



CIRCULAR TO ALL GTA MEMBERS

16th October 2021

Dear GTA Member,

The Gozo Tourism Association has noted a number of initiatives that will aim at incentivising both businesses and workers. Addressing the Maltese Islands human resources crises, the Budget will result in rewards for those choosing to work more through in-work benefits and tax incentives.

At the same time the Budget acknowledges the support businesses require following the pandemic in making investments. The incentives include allowing the transferability of capital allowances, tax benefits on reinvested profits, financing schemes and various other schemes that encourage sustainability and moving towards clean energy amongst others.

For your information and perusal the Gozo Tourism Association is listing the main highlights of the Budget 2022 hereunder:

Main Budget Highlights

Property

- Exemption from income tax on capital gains and duty on documents and transfers on the first €750,000 of the price of properties which:
 - Were built more than 20 years ago and which have been vacant for more than 7 years;
 - Are built in an UCA; or
 - Are new properties and are built in a typical and traditional Maltese style and architecture.
- This measure also applies to qualifying properties in respect of which a promise of sale has already been entered into as long as the final contract has not yet been signed.
- First time buyers buying qualifying properties will receive a grant of €15,000, increased to €30,000 in respect of properties situated in Gozo.
- These measures are effective as from 12 October 2021, for a period of 3 years.
- With effect from 12 October 2021, persons who will own or who already own qualifying properties as above, may benefit from a VAT Refund of up to €54,000 on the first €300,000 expenses incurred for the restoration and improvement of such properties.

- The stamp duty exemption for first time buyers (exemption from stamp duty on the first €200,000 of the consideration), second time buyers (refund of duty paid on the first €86,000 of the value of the replacement property, or the first €150,000 in the case of persons with disability or guardians of persons with disability) and purchases of property in Gozo (rate of duty of €2 for every €100 or part thereof with respect to transfers inter vivos of residential property situated in Gozo) will be extended.
- The reduction of the rate of stamp duty to 1.5% on the first €400,000 of the transfer value, and the reduction of income tax on capital gains to 5% on the first €400,000 of the transfer value will not be renewed and therefore will expire in June 2022.
- Eligible age for the Equity Sharing Plus scheme to be lowered from over 40 to over 30 years of age.
- The tax on the first €200,000 of acquisitions or disposals of property which have been rented out to tenants benefitting from the “Private Rent Housing Benefit Scheme” for a minimum period of 3 years but less than 10 to be halved. If the property has been rented to the acquiring tenant for more than 10 years, no tax shall be payable upon the acquisition and sale.

Businesses

- As a temporary measure, for the year 2021 (year of assessment 2022) entities with excess capital allowances as a result of losses suffered as a result of the pandemic may be surrendered to other group companies to be utilised.
- Duty applicable to transfers *intervivos* of family businesses to descendants of the family to continue being subject to a reduced rate of 1.5%.
- Malta Enterprise to introduce a tax benefit applicable to businesses which invest in eligible projects of that same business or investments in other businesses.
- Range of businesses entitled to the rent subsidy to be widened so that a larger amount of businesses will benefit.

ESG

- Government eyeing to build renewable energy plants offshore.
- A process will be introduced to enable public and private entities to invest in environmentally friendly projects to create carbon credits which would be available to be bought by other public or private entities with the aim to reach their carbon targets.
- A carbon farming initiative will be launched, including a grant of up to €8,000 to incentivise farmers who own agricultural land that is idle or out of production or used for low value production, to be converted in Agroforestry systems based on fruit trees.
- Scope of SME Tailored Facility to be extended to include ESG projects by the private sector.

Employment

- Cost of living increase of € 1.75 per week applicable to all employees, pensioners and those entitled to social benefits. Students receiving stipends will benefit from a pro-rata increase.
- Tax rate applicable to income from part time work to reduce from 15% to 10%.
- Part-time workers with more than one employment will have the opportunity to pay social security contributions with respect to more than one part-time employment, up to a maximum of 40 hours per week. This is intended to result in a higher pension.
- Employees with an annual basic salary of not more than € 20,000 shall have the first € 10,000 of their income derived from overtime work taxed at a rate of 15%.
- Government to setup a website to make available templates of employment contracts containing minimum requisites provided at law thus ensuring all employment rights are respected.
- Employees in sectors such as hospitality, transport, manufacturing, wholesale and retail who work nights, weekends and shifts and whose salary does not exceed € 20,000 per annum shall receive an annual in work benefit of € 150.

Interest rate on unpaid tax

- As from 1 June 2022, interest rate on unpaid income tax and VAT balances to rise to 7.2% per annum.

Tax remissions

- The Commissioner for Revenue is to tighten up the conditions under which discretion will be exercised when considering applications for the remission of interest on unpaid tax balances.

Tax refunds

- Tax refunds for persons earning up to € 59,999 to increase, depending upon the annual income.

Thanks and best regards,

Joe Muscat
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