



▶ BUDGET 2009 HIGHLIGHTS

Budget 2010

highlights

Special edition

TURNER group

**TURNER GROUP
BUDGET SPECIAL EDITION**

“..we have driven our country with great prudence, with sound direction, and with a policy of hope to overcome every obstacle...” This was stated by Finance Minister the Hon. Dr. Tonio Fenech, during the Budget Speech for 2010.

Commenting on the Budget, the Hon. Prime Minister Dr Lawrence Gonzi, held that this was a budget that stimulates job creation, and added that the incentive packages were not a direct cash injection to business but it was linked to their ability to create jobs and investment.

Abroad, the world economy seems to be slowly recovering. Let's hope that this wave of optimism sweeps over our shores as well...

REVENUE, EXPENDITURE AND DEFICIT

| | Approved 2009 '000 | Revised 2009 '000 |
|-------------------------|-----------------------|----------------------|
| □ Revenue | € 2,551,318 | € 2,466,648 |
| □ Recurrent Expenditure | € 2,302,233 | € 2,421,492 |
| □ Capital Expenditure | € 347,931 | € 303,156 |
| □ Deficit | € (98,846) | € (258,000) |

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Some comments on this budget

“...an irresponsible budget...”-**The Leader of the Opposition, The Hon. Dr Joseph Muscat.**

“...support, solidarity and economic stimulus...”
Mr Gejtu Vella, UHM

“...various positive proposals are not clear...” **Mr Michael Briguglio, AD**

“helps prepare the economy for the increased competition that will follow the recession...” **Mr Vince Farrugia, GRTU**

“we hope that what was promised won't disappear into thin air...”-**Mr Tony Zarb, GWU**



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Let us see together some of the most important aspects of the Budget for the next year.

INCOME TAX

Income tax bands

There has been no adjustment to the Income Tax bands.

INCOME TAX AND VAT

Merger of Tax Institutions

The VAT, Inland Revenue and the Customs Department will be merged and consolidated. As from 1 June 2010, no tax or VAT refunds will be issued unless both VAT and Tax returns due would have been submitted.

The newly merged institutions will share amongst each other any information they will have on individuals to strengthen enforcement and allow for set-offs.

Anti-abuse provisions

The Government is intent on introducing anti-abuse provisions resulting from heavy tax planning. The Minister is aiming to address any lack of clarity in fiscal laws.

Tax Exemption

There will be a tax exemption on royalties and other income resulting from patents on inventions. This exemption will be subject to a maximum, which is yet to be established.

Immovable property

The period of 5 years during which a seller of immovable property could choose whether to pay normal rates on capital gains or 12% final withholding tax will be extended to 7 years.

Deduction of donations

Donations to University to encourage research will be deducted from the chargeable income of the donor.

□ Alimony deductions

In relation to child alimony, tax deductions will be extended to those given by foreign courts. However, prior permission for such deduction must be given by the Commissioner of Inland Revenue in every case.

□ Working mothers

Although no details were given during the Budget speech, as from next year, employers giving childcare facilities to their employees are to be given an incentive.

The € 1,000 tax deduction to families paying for childcare, will be extended to apply to those having children over 3 yrs of age and to those attending summer schools.

□ ICT, arts, films, design, animation

- Eligible Maltese authors will receive fiscal benefits for qualifying costs;
- There will be tax credits for qualifying costs related to computer animation, special effects, films, TV programmes, and production services;
- There will be fiscal benefits for qualifying costs on interactive digital media products, sound recording houses, including costs to bring foreign productions to Malta.

□ Students

Students in tertiary education, both in Malta and abroad, will be eligible for fiscal benefits if they would not be enjoying any other assistance from the Government or the private sector.

EXCISE TAX

Tobacco and cigarettes will have an additional € 0.15 excise duty.

VAT

There will be no changes in VAT rates and the proposed reduction of VAT on restaurants from 18% to 5% will not take place.

VAT refunds will be given on expenses related to research approved by the Ministry of Finance and the Maltese Council for Science and Technology, expenses relating to the restoration of historical or Scheduled Grade 1 buildings, and expenses related to construction in Church Schools required to expand from primary to secondary education.

LEVY

The levy on credit cards of € 16.31 will be removed.

SOCIAL MEASURES

Cost of Living increase

The net cost of living increase effective from 1 January 2010 is € 5.82 per week.

Employment

The Minister stated that unemployment as at September 2009 was at 7,521.

BUSINESS INCENTIVES

The Malta Enterprise will be giving grants and other assistance to companies. These include:

- A micro-credit** of up to € 25,000 will be available to small and medium sized enterprises and self-employed persons, out of a total fund of 10 million euro. The aim of this fund is to help these traders acquire the necessary liquidity for investment. The said credit would not require the same collateral as with banking facilities, and would also have more advantageous interest rates. Besides, the Minister held that the European Investment Bank is ready to provide another 10 million euro if the demand would justify it.
- Small businesses, both companies and sole traders, will be eligible to a **40% tax credit** - (60% in the case of Gozitan investment)- of up to € 25,000 when –
 - They would be arranging their shop or their facility;
 - They would invest in machinery, technology, apparatus or systems to improve their operations, including systems which help them save on energy costs or which produce alternative energy;
 - They would be investing to become compliant with regulations in relation to health and safety, the environment and physical access regulations;
 - They would be creating new jobs or engage apprentices after 10 November 2009.
- The Government will be also be issuing an incentive for those that incur expenses at the workplace for new employees having physical disability.
- By June 2010, the Minister is intent on having a single point of reference at the Malta Enterprise which will give assistance on EU programmes.

REGISTRATION FEES

- There will be a reduction in registration fees for boats with engines over 10HP.

ENVIRONMENT & ENERGY

- Government is proposing that water and electricity tariffs will increase next year. However, the Minister held that there will be compensation to families to cushion the increase in water and electricity costs. The compensation will be for families that do not consume more than 10,000 units of electricity per annum, and they will vary from € 55 for a household of one person to € 205 for a household of 7 persons.
- Besides, the Minister stated that enterprises and hotels will receive aid from the Government if they will face genuine difficulties due to the increase in tariffs.
- Government will continue to offer grants on photovoltaic systems and solar water heaters purchased.

EDUCATION

- Government is allocating more funding for Church schools that intend to extend primary or secondary school levels.

AND ON A FINAL NOTE....

Malta Enterprise

We believe that one of the more important issues that arise from this budget is the assistance to SME's and self-employed traders. Let's take advantage of this... Please contact us for an appointment so that we'll discuss together how you can utilize these grants and other incentives which are already in existence. We would be only happy to assist you!

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Disclaimer

The information contained herein is based on our interpretation of the Budget 2010 and should not be used as a substitute for professional advice. No liability for errors of fact or opinion is accepted.

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