

Budget 2014

On 4th November 2013, the Minister of Finance - Hon. Prof. Edward Scicluna presented the Budget 2014 to the House of Representatives. Government will be implementing a number of supply-side policies which aim to improve the country's potential growth and other policies aimed at ensuring sustainability of the country's public finances.

ENERGY

One of the Government's key priorities is to provide cheaper and greener energy for all households. This will be achieved through the implementation of the following measures:

- 1. Reduction on energy bills** - 25 % decrease in households' energy bills and 5 % in water bills
- 2. Energy Efficiency Support** - every family will be given the opportunity to have an energy audit, on a voluntary basis. This will lead to an increase in energy efficiency at home and to a reduction in energy use and CO2 emissions.
- 3. Solar Water Heaters, Double Glazing and Roof Insulation Schemes** - an incentive scheme will be adopted to help people upgrade their residence to one which is more energy efficient.
- 4. Pilot project at Siggiewi Primary School** - the project will be carried on in Siggiewi Primary School where the current equipment will be replaced with a more energy efficient one. This will include amongst others insulation, double glazing and smart lighting.
- 5. Street lighting in Gozo** - street lighting in Gozo is a pilot project which entails the installation of intelligent street lighting. Consequently, the nationwide project will lead to the replacement of all street lights in Malta and Gozo.

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Moreover, the Government will be establishing a Malta Oil and Gas Corporation. This corporation will be the Government's leading agency in this regard, and will be responsible for the implementation of the Government's needs and plans for the purposes of oil and gas exploration.

EXCISE DUTY

The excise tax on cigarettes and tobacco, fuel, alcoholic drinks and beer, cement, bunkering fuel and car licences is expected to contribute to an increase of €1.4 million in revenue.

- Tobacco products (cigarettes will suffer. An additional € excise tax per 1,000 cigarettes);
- Excise duty on alcoholic beverages is being increased at rates of between 2.5% and 15%, depending on the type of product.
- Excise duty on cement is being increased by €10 to €7 per 1000kg.

Government will be introducing a new system enabling the recovery of banderol expenses

RAISING OUTPUT POTENTIAL

The Government priority is to raise potential output, in particular through "increasing the labour force participation, especially of women, raising skill and education levels, promoting lifelong learning, and increasing productive capital investments." Amongst the other measure, the most prominent are as follow:

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1. Free Childcare Centres and Breakfast Club - free childcare centres will be set up in order to encourage Maltese women to enter the labour market. Also to ease the women's return to the labour market, the 'Breakfast Club' service will be introduced. It aims to provide a one hour care service before the school opens

2. Piloting computer tablets in schools - in 2014 selected schools will be participating in the pilot project 'One Tablet per Child'. It is envisaged that via this pilot project, students become computer-savvy from a younger age.

3. Encouraging the unemployed to follow full-time courses - persons in receipt of social or unemployment assistance for more than five years who start a full-time course will not lose the said assistance.

4. Youth Guarantee, Youth Entrepreneurship Scheme and Apprenticeship Reform - the European Commission is urging Member States to introduce concrete measures to lessen youth unemployment. Malta is working on such a plan. In 2014, the Jobs+ Committee will launch this initiative which will address 350 NEETs.

In line with the Youth Employment policy, ETC aims to promote entrepreneurship amongst youth. This initiative will provide training and support in preparation for entrepreneurship and setting up of cooperatives.

Moreover, the government announced new courses on Aviation and Apprenticeships for ITS students. Malta Enterprise is co-operating with MCAST to provide new courses on the repair and maintenance of airplanes and also to be involved in joint research with German institutions.

ITS in collaboration with Malta Enterprise and ETC, is launching a new course, Foundation in Tourism Studies which will equip students with the necessary skills to open their own business or become employed in the tourism sector.

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COMPETITIVENESS, INVESTMENTS AND FINANCIAL SERVICES

In this area, the Government will strengthen new and existing investment with foreign countries including China, United States of America, Russia and Germany. Furthermore, it will also provide budgetary allocations which will encourage more investment from local SMEs, family businesses and other businesses.

- **Tax deduction for entrepreneurs who offer apprenticeship placements** - entrepreneurs who are willing to be part of the system will be given a tax deduction of €600 for every apprenticeship placement (capped at 800 placements).

- **Tax deduction for entrepreneurs who offer work placements** - government is offering an incentive to entrepreneurs in the form of a tax deduction of €600 for every work placement they accept (capped at 400 placements). This will give such entrepreneurs an incentive to give due consideration to inexperienced workers.

- **MicroInvest and Jeremie Scheme** - micro enterprises and self-employed will be supported through a 45 per cent tax credit on eligible expenditure and 65 per cent tax credit if based in Gozo. In addition, the Jeremie scheme is going to be continued.

- **International Individual Investor Programme** - the Government is determined to establish the International Individual Investor Programme which is a programme of citizenship that will put us on the same level with Canada, Portugal, Belgium and Singapore in attracting high-quality investors.

- **Film production** - The Film Co-production Fund is a first for Malta. It aims to grow and further develop the Maltese film Industry.

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REDUCING TAX EVASION AND AVOIDANCE

In order to tackle tax evasion, government of Malta is committed to establish the following measures:

- An Investment Registration Scheme for people who residing in Malta and hold eligible assets for the purpose of the Income Tax Act. It will give opportunity to regularize their situations.
- Auditing of construction values: developer have to have the VAT receipts to substantiate the estimate valuation of work, he will be liable to pay the VAT due. This measure aims to reduce VAT evasion and to strengthen the control.
- Tax evasion awareness campaign in order to improve taxpayer's compliance, where money collected is used to improve the life of Maltese people through infrastructures, services, health...
- Tax avoidance: government will put a capped on the interest rates whereby they cannot exceed the amount of duty which is due.

PENSIONS REFORM

Government continues his commitment for the pension reform process in Malta.

On the one hand, the Third Pillar Pension will be create to increase the quality of life for senior citizens

On the other hand, an evaluation will be carried out about the situation of this pension to modify probably anomalies in the social security pensions system.

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MAKING WORK PAY

By making work pay, government is expected to reduce the current poverty in Malta. He would like to incented people to work instead of being dependant on social benefits.

- First of all measures, the decrease of the income tax rate for people who earn between 19,501 and 60,000 Euros - From 32% to 29%.
- One the other hand, government guarantees the price of the diesel for the first quarter of 2014. It could be remain stable during this period.
- Furthermore, the tax refund on vehicle registration: people who paid this tax will receive this refund. Payment will be provided for people who registered his personal vehicle between May 2004 and May 2008.
- The tax on auctions will be abolished.
- The increase of the tax band for parent computation from 9,300 to 9,800 which allows to households to benefit from an increase of income of 75 Euros per week.
- Government wants to help the long term unemployment to join the labour market by assuring people will not loose benefits at the rate of 100%.

Government will provide a budget allocation to single parents aim to enhance their employability prospects by given credit: from 200 Euros per annum for vocational basic training to 1,000 Euros for full time education. Parents may also benefit from free childcare.

Wives are over forty years of age and have been inactive since five years and who are going to start employment will benefit from deduction in income tax and this will not be considered in the joint tax computation.

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MISCELLANEOUS MEASURES

The Family and Housing

The Government is committed to improve the quality of life of Maltese families. The following measures will be implemented to fulfill this aim.

- COLA for 2014
- Tax-exempt COLA on minimum wage and pensions which are currently not taxed
- LEAP Project to tackle poverty.
- Single means-testing mechanism
- Extension in tax credit for parents sending their children to private childcare centres
- Tax Allowance for Parents with children in tertiary education
- Extension of Widows' Pension Entitlement
- Service Pension

Strengthening the Foundations of Healthcare

The Government introduced a series of health reforms that ensure better use of community care facilities to release pressure on the national public hospital.

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One of the measures introduced is the extension of the opening hours of health centres starting from the health centres situated in Birkirkara. Furthermore, the health centre in Rabat Gozo will be modernised and located near the General Hospital in Gozo. Moreover, the Government is planning to build 2 new wards for acute cases in Mater Dei that will accommodate 68 patients by 2015

Government will be extending bilateral arrangements with various countries including Italy and Israel with a view to extend the range of treatments available abroad.

For the first time, Malta will be offering specialised treatment for eating disorders and obesity conditions with the opening of 'Dar il-Kenn' which is a centre specialising in these areas.

Furthermore there will be strict anti-money laundering regulations. On its part Italy started liberalizing its domestic gambling market in 2009. It is expected that Italy continues to open its doors to the rest of the world this year. The AAMS, (the Italian gaming authority) , will probably launch new tight regulations prior to admission of foreign online gambling sites. There will be a tax on gross profits of foreign operators to the amount of about 20 % and licenses, which will automatically expire by the end of June 2016, will cost €60,000. Operators offering online bingo will have to pay an additional amount of €50,000.



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