

Tax update – Legal Notices published recently

Recently various Legal Notices were published by virtue of which specific measures which were previously announced in the Budget Speech were implemented. A summary of the Legal Notices is available below:

- **L.N. 179 of 2014 – Deduction (Apprentices and Work Placements) Rules.**

This Legal Notice introduced the framework for the deduction available to taxable persons that provide a work placement or apprenticeship. Subject to certain conditions, such tax deduction is allowed against such person's taxable income and is set at €600 for each work placement and €1,200 for each apprenticeship provided by such taxable person in the year preceding the year of assessment. These rules shall come into force as from year of assessment 2015 (i.e. in respect of work placements and apprenticeships commencing on or after 1 January 2014).

- **L.N. 180 of 2014 – Deduction (Mature Workers) Rules**

By virtue of this Legal Notice a deduction equivalent to €5,800 per annum is allowed against the taxable income of every employer who provides employment to a person whose age is between 45 and 65 years and whose name has been on the unemployment register for at least the preceding 6 months, subject to the satisfaction of certain conditions. The said deduction is allowed for the first two years in which the employer provides employment to the qualifying employee as aforesaid, with the deduction applied on a *pro rata* basis if the employee is employed for less than a full year during the year of assessment.

- **L.N. 185 of 2014 – Part-Time Work (Amendment) Rules**

L.N. 185 brought into force the increases in the capping of any income derived by part-time work that may be charged to the flat rate of 15%. By virtue of this Legal Notice the maximum amount of income derived from part-time work (as defined in Subsidiary Legislation 123. 39) that can qualify for the beneficial flat rate of 15% has been increased from €7,000 to €10,000 for part-time employees and from €7,000 to €12,000 for part-time self-employed persons (subject to certain conditions).

The same rules extended the remit of the 15% flat rate to part-time self-employed persons that employ up to a maximum of 2 part-time employees (in their part-time business). Another notable amendment relates to the date when the amount of tax due on part-time work is due whereby such date has now been moved to 21 December (from 30 June as previously in force) of the year following the year in which such income was derived (with effect from year of assessment 2015).

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- **L.N. 187 of 2014 – Tax Credits for Micro Enterprises and the Self-Employed Regulations, 2014**

Subject to other conditions as laid down in these rules such undertakings may benefit from a tax credit equivalent to 45% of eligible expenditure. An additional bonus of 20% (total 65% tax credit) applies to undertakings operating from Gozo.

This quantum has marginally increased from the respective percentages applicable in the scheme as previously in force for qualifying expenditure incurred in 2013 (40% and 60% respectively). Eligible expenditure under these rules includes:

- (i) Furbishing and refurbishing and upgrading of **business premises**;
- (ii) Investment in acquiring machinery, technology, apparatus or instruments which enhance the operations;
- (iii) Capital investment in Information Technology
- (iv) Purchase costs of one **commercial** vehicle incurred over a period of three years;
- (v) Wages costs covering a 12 month period regarding **additional** jobs and apprenticeships created during 2013

Other notable changes relate to the quantum of the capping of the maximum tax credit available with such capping now increased to €30,000 for undertakings in Malta and €50,000 for undertakings operating in Gozo. Such capping applies for a period of three consecutive years with any amount of credit acquired by any undertaking with respect to qualifying expenditure incurred in 2013 to be reduced from such maximum amount to be awarded in respect of any credit to be awarded for qualifying expenditure incurred during the years 2014 and 2015. The benefit applies for eligible expenses incurred between 1 January 2014 and 31 December 2020 and applications to benefit under this scheme for any of these years must be submitted by the end of March of the following year (subject to certain conditions).

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