increase to €4,500 a year.
- **Paternal leave** shall be increased to 10 days while **parental leave** will increase to two months.
- Scholarship and tax credit programmes for students choosing to pursue **post-graduate qualifications** will be extended and broadened, including through the European Social Fund.

Sports, Culture and the Community



- Residences to be eligible for VAT exemption on €300,000 worth of **home renovations**
- Further restoration of important cultural landmarks including the **Grandmaster's Palace** in Valletta and churches across the island.
- Malta will participate in the **London Design Biennale** for the first time in 2024 to showcase the country's artistic and creative sector.
- **Marsa Sports Complex** to be refurbished through a €9 million investment in order for it to be up to international standard.
- Malta to host **international competitions** including the 2023 Games of the Small States of Europe as well as the 2023 UEFA Under-19 Championships.
- Tax payments due on royalty income from **literary works** to fall from 15% to 7.5%.
- Parents whose children attend sport, art or cultural activities to benefit from **tax deduction** from between €100 and €300 a year.

Get in touch

The 2023 Budget includes a number of new fiscal measures and as well as the extension of several others which were well received and reached their policy objectives.

This includes a number of social and environmental measures which individuals and business will be able to benefit from over the next year.

The budget will now need to be approved by Parliament before the announced measures can come into force and more details on eligibility are made available.

If you any of the measures announced have caught your eye get in touch with us today on g.brincat@gcbmalta.com or +356 21341308

