

# Business Today

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INTERVIEW page 12



Budget 2008 analysis and commentary by  
the MEDIATODAY newsroom Pages 3 to 11

**76 days €**  
COUNTDOWN TO THE EURO

## Generosity marks Gonzi's last budget before election

Tax band revisions, more children allowances, advantages for working retirees and a bonanza of tax breaks mark Lawrence Gonzi's last budget before the next general election

It was a tax-free budget that brought about a sensation of Yuletide. A sense that all the wishes of the last twenty years were finally addressed in one evening. With an ambitious predicted deficit of 1.2 per cent for next year Gonzi had good reason to be upbeat. In his budget Prime Minister Gonzi was clearly reacting to the concerns of disgruntled voters and conscious that this will be his last budget before a national election. From an economic point of view, Dr Gonzi who also serves as finance minister announced that he was aiming for a budget surplus in two years.

Nonetheless the Prime Minister yesterday presented a budget that reached out specifically to key voters.

The Prime Minister will be accused by the Labour opposition of presenting a pre-election budget and the opposition will have an uphill battle rendering the budget a useless budgetary exercise.

Nevertheless the measures will be welcomed by a wide audience.

Budget 2008 was definitely directed at the family with rather limited visible targeting of business concerns apart from a measure to encourage those who register as self-employed over the age of 45.

The most welcome move will be the revision in the tax bands and the most advantaged in this segment are those who have been paying 35% tax. The measure will leave direct benefits in purchasing power, which is bound to uplift the economy.

Those who paid 35% tax on reaching Lm6,751 for separate or Lm10,000 for joint computation will now have a new rate applied of Lm8,157 and Lm12,021 for separate and joint computation.

The budget will not benefit lower income earners will not benefit as much. There is a special focus on the family with revisions in tax bands and increments in children allowance that will leave a family of two on a salary of Lm6,000 each with separate computation and one child with an added income of Lm23 a month.

Pensioners who keep on working upon retirement age will receive their pension in full regardless of their income. Pensioners in private residences will have up to Eur 2000 exempt from income tax. And most importantly the demand for a revision of the 2/3 cost of living increase to pensioners met by a bonus to make up for the missing 1/3 increase.

Significant tax breaks are listed for parents who send their children to kindergartens ▶ page 8



Prime Minister and Finance Minister Lawrence Gonzi poses for photographers before presenting the budget. He is flanked by his two parliamentary secretaries, Tony Abela and Tonio Fenech. Picture by Gilbert Calleja

### The tax savings in the new proposed joint computation

Income	Savings in 2007	Savings in 2008	Total
4,500	30	0	30
5,000	30	59	89
5,500	30	59	89
6,000	30	59	89
6,500	55	59	114
7,000	80	59	139
7,500	118	59	177
8,000	168	59	227
8,500	168	109	277
9,000	193	139	332
9,500	218	139	357
10,000	243	139	382
10,500	243	189	432
11,000	243	239	482
11,500	243	289	532
12,000	243	339	582
12,500	243	341	584

### Highlights of Budget 2008

- Non-taxable threshold from Lm4,500 to Lm4,894 (double computation)
- Tax-bands revised with greatest advantages to high-income bracket
- Increment in children allowances
- Pensioners will not lose out on their pension if they continue to work
- Tax breaks for sending children to kindergartens, sports centres
- Tax advantages to sponsoring the arts
- Stipends for those who read a first degree abroad
- Salary increases for armed forces personnel
- Full cost of living increase to pensioners
- COLA of Lm1.50

### Vision statement

*"This is a budget that will create growth, that will reduce the deficit by 20 million, and move closer to having a surplus. And this will allow us to give back so that the new generation will face the challenges of the future" - Lawrence Gonzi*

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