



Budget Measures 2023

The purpose of this memo is to give a brief overview of the budget measures relating to Income Tax which were announced in the budget speech for 2023.

- Non-taxable Pension threshold for pensioners
- Pension Exempt Portion
- Minimum Wage
- Royalties derived from literary work
- Deduction of fees paid
- Parents of children with a disability
- Capital allowances which may be transferred intra-group
- Bonus payment to employees issued by the Treasury Department
- Malta Enterprise Schemes



Non-taxable Pension threshold for pensioners

For basis year 2023, the non-taxable pension threshold for pensioners will be increased to €14,968 from the current €14,318. This applies to single, married and parent rate status individuals. In the case of married rates status, the further €3,600 rebate in respect of income from all sources will remain. These thresholds are available through the use of tax rebates on pension income after calculating the tax due using the normal rates on all income.

You can refer to the CfR website for more details of the relative rebate thresholds for all years.

Pension Exempt Portion

In last year's budget, a new measure was introduced to encourage pensioners to remain in the workforce. Over a period of 5 years pension income would not be taken into consideration when computing overall tax. The first part of this was a 20% portion of the pension income (subject to the threshold mentioned in the paragraph above) being exempt for basis year 2022. For basis 2023, this exempt portion will be 40% of the new threshold mentioned above.

Minimum Wage

The Employment Deduction Rules will be amended to ensure that employment income up to the minimum wage (and including statutory bonus) remains non-taxable after the new COLA increase, which will be €9.90 per week for 2023.

Royalties derived from literary work

The reduced tax rate available on royalty income from literary works for authors and co-authors will be reduced from the current 15% to 7.5%.

Deduction of fees paid

The deduction available for fees paid and which can be claimed by parents in respect of children attending sports, cultural, and artistic activities is to be increased from €100 to €300.



Parents of children with a disability

Parents of children with a disability often make use of private therapy over and above that provided free by the Government. In this context, a new annual tax credit of €200 will be made available to parents.

Capital allowances which may be transferred intra-group

As per last year's budget measure, a company having unabsorbed capital allowances in 2020 and 2021, due to losses suffered as a result of the Covid pandemic, may apply for such capital allowances to be transferred to another group company which derived chargeable income during 2021. This has now been extended to 2022.

Bonus payment to employees issued by the Treasury Department

Individuals in the workforce whose income is less than €60,000 will continue to benefit from this bonus payment. Individuals whose income falls within the tax-free bracket will also benefit from such payment. This payment issued by the Treasury Dept will range from €60 - €140, with the highest refund being provided to the lower-income earners.

Malta Enterprise Schemes

Enterprises in Gozo and start-ups will continue to benefit from an additional tax credit of 10% that can be increased to 20% for projects that reduce their carbon footprint. A maximum tax credit of €40,000 will be granted to enterprises that invest in digital projects and projects that reduce their energy, water consumption and wastages.

These measures are administered by Malta Enterprise.

Disclaimer:

Please be advised that the information in this memo is provided simply as guidance and are not legal documents providing legally binding rulings. Legal notices pertaining to the above will be issued in the coming weeks. If you require more precise information on how to implement any specific measure, kindly contact the Office of the Commissioner for Revenue.