



**FAIRWINDS**  
MANAGEMENT LIMITED

Corporate Services Provider

**MALTA BUDGET 2017**

## Economic Development

The predicted deficit for the year 2016 is that of 0.7% of Gross Domestic Product (GDP) and this expected to fall to 0.5% in the year 2017.

*Deficit*

Throughout the year 2016, Malta recorded a constant inflation rate of around 1%.

*Inflation*

The Maltese Unemployment rate for the second quarter of 2016 was that of 4.9%, while in the EU it reached 8.7%. The Employment growth rate in the same quarter was marked by an increase of 3.5% when compared to the previous quarter.

*Unemployment*

Growth in real terms reached 4.1% when compared to the 2.2% in the EU. This value is further supported by an improved GDP of €4,456.9 million.

*Growth*

The remaining amount of the central Government recurrent revenue and expenditure is of €79.1 million resulting in a decrease of €61.9 million over the same period last year.

*Revenue & expenditure*

The EU's Commission's Spring forecast for Malta's deficit is expected to decrease to 0.9% of GDP in 2016 and to 0.8% of GDP in 2017.

*Expected deficit*

The Cost-of-Living adjustment (COLA) amounts to €1.75 per week. In conformity with the Retail Price Index (RPI) the increase in COLA should have been of €1.16 per week, therefore, there is a €0.59 increase. Pensioners and those collecting social benefits will be provided with the full amount of COLA. Student stipends are to be increased on a pro-rata basis.

*COLA*

## Fiscal Measures

Investors receiving dividends from companies on the Malta Stock Exchange (MSE) are allowed a relevant refund of tax at source; this is applicable where the investment is not more than 0.5% of the company's share capital.

*Investment*

As from 1<sup>st</sup> January 2017, any business being transferred from parent to child will benefit from a markdown in the capital transfer duty from 5% to 1.5%. This is applicable for a 12 month period.

*Transferring of businesses*

The exemption from duty on the first €150,000 for first time buyers has been extended for another year.	<i>First time buyers</i>
Two schemes are being introduced for first time buyers who purchase property calling for restoration, capped to a maximum of €100,000 on expenses incurred.	<i>Property restoration</i>
If promise of sale is entered into by 2017 and the contract by the end of 2018, one benefits from a reduction of capital transfer duty to 2% on residential property purchased in Gozo.	<i>Property in Gozo</i>
As from 1 <sup>st</sup> January 2017, beams, steel structures, rods, nets, glass panels and tiles will subject to duty. This also applies to the importation of lintels and planks.	<i>Materials subject to duty</i>
Eco Contribution on batteries, mattresses, detergents, toiletries, motor vehicle fillers and plastic containers used in kitchens shall be removed.	<i>Eco Contribution</i>
As from 1 <sup>st</sup> January 2017, excise duty is to be imposed on toiletries depending on their volume. Duty shall be levied also on non-bio-degradable garbage bags.	<i>Duty on toiletries</i>
A joint enforcement task force shall be established and operated in conjunction with the VAT Department, Customers Department and the Tax Compliance Unit.	<i>Enforcement task force</i>
A fiscal incentive shall be given to entrepreneurs who sell their company shares to the public through a listing on the MSE. Capital gains shall be tax exempt.	<i>Selling of company shares</i>
Supplemental policies to amplify transparency and exchange of information in line with international principles will be introduced.	<i>Transparency</i>
Given that Malta is highly benefitting from the Malta Individual Investment Programme this shall be extended to the year 2017.	<i>Investment</i>
Hotels and restaurants shall profit from a fiscal credit offered by the Malta Enterprise on expenses relating to renovation, capped at €50,000 for restaurants and €200,000 for hotels. An additional scheme shall provide fiscal aid to a maximum of €10,000 to restaurants who employ chefs skilled in international cuisine for a temporary period.	<i>Hotels and restaurants renovation</i>

The 15% tax rate on domestic and commercial rental income shall be retained. Lease agreements for three months or more shall be registered with the tax authorities, failure to register the contract will lead to penalties.

*Rental  
income*

Employers who grant voluntary private pensions to their employees shall benefit from tax incentives.

*Private pensions*

## Measures for Enterprise

New business schemes providing financial assistance shall be introduced by the Malta Enterprise. The scheme will aid the research industry by providing up to €25,000 in the form of tax credits for the establishment of a sustainable business.

*Research industry*

Anyone who in the last three years graduated and has established a company generating a turnover of less than €80,000 will be given the option of exempting the company from auditing, for the first two years. Those who choose to have an audit will be allowed a tax reduction of 120% of the audit fees up to a maximum of €700 per year.

*Auditing*

As from 1<sup>st</sup> January 2017, Trade Licences of particular shops and commercial premises will be abolished. Set-up time for new businesses shall be reduced from 30 days to 3 days.

*Trade Licences*

Changes in the shops opening hours will be effected.

*Opening hours*

In 2017 amendments to the Industrial Relations Act shall be carried out to promote equal pay for equal work. In addition to such spot checks are to be carried out.

*Industrial  
Relations Act*

In 2017, the Gaming Authority will implement legal reforms targeting the needs of the gaming industry thereby, introducing further regulated gaming while not oppressing innovation and strengthening the players' protection.

*Gaming Authority*

European Gaming Institute of Malta to be set up to ensure that training being given is recognised by industry.

*European  
Gaming  
Institute of  
Malta*

## Energy and Infrastructure

The Malta Enterprise shall establish a strategy to assist high energy consuming companies with investments in energy efficient systems and machinery.

*Energy efficient  
systems*

New Solar Bonds will be sold to the public to finance the rental of solar panels installed by commercial establishments.

*Solar Bonds*

Companies offering free transport for their employees shall benefit from a new tax deduction of 150% on expenses incurred. The maximum deduction amounts to €35,000 per year or €50,000 if operated jointly with another company.

*Transport to  
employees*

A new tax deduction amounting to 120% of project value is provided to businesses investing in community-based projects approved by respective Local Council.

*Community-based  
projects*

Extension of the lease scheme for businesses operators renting Government owned property will occur. Businesses will benefit from a temporary emphyteusis period for 45 years.

*Government  
owned property*

### Disclaimer

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