

GRTU NEWSTRING

BUDGET 2017 SUPPLEMENT

A concise report of the main points in the National Budget 2017 that affect your business

GRTU's Initial Reaction to the Budget

The positive growth being experienced by our economy has produced wealth giving rise to the possibility of spreading economic benefits across sectors. Nevertheless continuous tangible incentives and measures are necessary in the implementation phase to ensure that the positive economic results are not only achieved but sustained.

Widespread Fiscal Benefits

GRTU sees that direct fiscal measures targeted at wider sectors such as pensioners and those on minimum wage are expected to increase disposable income to generate economic benefit across the board.

Traffic and Transport

GRTU's calls and proposals for immediate solutions to the traffic crisis have led to a number of commitments and measures in this Budget. Private collective transport is being incentivised by tax deductions to employers that organise free transport for their employees and large government entities are to provide transport for their own.

The urgent need to give a full focus on the Kappara Junction Project to increase the rate of work drastically in order to reduce the negative impact of the length of the project seems to have been heard with a renewed commitment. Incentives to increase parking areas through Projects Malta and Planning Authority proposals to attract public car parks also echo GRTU proposals to solve the traffic crisis. Measures addressing organised school transport which are key for imminent improvement have unfortunately been left out.

Energy

GRTU fails to understand how yet for another year, possible savings to business by reduction of energy bills has not been transcended to boost the economy. Following last year's call by GRTU to decrease utility tariffs, one of GR-

TU's main proposals was that of opening up the energy market to more operators in a bid to increase competition and reducing cost to businesses.

Renewable energy initiatives such as the PV Farm project have always been advocated by the GRTU and is once again welcomed as it is being committed to in the Budget. It is however the second year to see this proposal in the Budget and now GRTU awaits immediate implementation.

Bureaucracy

It is welcoming to note that GRTU's proposal on removing senseless compulsory audits for micro-SMEs has partially been taken up by introducing this option for the first two years for start-ups. This is the very first time this concept has been introduced in Malta. This incentive is however only tied to post-graduate start-ups and should definitely be extended to all start-ups if we want all youths to feel empowered on an equal level and not discriminate between business ideas based on educational attainment.

GRTU constantly advocates for the reduction of bureaucracy and therefore welcomes the announcement of removal of trading licenses.

Human Resources

The positive results of decreasing unemployment rates have led to human resources evidently becoming more of a key growing concern to employers across the majority of sectors. GRTU expected to see tangible aggressive measures to address the imminent situation with solutions to a problem that can no longer wait to be tackled.

Pensions

GRTU's proposal for a mandatory pension for self-employed with voluntary opt-outs has resulted in voluntary pension incentives for employers and their employees. In GRTU's opinion this is a positive step yet the take-up is ex-

pected to be weaker than that of the original GRTU proposal.

essential point to be tackled for SMEs and enterprises that are being driven out of business due to unfair competition.

Extension of the Valletta Shop Scheme

GRTU is pleased to note that the successful 45-year emphytheusis scheme for businesses operating in rented publically-owned premises, negotiated by GRTU in the case of Valletta shops, is now being extended beyond Valletta.

Family Business Transfer

The measure for family business transfer stamp duty to be reduced from 5% to 1.5% from parent to child is a tangible implementation of the Family Business Act concept. GRTU however asks why this is only being launched for 12 months where such timeframe does not allow for planning and execution.

Joint Enforcement Task Force (Unfair Competition)

GRTU sees initiatives under a new name which are once again supposedly targeted at addressing unfair competition. GRTU hopes that the launch of the Joint Enforcement Task Force would be a tangible initiative this time round as this is a long-awaited

Opening Hours

The flexibility of opening hours according to business needs is another long-awaited commitment by government which has been dragged from one Budget to the other. GRTU asks that after exhaustive consultation and such a long wait, this is implemented by the end of the year.

Excise Duties

GRTU has noted the increase in specific excise duties such as toiletries, non-alcoholic drinks, glass, iron and tiling, and shall be looking into the expected effect on various sectors. After years of being hindered by eco-contribution tax, these businesses are now being castigated with the introduction of excise duty.

Other Incentives

Other incentives noted positively by GRTU include the introduction of the Risk Inventing Scheme for Investment in SME companies which will receive tax incentives of up to Eur250,000 and the stamp duty reduction from 5% to 2% in the case of Gozo.

The Budget at a Glance

Excise Duty

As of 17 Oct 2016:

Product	Previous Rate	New Rate
Manufactured Tobacco		
Cigarettes	25.0% of retail price, and €100 per 1000 cigarettes but not less than €160 per 1000 cigarettes	23.4% of retail price, and €107 per 1000 cigarettes but not less than €165 per 1000 cigarettes
Cigars and Cigarillos	€24.33 per 1000 cigars/cigarillos	€25.24 per 1000 cigars/cigarillos
Hand-Rolling Tobacco	€115.64 per kg	€122 per kg
Other Smoking Tobacco	€115.64 per kg	€122 per kg
Pipe Tobacco and Shisha	€34.49 per kg	€36.40 per kg
Non-Alcoholic Drinks		
Non-Alcoholic Drinks under CN 2202 except 2202- 90 91, 90 95 and 90 99	€20 per 1000 litres	€40 per 1000 litres
Plastic Bags		
Plastic Bags under HS 3923 21 and 3923 29 specifically purchased for use of non-recyclable waste	€250 per 100 kg to a max. €170 per 10,000 bags	€425 per 100 kg to a max. €305 per 10,000 bags

As of 1 Jan 2016:

Product	Previous Rate	New Rate
Toiletries and Washing Liquids		
Perfumes and Toilet Waters under CN 3303	N/A (Previously subject to Eco-Contribution Tax)	€220 per 100 litres
Make-up, skincare and other beauty products under CN 3304	N/A (Previously subject to Eco-Contribution Tax)	€50 per 100 litres/kg
Hair Products under CN 3305, except Shampoo under HS 3305 10 00	N/A (Previously subject to Eco-Contribution Tax)	€50 per 100 litres/kg
Shampoo under HS 3305 10 00	N/A (Previously subject to Eco-Contribution Tax)	€3 per 100 litres/kg
Personal Hygiene Products, Deodorants and similar products under CN 3307 except 3307- 10 00, 41 00	N/A (Previously subject to Eco-Contribution Tax)	€3 per 100 litres/kg
Aftershave, room deodorisers and similar products under HS 3307- 10 00, 41 00	N/A (Previously subject to Eco-Contribution Tax)	€50 per 100 litres/kg
Soap Products and Shower Gels under CN 3401	N/A (Previously subject to Eco-Contribution Tax)	€3 per 100 litres/kg
Construction Material and Other Related Components		
Pre-Fabricated Concrete Structures under HS 6810 91 00, except those which contain cement and iron which has already been taxed under this same Act	N/A	€25.60 per 1000 kg
Ceramic Tiles under CN 6907 and 6908	N/A	€7.50 per 1000 kg
Glass Sheets under CN 7005	N/A	€16 per 1000 kg
Iron Rods under CN 7213 except 7213- 10 00, 91 10, 91 49, and under CN 7214 except 7214- 20 00	N/A	€30 per 1000 kg
Iron Rods under HS 7213 10 00	N/A	€5 per 1000 kg
Iron Rods under HS 7213- 91 10, 91 49, 20 00	N/A	€15 per 1000 kg
Iron Beams under CN 7216	N/A	€50 per 1000 kg
Iron Net under HS 7314- 20 10, 20 90, 39 00	N/A	€30 per 1000 kg



Cost of Living Adjustment

As of 1 Jan 2017: Increase of €1.75 per week

Tax Incentives

Dividend Tax Refund

Dividends on Profits after 1 Jan 2017 on companies listed on the Malta Stock Exchange shall receive a tax refund as applicable, on dividends reported on their tax return. This applies only to those that own less than 0.5% of the nominal capital shareholding and profit rights.

Business Transfer Concession

Stamp Duty Concession from 5% to 1.5% for a twelve-month period starting in 2017, for transfer of business ownership from parent to offspring.



Business-Community Projects

Businesses that implement embellishing or useful projects to the community (following Local Council approval) shall receive tax deductions of 120% of the value of works with the additional 20% not exceeding €15,000.

Property

First Time Buyers

First-Time Buyers stamp duty exemption on first €150,000 has been extended for another year. Two new schemes for first-time buyers' expenses on UCA or first-grade and second-grade scheduled property up to a maximum benefit of €100,000.

Gozo Property Incentives

Buyers of residence in Gozo will benefit from stamp duty rate of 2% instead of 5%. Applicable to convenues signed in 2017 and concluded in up to 2018.

Registration of Rent Contracts

Rent contracts (including extension of rent) of three months or longer need to be registered with the Inland Revenue Department.

Shops within Government Property

The Valletta Shop Scheme is to be extended across Malta. This applies to shops that are within government property that may now benefit from a temporary 45-year emphytheusis.



Pensions

Removal of Tax on Pensions

Pensioners over the age of 61 shall no longer be subject to income tax on pensions to a maximum of €13,000. To be implemented over the coming two years.

Private pensions scheme by employers

Tax Credits to companies that invest in pension schemes for their employees. Total investment that a company makes as such private pension will be considered a recurring expense for the purpose of tax calculation for said company. A further €150 tax credit per thousand euro invested on behalf of its employees shall be allocated.

The law shall be amended to allow self-employed and employers of small businesses to also provide such private pension schemes for their workers, enabling associations representing business sectors to manage these schemes. Tax incentives for the em-

ployee shall also be in place.

Support for Home Care

Pensjoni tal-Wens, which shall no longer be subject to means testing, increased to €140 per week (increased by €35 per week). Carers' Allowance increased to €90 per week (increased by €14 per week), subject to carers' means test. Carer at Home subsidy for elderly waiting to be transferred to an old people's home extended for the upcoming year to a maximum sum of €5,200 per year.

Education and Students / Graduates in Business

Full-Time Students Self-Employed (NI)

Full-Time Students under the age of 24 undertaking self-employed work shall pay their social security contributions pro rata at 15% of net income from such work.

Stipend for Full-Time Study at Lower or Equivalent Level

Full-Time Students that decide to undertake studies which lead to qualifications lower or equal to the highest level of qualification they already have shall also be entitled to receive a stipend.

Renewable Energy

Solar Farms

Call for applications expected soon for scheme to provide investment opportunity in renewable energy for those without roof access, through a solar farm in Fiddien.

Feed-In- Tariff Scheme in the pipeline for large-scale renewable energy installations (primarily photovoltaic installations over 1 MW). Sites to be chosen as per Solar Farm Policy.

First Solar Farms to be developed as per agreement between the WSC and GRTU.



Photo Voltaic – Grants and Bonds

Residential PV Grant Schemes to be continued in 2017.

Solar Bonds to be issued to the general public. These bonds shall finance the rent of PV systems affixed to commercial establishments providing an opportunity for financing to commercial entities.

Other Energy Efficiency Related Schemes

Other grant schemes to incentivise the use of heat pump water heaters, double glazing, roof insulation, solar water heaters and well renovation, are expected in 2017.

Malta Enterprise to administer a scheme for energy audits for SMEs.

Malta Enterprise to develop a new scheme that offers support to high-consumption enterprises to invest in systems and equipment in favour of better energy efficiency.

Grants to encourage changing to newer and more efficient appliances through eco-cheques for the most vulnerable to be able to change refrigerators, air conditioners and tumble dryers into ones that are more efficient.

Transport and Logistics

Tax credit for workers' transport

Tax deduction of 150% of expenses, up to €35,000 per year in the case of companies providing this service on their own and up to €50,000 per year for each company operating this service with other companies, for those companies that provide free transport to its workers.

Bicycle rack scheme

€150,000 have been allocated for a scheme to incentivise employers to install bicycle racks for their workers as well as other related capital expenditure such as showers.



Public Car Parks

The Planning Authority to issue proposals on incentives for the development of public car parks.

Logistics Hub

A PPP was engaged to develop an international logistics hub on a 40,000m² site in Hal Far. A new authority shall be set up to regulate activities in new hubs which will be declared as free trade zones.

Agriculture

Certification

A certification framework and control shall be put in place so that consumers can identify and purchase products carrying a quality mark.

Financing

Malta Development Bank

The Bank shall commence with authorised capital of €200 million of which €30 million shall be initial paid up capital.

Risk Investment Scheme

New fiscal incentives for investors in SME companies or fund which is spread on various SMEs registered on alternative trading platform such as *Prospects* on the Malta Stock Exchange.



Listing on Malta Stock Exchange or Alternative Trading Platform

Accrued capital gains on shares held prior to the listing on the Exchange which is currently taxable at 15% rate shall be exempted from tax. This incentive shall also apply to listing on the alternative

trading platform.

Audit Exemption for Youth Graduate Start-ups

Youths graduated from post-secondary institutions over the past three years and have less than €80,000 turnover shall be entitled to either exempt their business from auditing for the first two years or receive a tax deduction of 120% of auditing expenses to a maximum of €700 per year if they decide to conduct such audit.

New Malta Enterprise Schemes

Amongst new schemes, ME shall issue financial incentive schemes of up to €25,000 for disadvantaged individuals to set up sustainable enterprise.

Financial credit schemes shall be implemented for research with support varying from 25% to 45% of expenses.

Financial credit schemes of up to 30% of related expenditure for the development of digital games with a cultural theme, shall also be launched.



Tourism-related schemes

Malta Enterprise shall issue support schemes for expenses related to renovation of hotels (up to €200,000) and restaurants (up to €50,000).

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Fiscal incentives (up to €10,000) shall be introduced for local restaurants that temporarily employ chefs with international experience.

Dealing with Unfair Competition

Joint Enforcement Taskforce

The taskforce shall facilitate work between the Inland Revenue, VAT, Customs and Tax Compliance Departments. This shall focus on unregistered workers, undeclared rent, and unfair competition through importation.

Bureaucracy

Reduction in Planning Fees (Industrial Zones)

Planning Authority to reduce planning fees related to projects and development in industrial zones.

Removal of Trading License Requirement

Commercial Trading License is no longer a requisite to conduct commercial activity.

Online importation system with online payments

A new online importation system shall be introduced which allows for online payments.



POYC

In 2017, the pilot project to deliver medicines to patients aged 70 and over at their residence shall be extended to more localities. Heavy or bulky treatment shall also be included.

Sick Leave

Government is expected to launch a consultation process regarding the proposal for parent sick leave when children are ill.



The entire Budget 2017 speech can be accessed at:
<http://bit.ly/2fyGg6r>

Contact GRTU Malta Chamber of SMEs on **21232881/3** or e-mail **admin@grtu.eu**



Operational Programme II – Cohesion Policy 2007-2013
Empowering People for more Jobs and a Better Quality of Life
Event part-financed by the European Union
European Social Fund
Co-financing rate: 85% EU Funds: 15% National Funds



Investing in your future