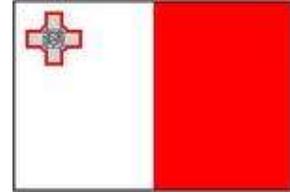




MALTA

**Country Correspondent
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Technical issues:

Double Tax Treaty

Double tax treaties with Azerbaijan and Vietnam have been enacted.

Joint Enforcement Task Force

A Joint Enforcement Task Force is being established to ensure that the Inland Revenue Department, the VAT Department and the Customs Department can address, in a more effective manner, the issues of unfair competition and tax evasion. Amongst other functions and priorities, the Task Force will seek to identify instances of unregistered employees, undeclared income and unfair competition in respect of certain imports.

Budget Measures:

Private pensions

The 'Second Pillar' pensions (ie pension schemes and savings plans entered into by employers and employees) will be incentivised with the introduction of schemes operated by the private sector. In order to encourage contributions to private pensions by employers, such contributions will be considered as a deductible expense for income tax purposes. In addition, the employer will also be entitled to a tax credit. The contribution by the employer would not constitute a taxable fringe benefit in the hands of the employees. Furthermore, employees will be allowed a tax deduction against their income when investing in this same scheme.

Malta Enterprise

A number of support measures designed to further assist commercial and industrial operations will be launched by Malta Enterprise

The measures cover a variety of sectors and activities and include:

- **Tax credit to promote research and development**
Complementary to the current R&D schemes, Malta Enterprise will be launching another tax credit in relation to R&D expenses. Assistance will vary between 25% and 45% of project costs.

- **Promoting the development of digital games with a cultural theme**
Malta Enterprise will be launching a measure in the form of a tax credit of up to 30% for the development of digital games with a cultural theme.
- **Assistance for the hospitality sector**
Two tax credits are aimed at the hospitality industry. One of the schemes will cover costs related to the renovation of hotels and restaurants and another tax credit will be provided to local restaurants to cover the costs for the engagement of a temporary chef with international expertise.

Transport incentive for companies providing transport for employees

Companies offering transport to their employees will be provided a tax deduction of 150%, up to a maximum of €35,000. To promote better use of resources, the maximum amount of assistance may be increased to €50,000 for companies that are willing to collaborate with other companies.

This measure, together with others being proposed, is intended to start addressing the problems of increasing traffic congestion.

Tax consolidation

The Minister has announced plans to introduce new measures that include tax consolidation which shall allow group companies to calculate their taxable profits/losses on a group basis.

Income tax for pensioners

Pensioners over the age of 61 in receipt of pension income will be exempt from income tax on pensions of up to €13,000 per annum. This applies to all local and foreign pensions. Married couples in receipt of a pension will benefit from an additional exemption of €1,000 per annum on their total income. The measure is being introduced over a two-year span.

Renting residential properties to low income families

Lessors entering into a rental agreement with low income families for a 7 year period will benefit from a reduced rate of income tax of 5% on the rental income received. This is a pilot scheme which will be extended if successful and is aimed at ensuring affordable rents for lower income families.

Malta Stock Exchange

A number of initiatives have also been introduced with the aim of promoting investment by the public on the Malta Stock Exchange and to encourage companies to raise finance through listings.

These include:

- an annual tax credit of €250,000 in terms of a Risk Investment Scheme to persons who invest in Small or Medium Enterprises (SMEs) that are

registered on an alternative trading platform or in funds that invest in SMEs that are so registered.

- removal of the 15% tax rate currently applicable on gains derived from the disposal of shares listed on the MSE by persons who held the shares prior to listing. This tax exemption will also apply to shares listed on the alternative trading platform.

Incentive to young entrepreneurs

In order to encourage more young graduates into business the Government proposed that a start-up company having a turnover of not more than €80,000 per annum may opt for either:

- an exemption from preparing an audit of its financial statements for the first two years; or
- subject the company to an audit of its financial statements and claim a tax deduction amounting to 120% of the audit fee (subject to a capping).