



Budget Highlights 2008

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Deficit

In last year's budget Government had announced that the budget for 2006 was set to close with a deficit of less than 3% of the GDP. The Government is predicting a decrease in the deficit from 2.7 percent in 2006, to 2.1% in 2007 and down again to 1.2% in 2008.

The Government is aiming at eliminating the deficit completely, and more importantly to register a surplus, by the year 2010.

Cost of Living Adjustment – (COLA)

The cost of living adjustment for 2008 shall be of Lm1.50. This is made up of Lm0.50 resulting from COLA plus an anticipated Lm1.00 increase for the inflation in 2008.

Labour Force

This year's budget foresees an investment of Lm150 million for the creation of new schemes/programmes to help integrate the socially disadvantaged, such as young school leavers and the unemployed, within the Maltese workforce.

One of the schemes provides for the long term unemployed to be seconded for a period of three months, for a maximum of thirty hours a week, to private enterprises. Whilst this scheme would certainly increase their possibility of finding employment, it is also equally attractive to the private employer. Indeed the government has pledge to cover up to 75% of the minimum wage due.

Other schemes include:

1. Government support those individuals, over 45 years, who have been unemployed for five years and who wish to open a business of their own by covering their first year of social security contributions.
2. The creation of a separate register for those individuals seeking part-time employment, as well as a reform in the current registration system in such a way as to encourage the unemployed to take up temporary employment without losing priority on the employment register.
3. Another measure, is the government's decision to increase paid maternity leave by another week, thus raising the maternity leave entitlement to 14 weeks. This will be financed by Government through the provision of a credit to employers against Social Security Contributions.

New Incentives

A series of new incentives for the promotion of business is to be announced by Malta Enterprise.

New Training Programmes

The ETC will continue with its programmes for Life Long Learning. It will provide for schemes that will give up to 60% of the minimum wage to persons with special needs. Other programmes will be launched for the unemployed.

Education

1. The sum of Lm200,000 has been allocated to the Malta Government Scholarships Scheme.
2. Stipends to Maltese students resident in Malta that are reading a first degree in a University outside Malta.

Creativity

1. VAT refunds shall be available for the renting of space for artistic and cultural activities. The VAT rate with respect to museums, art exhibitions, concerts and theatres (excluding cinemas) shall be reduced to 5%.
2. Art education and training given by accredited bodies shall be exempt from VAT.
3. Government announced the creation of a film fund.
4. There shall be the creation of a fund for the development of Art.
5. Companies financially assisting cultural organisations which are not for profit making may deduct these donations from the tax chargeable income.
6. Companies providing scholarships to Maltese artists shall be allowed to deduct this expense from the chargeable income. This up to a maximum of Lm8000.

Children's Allowance

1. Children's allowance shall be all equal to that of the first child.
2. The minimum children's allowance shall be of Lm107.
3. This minimum is extended to all children.

Tax Credits/ Exemptions

1. New tax credit with respect to children attending private Kinder Gartens. This up to a maximum of Lm429 per annum.

2. The widowed shall be exempted from paying Duty on Documents Causa Mortis or the portion of their residential home. This unless it is sold before the death of the surviving spouse.

Housing

The government shall subsidise 1% on the interest rate of the central bank of Malta if such rate is higher than 3.5%. The subsidy shall be given during the period of the first 10 years of the purchase of the first residence for a value that does not exceed Lm50,000.

The rate of 3.5% duty on documents shall be extended up to Lm50,000 on the first residence.

The transfer of property from parents to children shall carry a Duty on Document charge of 3.5% instead of 5%. This shall apply for once, and only one property.

Active Elderly

Retired persons may continue to work in a paid employment without losing their pension.

Revision of Tax Bands

New tax bands for 2008 shall be as follows:

Joint computation

2008 Rates	
Income up to	Rate
Lm	%
0-4894	0
4895-8800	15
8801-12020	25
12021+	35

Single computation

2008 Rates	
Income up to	Rate
Lm	%
0-3498	0
3499-6010	15
6011-8156	25
8157+	35