

EUROMOD

COUNTRY REPORT



MALTA (MT)

2016-2019

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EUROMOD is a tax-benefit micro-simulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD covers the 28 Member States and is updated to recent policy systems using data from the European Union Statistics on Income and Living Conditions (EU-SILC) as the input database, supported by DG-EMPL of the European Commission.

The European Commission is in the process of taking over responsibility for carrying out the annual update and release of EUROMOD. The transfer of responsibility is expected to be complete by the end of 2020 and the transition is being facilitated by close cooperation between the University of Essex and the Joint Research Centre (JRC) of the European Commission as well as Eurostat.

This report documents the work done in one annual update for Malta. This work was carried out by the EUROMOD core developer team, based in ISER at the University of Essex and at JRC-Seville, in collaboration with a national team.

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The results presented in this report are derived using EUROMOD version I2.0. EUROMOD is continually being improved and the results presented here may not match those that would be obtained with later versions of EUROMOD.

For more information, see: <https://www.euromod.ac.uk>

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1. BASIC INFORMATION

1.1 Basic information about the tax-benefit system

Tax-benefit policies are not different in Malta across areas; it is a unified system.

The fiscal year in Malta runs from the 1st January to the 31st December. The 'benefit year' is from the first Monday in January and ending on the last Sunday before the first Monday in January of the following year.

The 2006 pension reform included a gradual increase in the retirement age from 61 years for men and 60 years for women to 65 years by 2027. Pension age currently stands at 63 years. In the case of a person born during the calendar years 1959 to 1961, pension age shall be 64 years; and for persons born after 1961, pension age shall be 65 years.

The educational system in Malta and Gozo is divided into three main branches - Primary Education (which extends from age five till eleven), Secondary Education (which stretches from age eleven till sixteen) and Tertiary Education. Education is compulsory from age five till sixteen.

According to the Social Security Act, "child" means a person who is under the age of 16 years and includes a stepchild, an adopted child and a child born out of wedlock. In the case of the children's allowance, the definition of 'child' may be extended in some cases to persons aged above 16 but below 21 (see sections 1.3.2. and 2.3.5 for details). According to the Social Security Act, "single parent" means a parent who is widowed, separated (whether de facto or de jure), divorced or unmarried who is solely and entirely (i.e. does not receive alimony from the former partner) responsible for the upkeep and upbringing of his or her dependant sons or daughters who have not yet reached 18 years of age.

The taxation system is progressive. Married couples may choose whether they opt for individual or joint taxation. Widows and separated spouses may also be taxed at rates applicable to married couples when they have the custody of children and fulfil a few additional conditions. Single persons are taxed at the individual tax rate.

Some types of investment income and capital gains are taxed at different (usually lower) rates than labour income.

Every taxpayer in Malta files an income tax return. The self-assessment concept, which was introduced as from the year of assessment 1999, requires by law that every taxpayer who files an income tax return has the obligation to make his own 'assessment' for tax purposes. This means that it is the taxpayer himself who determines the amount of tax chargeable. If it results that not all the tax chargeable has been paid, penalties may have to be imposed. The additional tax and interest will be charged as from the tax return date.

In Malta there is the Cost of Living Adjustment (COLA), which is an increase in wages and pensions (the latter granted in full as from Budget for 2008) by a fixed amount that reflects the indexation of the basic wage to the average Retail Price Index inflation of the last 12 months to September of that year. This bonus is also given on a pro-rata basis to students and part time workers.

Income for most means-tested benefits is assessed on an annual basis. The previous year's income is taken into account in most means tests. Income taken into account for the means tests is usually net of social insurance contributions but gross of taxes.

1.2 Social Benefits

The Social Security Act in Malta provides for two types of benefits: contributory and non-contributory. In the case of contributory benefits, the basic requirement for entitlement is that specific contribution conditions are satisfied. In the non-contributory scheme, the basic requirement is that the conditions of the means tests are satisfied.

1.2.1 Contributory Benefits

1.2.1.1 Short-term Benefits

Unemployment benefit (UB): is payable to unemployed persons registered under Part 1 of the unemployment register that satisfy a minimum contributory period.

Special unemployment benefit (SUB): the benefit is a top-up to the UB, when income and capital resources are under a given threshold.

Sickness benefit: in case of sickness, this entitles the beneficiary to 156 days of sickness benefit but may in certain cases also be extended to 312 days. In each case the first three days of each new claim for this benefit are not paid. Persons are paid according to their normal working week and no payments are affected for public holidays. Sickness benefit is applicable to persons who have not reached retirement age and who satisfy the relevant contribution conditions.

Injury benefit: this benefit is payable to persons who suffer personal injury caused by accidents arising out of or in the course of his/her employment or self-occupation or in the case of contraction of an industrial disease. A person becomes entitled to this benefit if he/she is incapable of work for more than 3 days. The maximum entitlement is limited to 12 months.

1.2.1.2 Long-term benefits

Two-thirds pension: earnings-related pension payable to persons who have retired after January 1979. This scheme basically provides for a pension equivalent to two-thirds of the insured person's pensionable income. There are applicable maximum and minimum rates. The two-thirds proportion may vary where the insured's contribution average is less than 50.

In case of employees: (i) born on or before the 31st December 1951, the pension is determined based on the yearly average of the basic wage during the best 3 years of the last 10 years; (ii) born during the years 1952 to 1955, the pension is determined based on the yearly average of the basic wage during the best 3 years of the last 11 years; (iii) born during the years 1956 to 1958, the pension is determined based on the yearly average of the basic wage during the best 3 years of the last 12 years; (iv) born during the years 1959 to 1961, the pension is determined based on the yearly average of the basic wage during the best 3 years of the last 13 years.

In case of self-employed/self-occupied persons: (i) born on or before the 31st December 1951, the pension is determined based on the yearly average of his net income on which the required contribution has been paid during the last 10 years; (ii) born during the years 1952 to 1955, the pension is determined based on the yearly average of his net income on which the required contribution has been paid during the best 10 consecutive years of the last 11 years; (iii) born during the years 1956 to 1958, the pension is determined based on the yearly average of his net income on which the required contribution has been paid during the best 10 consecutive years of the last 12 years; (iv) born during the years 1959 to 1961, the pension is determined based on the yearly average of his net income on which the required contribution has been paid during the best 10 consecutive years of the last 13 years.

Retirement pension: is payable on reaching the pensionable age. The rates and types of categories vary according to a range of statutory conditions. In Malta, a person may receive only one pension, that is: Retirement or Two-Thirds pension (i.e. the one which is more beneficial). A person must have paid at least 156 contributions and an average of 20 contributions per annum (minimum) throughout his/her working life. A person who has attained the age of 61 years but has not yet attained pension age, can after attaining 61 years of age claim a pension in respect of retirement if such person is no longer gainfully occupied. The claimant must have a total of: (i) 35 years of contributions in the case of a person born between 1st January 1952 and 31st December 1961; (ii) 40 years of contributions in the case of a person born between 1st January 1962 and 31st December 1968; (iii) 41 years contributions for a person born on or after 1st January 1969.

Increased retirement pension: applies to cases where the sum of a person's service pension together with the rate of retirement pension applicable in the case, are lower than a certain percentage of the person's pensionable income.

National Minimum Pension (NMP): where a beneficiary is not entitled to a Service Pension and is born on or before the 31st December 1961, he/she may be eligible to NMP. The rates applicable are four-fifths of the National Minimum Wage in the case of a married man maintaining his wife (i.e. the wife is not gainfully occupied and not looking for work) and two-thirds of the National Minimum Wage in the case of any other person of 18 years of age or over. Specifically, NMP is due where a pension is assessed on a minimum pensionable income where low rates of contribution were paid due to low wages or earnings

Increased National Minimum Pension (INMP): if a person is entitled to a National Minimum Pension, s/he may be eligible, instead of the NMP, to an Increased National Minimum Pension. The INMP is a two-thirds pension, however such that the rate of such pension does not exceed two-thirds of his/her pensionable income, it may be further increased by one-third of the difference obtaining by deducting such rate of pension from the amount taken by way of two-thirds of his pensionable income.

Decreased national minimum pension: where a person is entitled to a service pension and his service pension together with the rate of retirement pension or increased retirement pension applicable in his/her case is less than the rate of national minimum pension in his/her case, then, such a person would be entitled to the NMP reduced by his service pension.

Anticipated old age pension: these are periodic payments intended to maintain the income of beneficiaries who retire before the standard retirement age. In Malta these are pensions given to ex-police and Armed Forces officers according to the Police Act and the Armed Forces Act.

Invalidity/disability pensions:

- **Disability pension:** payable if injury or disease caused or contracted whilst at work is considered to cause a loss of physical or mental faculty calculated between 20% and 89%. Rates awarded according to degree of disability. Where the degree of disablement is assessed at 90% and over, the person concerned is automatically awarded an Invalidation Pension at the full rate. From 2015 the full disability pension will be given irrespective of whether a person earns more than the minimum wage or not. Furthermore, as from 2016, on reaching pensionable age, persons with disability will be entitled to a pension equivalent to the non-contributory retirement pension.
- **Invalidation pension:** this is a contributory benefit payable to persons deemed permanently incapable for suitable full-time or regular part-time employment. Various rates apply according to different conditions.
- **Decreased national minimum invalidity pension / Increased invalidity pension / National minimum invalidity pension:** is payable to persons deemed permanently

incapable for full-time or regular part-time employment but who are recipients of a service pension. Where the flat rate Invalidity Pension together with the Service Pension the claimant is receiving, do not exceed two-thirds of his/her pensionable income, he is entitled to an Increased invalidity pension (IIP) or such part thereof, ensuring that the two-thirds of the pensionable income are not exceeded.

- **Anticipated old age pension:** these are periodic payments intended to maintain the income of beneficiaries who retire before the standard retirement age. In Malta these are pensions given to ex-police and Armed Forces officers according to the Police Act and the Armed Forces Act.

Guaranteed national minimum income (GNMI): With effect from the 2016, a person born after 1st January 1968 and not in receipt of a Service Pension shall be entitled to the Guaranteed national minimum income, which in 2016 stood at €140.0 per week, where the yearly contribution average of paid or credited contributions is not less than 50. Such minimum level is increased annually by the Cost of Living Adjustment (COLA). In 2019 for single persons, GNMI was increased to €150.00 per week and for married persons to €154.00. This weekly amount includes the cost of living bonuses and any other increase as provided in article 90A of the Social Security Act.

In-work benefit: The In-work benefit scheme is awarded to a claimant who is in employment and has children below age 23 living within the household, subject to further eligibility criteria.

1.2.1.3. Other long-term contributory benefits

Widow's pension: a widow/widower, whose spouse satisfies the relevant contribution conditions on his/her death, is entitled to a Widow/Widower's pension or to a Survivor's pension, whichever is the most beneficial. Both are awarded to those persons whose spouse was already in receipt of a Retirement pension or Two-thirds pension. Early survivor's pension is awarded to those persons whose spouse was still under retirement age on the date of his/her demise. Upon re-marriage, the Widow/Survivors' pension will cease to be granted but will be entitled to a re-marriage pension for a maximum of 260 weeks at the applicable rate of Widow's pension relevant to the contribution average only.

Survivor's pension: earnings-related pension payable to a widow/er whose spouse was entitled to a Two-thirds' pension or whose spouse would have been entitled to a pension had he reached retiring age at the time of his/her death.

National minimum widow's pension/Widows' pension: a widow/widower whose spouse satisfies the relevant contribution conditions on his/her date of death is entitled to a Widow/widowers pension as per XII Schedule of the Social Security Act or to a Survivors' pension.

Parent's pension: is payable to a parent of an employed or self-occupation person, who died as a result of industrial disease or accident at work and whom, prior to death of son or daughter, depended solely on their financial resources for livelihood.

Orphan's allowance: weekly allowance paid to a guardian of a child or children who are under 16 years of age.

Orphan's supplementary allowance: weekly pension paid to a guardian of a child or children whose age lies between 16 and 21 years and who are unemployed or employed but earning less than the Maltese National Minimum Wage.

1.2.2 Non-Contributory Benefits

Age pension: is payable to citizens of Malta over 60 years of age. This non-contributory benefit is means-tested.

Pension for the visually impaired: is payable to a citizen of Malta over 14 years of age whose visual activity has been certified by an ophthalmologist to be so low so as to render such persons unable to perform any work for which eyesight is essential. The conditions to be met for eligibility for this pension are that he/she must:

- suffer from visual impairment;
- have the case approved by an ophthalmologist

To be eligible for this benefit, the claimant's income, together with the rate of Pension for the visually impaired, does not exceed the National Minimum Wage as applicable to an 18-year-old person.

Pension for persons with a disability: is payable to citizens of Malta over 16 years of age. Amount depends on the type of disability. Various types of disability are listed under the Social Security Act. One may receive a Disability pension if he/she:

- suffers from a severe disability;
- has an income not exceeding the National Minimum Wage;
- has a disability approved by the specified medical panel.

Carer's pension: is payable to single, separated or widowed citizens of Malta who are taking care on a full-time basis of a bed-ridden or wheel-chair bound near relative (parents, children, grand-children, brother/sister, in laws). The carer can be also entitled to credits towards Social Security contributions.

Carer's allowance/ Increase carer's allowance: is payable to single, married, civil union or cohabating person who are over 18 years of age and is taking care of a relative, with low dependency, on a full-time basis living within the same households. The carer has to be under retirement age and can also be entitled to credits towards Social Security contributions.

Emergency assistance: is granted to a female who is or has been rendered destitute by the head of household to the extent that she becomes an inmate of any institute for the care and welfare of such persons. This benefit is payable by the Department of Welfare.

Sickness assistance: is payable to persons suffering from a chronic disease or condition that requires a special diet. It is subjected to a means test.

Tuberculosis assistance: is payable to head of household or any member of the household suffering from or has, within the last 5 years, suffered from Tuberculosis. This assistance is not subject to a means test.

Leprosy assistance: is payable to head of household or any member of the household who is receiving treatment for leprosy. It is not means tested.

Social assistance: is payable to heads of households who are unemployed or seeking employment and where the relative financial means of the assessment unit falls below that established by the Social Security Act. Payable also to single persons who lack financial resources and who are caring for an elderly or physically/mentally handicapped relative on a full-time basis.

Milk grant: is payable to head of household receiving Social Assistance when he or any member of the household has the care or custody of a child under 40 weeks of age requiring to:

- either be weaned or,
- is losing weight in spite of being breast fed or,
- is a member of a household receiving Tuberculosis Assistance.

Free medical aid: benefit is granted to a person who on account of disablement, sickness, or disease (and who is not hospitalised), is in need of medical, surgical or pharmaceutical aid. Means-tested except in cases where the person is suffering from tuberculosis, leprosy, poliomyelitis or diabetes mellitus or other chronic diseases outlined in the Social Security Act.

Children's allowance: the children's allowance is composed of a universal flat-rate element and a means-tested top-up that depends on income.

Special allowance: is payable to locally residing female citizens of Malta who have the care of a child who is 16 years of age or over and who is either still at school or registering for employment. This is also means-tested.

Disabled child allowance: is payable to locally residing citizens of Malta who have the effective custody of a child suffering from cerebral palsy or severe mental sub normality or is severely handicapped or have a child aged under 14 who is blind.

Foster care allowance: is payable to recognised institutes for the care of children and to foster parents. The children are to be resident at a recognised institute and young persons or living with foster parents.

Maternity benefit: is payable to local residing pregnant citizen of Malta in respect of the last 8 weeks of pregnancy and the first 6 weeks after childbirth (for a total of 14 weeks benefits). Only payable if the female is not entitled to maternity leave from her employer, if employed. This is not means-tested. As from 2015, the rate of maternity leave benefit was increased and paid at a rate equivalent to the national minimum wage.

Supplementary allowance (SPA): Supplementary allowance may be awarded to individuals having a low income or to married or single parents who are currently not in receipt of a Children's allowance. This allowance is intended to help a person bridge his/her income requirements. There are four categories into which persons eligible for this Assistance can be categorised. Each category has its own conditions and income ceiling. With effect from the 1st January 2017, the provision of a supplementary is also applicable in the case of a person who is not a head of household and who is also in an insurable employment earning the national minimum wage. The income ceiling is based on income and emoluments for Year of Assessment 2017; Foreign Pension Income for Year of Assessment 2018 and Local Pension Income for Current Year 2019. The categories for this benefit are as follows:

- A single person who is head of household and is currently in receipt of Social Assistance or Unemployment Assistance or any type of a contributory / non-contributory pension or disability assistance. The maximum income permissible for persons falling under this category is €9,337.
- A single person who is head of household and is employed or is an employed pensioner.
- A single person who is not head of household and is living with his parents whilst being in gainful employment.
- A married person still living within the same household with his/her spouse. The total reckonable income shall not exceed €13,434.

Housing benefit on Privately rented dwellings: this scheme applies for the housing benefit on dwelling-houses which are not the property of the Government. This Scheme provides a housing benefit to tenants on rent paid for premises leased as ordinary residence of the applicants and their family thus rendering the rent more affordable.

Bonus: is payable to all persons receiving a pension, orphans' allowance, Social assistance and Leprosy assistance under the Social Security Act. This bonus is paid every six months in June and December of each year. Employers are mandated to pay the Bonus to their employees.

Additional bonus: is payable, with a rate of €3.12 per week to all persons who receive bonus. Employers are mandated to pay the additional bonus to their employees. Furthermore, Part V of the Sixth Schedule of the Social Security Act, stipulates that if the household is paying rent for its normal place of habitation, the rates for social assistance, age pension, severe disability assistance and carer allowance will be increased by €1.16 per week.

Energy benefit scheme: aimed to mitigate the effect of the increase in expenditure on water and electricity bills of low-income families. It partly subsidises the cost of electricity consumption and the cost of renting a water meter and an electricity meter provided an income test is passed.

1.2.3 Lump Sum Benefits

Marriage grant: one-time payment payable upon marriage to persons normally resident in Malta. A grant of €280.59 is paid both to husband and wife when they get married provided that on the marriage date, the couple satisfies certain contributory conditions, that is, that the couples have paid not less than 26 contributions before marriage.

Re-marriage grant: is payable to a widow who remarries and hence forfeits his/her right to a widow's pension payment equivalent to one year's pension.

Disablement gratuity: is payable to a person following injury at work and where the degree of disability is estimated as being between 1% and 19%.

1.2.4 Not Strictly Benefits

Service pension: the Social Security Act defines the 'service pension' as a pension or any allowance that is payable by or on behalf of his employer with respect to past services in Malta or abroad. In the case where a person is in receipt of a service pension that exceeds two-thirds of his or her pensionable income then he or she is entitled to a flat-rate Retirement Pension (classified under 'top-ups'). On the other hand, if the person's service pension is less than two-thirds of pensionable income then the person is awarded an Increased Retirement Pension (classified under '2/3 retirement pension') that is equivalent to the difference between the two-thirds of pensionable income and the service pension.

Hospitals and other health care scheme: this scheme covers the Maltese health care system as operated by means of an integrated health service that is organised at the national level. Parliament is responsible for enacting health care legislation and for approving the health care budget.

Subsidies on utilities scheme: subsidised telephone rent is offered to elderly people who are in possession of the pink form and are on social assistance. Water and electricity rebates are awarded to domestic households whose head is benefiting from social assistance. These rebates are in the form of a waiver on the meter rents (both water and electricity), as well as a reduction in the consumption charge for water.

Housing Authority subsidies schemes: these schemes administered by the Housing Authority include equity sharing scheme (aimed for those aged over 40 and are offered the chance to buy a residence jointly with the government), subsidies on adaptation works in residences occupied by owners or tenants, and grants to assist with the construction and/or completion or rehabilitation

of a first dwelling. The Housing Authority also provides housing benefit on privately rented dwellings – this scheme provides a housing benefit to tenants on rent paid for premises leased as ordinary residence of the applicants and their family thus rendering the rent more affordable.

Route bus subsidy scheme: subsidies to pensioners (in possession of the ‘*Kartanzjan*’ card), students and Gozo residents on route bus fares.

Free bus passes: In 2016, 18-year-olds were made eligible for free bus passes. That scheme was extended to all those aged between 16 and 20 in 2018. In 2019, it was announced that teenagers aged 14 and 15, full-time students aged over 20 and anyone in possession of a disability card will be able to ride public transport for free.

Gozo ferry subsidy for pensioners’ scheme: Holders of the ‘*Kartaanzjan*’ card are eligible to free fare on Gozo Channel Co. Ltd. Ferry boat trips - a boat ferry service linking the island of Gozo and Malta.

JobsPlus: one of the tasks of the JobsPlus is that of providing training programmes as well as training allowances to unemployed persons who are seeking employment. The Average Wage Earner Scheme assists employed and self-employed persons attending one of Jobsplus courses and whose weekly basic wage does not exceed €300 can benefit from a financial grant of €25 per week provided that they attend a minimum of four hours of training per week. Other job training schemes include Work Exposure Scheme and the Traineeship Scheme. The Youth Guarantee Scheme provides young people (16 - 25 year-olds) who are not in education, employment or training (NEETs) with personal/professional training, mentoring and constant support, thereby facilitating their transition from education to gainful employment, while consequently improving their employment prospects, quality of life and social integration.

Sickness days - employers’ expenditure: these consist of wages and salaries paid by employers during periods of sick leave. According to local legislation, full pay must continue to be paid during the first three days of sick leave. Subsequently, sick leave pay is financed partly through social security benefits paid by the Social Security Department, with the shortfall being contributed by the employer. Depending on specific employee-employer arrangements, the employer will, after an established period of time, proceed to cover 50 per cent of the salary. At a later point, the employer may be relinquished from his/her obligations to pay any salary to employees on long-term sick leave.

1.3 Social Contributions

The contributory scheme in Malta is a universal system of contributions whereby an employee, self-occupied, or self-employed person pays a weekly contribution as laid down by the Social Security Act. The Maltese system follows a pay as you go system whereby a person makes contributions towards the scheme during the period that such person is gainfully active. These contributions are then used to provide for him or herself when a later contingency such as sickness, unemployment, retirement, etc., occurs. The scheme allows for different types of contributions in order to extend coverage to all types of persons in employment. Two classes of contributions exist, namely Class-One contributions, and Class-Two contributions.

1.3.1 Class-One contributions

These are payable in respect of the employed persons. These contributions imply that any person employed under a contract of service in Malta is considered to be in insurable employment and subject to the payment of these contributions. For each person, a tripartite weekly contribution is payable on the basic pay. The tripartite is constituted of the employee,

the employer, and the state. While there is a minimum contribution payable, the total contribution is also capped to a maximum wage ceiling.

1.3.2 Class-Two contributions

These are paid by self-occupied and self-employed persons. The Social Security Act distinguishes between self-employed and self-occupied, whereby, a self-employed person is that who is not gainfully self-employed in a business or profession and mainly lives on income from investments/rents, while the self-occupied person is that who derives income from an economic activity and declares net profit/loss. The rate of Class-Two contributions is shared by the state and the self-employed/self-occupied person. While there is a minimum contribution payable, the total contribution is also capped to a maximum wage ceiling.

1.4 Taxes

Taxes in Malta are mainly divided into direct and indirect taxes. The former refers to income tax and social security contributions, whilst the latter relates to VAT, excise duty, stamp duty on documents and motor vehicle registration tax. These are regulated by the Income Tax Act of 1949, Social Security Act of 1987, Value Added Tax Act of 1999, Excise Duty Act of 1995, Duty on Documents and Transfers Act of 1992 and Motor Vehicle Registration Tax Act of 1994 respectively. In general, Maltese taxes account for around 84 per cent of total recurrent revenue. Direct taxes make up around 44 per cent of total tax revenue, while indirect taxes constitute around 39 per cent.

Income tax: the income tax is levied on income in general and on the capital gains of every person, including individuals, companies and other bodies. There are no separate laws regulating the taxation of individuals and corporations and both are regulated by the Income Tax Act and the Income Tax Management Act.

Value-added tax: akin to the rest of the EU, Malta's value-added tax (VAT) is imposed on imports, intra-community acquisitions and supplies of goods and services that take place in Malta. Apart from a standard rate of 18 per cent, there are also two reduced rates of 7 and 5 per cent. Malta also have a derogation to apply an exemption with the right to deduct input VAT on a number of selected goods and services, such as food and pharmaceutical goods.

Vehicle road license: a vehicle road licence is an authorization for the vehicle to be on the road. There are different categories and fees for road licenses catering for each type of motor vehicle. Additionally, there is a Controlled Vehicular Access System (CVA) which is a pay-as-you-go system for vehicular access to the capital.

Vehicle registration tax: a vehicle which is newly registered in Malta must pay registration tax. The basis of taxation depends on a number of factors, such as, whether the vehicle is new or used, and whether it is for private use or a carrying vehicle.

Excise duty: this is a charge on alcohol and alcoholic beverages, manufactured tobacco, energy products, mobile telephone services and cement. The applicable rates vary within each product/service category and certain exemptions also apply.

Duty on documents and transfers: these are paid on all insurance policies (except on policies in respect of Aviation, Marine Cargo, Marine Hull or Boat, Credit and Suretyship, and Medical Cover) and on transfers of securities or immovable property (with the exclusion of special exemptions provided at Law).

2. SIMULATION OF TAXES AND BENEFITS IN EUROMOD

2.1 Scope of simulation

Not all benefits and taxes are simulated in EUROMOD. Indirect taxes such as VAT, excise duties etc that do not affect net disposable income fall outside the scope of EUROMOD. The same is true for services in-kind. These are neither simulated nor included among the output variables. Other benefits and taxes may not be simulated due to lack of information in the input dataset. These are included in the final output dataset but the rules governing them may not be altered by the simulation. Tables 2.1 and 2.2 classify all the main tax-benefit instruments into one of these three groups and provide a brief explanation as to why the instrument is not fully simulated if this is the case. Information is provided regarding the treatment of all tax and benefit instruments in each policy year that has been implemented.

Table 2.1. Simulation of benefits in EUROMOD

Benefit	Variable	2016	2017	2018	2019	Why not fully simulated?
Two thirds pension	poanm	IA	IA	IA	IA	No information on contribution history and pensionable income
Retirement pension	poanm	IA	IA	IA	IA	
Increased retirement pension	poanm	IA	IA	IA	IA	
National minimum pension	poanm	IA	IA	IA	IA	
Increased national minimum pension	poanm	IA	IA	IA	IA	
Decreased national minimum pension	poanm	IA	IA	IA	IA	
Top-Up to Retirement pension	poanm	IA	IA	IA	IA	
Senior Citizenship grant	boanc_s	S	S	S	S	
Age pension	boamt_s	S	S	S	S	
Sickness benefit	bhl00	IA	IA	IA	IA	No information on health status & contribution history
Injury benefit	bhl00	IA	IA	IA	IA	
Sickness assistance	bhlmt	IA	IA	IA	IA	
Invalidity pension	pdi00	IA	IA	IA	IA	No information on degree of incapacity & contributory history
National minimum invalidity pension	pdi00	IA	IA	IA	IA	
Decreased invalidity pension	pdi00	IA	IA	IA	IA	
Disablement gratuity	pdi00	IA	IA	IA	IA	
Injury Pension	pdi00	IA	IA	IA	IA	
Increased injury pension	pdi00	IA	IA	IA	IA	
Disability pension/ Severe disability pension	pdi00	IA	IA	IA	IA	
Blind pension	pdibl	IA	IA	IA	IA	

Survivor's pension	psu	IA	IA	IA	IA	No information on the contribution history
Early survivor's retirement pension	psu	IA	IA	IA	IA	
Widow's pension	psu	IA	IA	IA	IA	
National minimum widow's pension	psu	IA	IA	IA	IA	
Orphan's allowance	psu	IA	IA	IA	IA	
Unemployment benefit	bunctnm_s	PS	PS	PS	PS	Contribution history is approximated based on employment in the income reference period and observed receipt in the dataset
Special unemployment benefit	bunctmt_s	PS	PS	PS	PS	
Unemployment assistance	bunncmt_s	PS	PS	PS	PS	Eligibility conditioned on observed receipt in the data
Lump-sum unemployment benefits	bunls	IA	IA	IA	IA	
Education-related allowances	bed	IA	IA	IA	IA	
Maternity leave for employees	bmact_s	IA	IA	IA	IA	
Maternity benefit	bmanc_s	IA	IA	IA	IA	
Maternity leave benefit	bmactm_s	IA	IA	IA	IA	
Child allowance (means-tested)	bchmt_s	S	S	S	S	
Child allowance (flat rate)	bchnm_s	S	S	S	S	
Social assistance	bsa00_s	S	S	S	S	
Social assistance for single unmarried parents	bsalp_s	S	S	S	S	
Supplementary assistance	bmttu_s	S	S	S	S	
In-work benefit	bwkmt_s	S	S	S	S	
Housing benefit on privately rented dwellings	bhomt_s	IA/S	IA/S	IA/S	S	
Bonuses	btuls_s	IA/S	IA/S	IA/S	IA/S	

Notes: “-”: policy did not exist in that year; “E”: *excluded* from the model as it is neither included in the micro-data nor simulated; “I”: *included* in the micro-data but not simulated; “IA”: included in an aggregate variable in the micro-data; “PS”: *partially simulated* as some of its relevant rules are not simulated; “S”: *simulated* although some minor or very specific rules may not be simulated.

Simulated benefits include the most important non-contributory benefits. EUROMOD also **partially simulates** all three types of unemployment benefits existent in Malta. As of 1 January 2016, contributory benefits that take into account long periods of contributions-such as old-age, invalidity and survivor pensions are being partially simulated. The main benefit is included in an aggregate variable in the micro-data as there are no information on contribution history and on pensionable income, however, a top-up to the National Minimum Pension as of 1 January 2016 has been updated. In addition, invalidity and sickness benefits **are not simulated** due to

absence of accurate detailed information about the health status of the recipient. A few specific very small benefits such as tuberculosis assistance, leprosy assistance, benefits for drug addicts, disability child allowance and milk grant are ignored in the simulation. The carer’s pension is not simulated due to absence of information about care related responsibilities and the health status of other household members.

Table 2.2. Simulation of taxes and social contributions in EUROMOD

Tax/SIC	Variable	2016	2017	2018	2019	Why not fully simulated?
Personal income tax	tin_s	S	S	S	S	
Property tax	tpr	-	-	-	-	
Class I contributions	tscee_s tscer_s tscgv_s	S	S	S	S	
Class II contributions	tscse_s tscgv_s	S	S	S	S	
Credited social insurance contributions	tsctt_s	S	S	S	S	Not all categories of beneficiaries could be simulated.

Notes: “-” policy did not exist in that year; “E”: policy is *excluded* from the model’s scope as it is neither included in the microdata nor simulated by EUROMOD; “PS”: policy is *partially simulated* as some of its relevant rules are not simulated; “S”: policy is *simulated* although some minor or very specific rules may not be simulated.

The model simulates all direct income taxes payable by households. These include the personal income tax as well as Class I and Class II social insurance contributions payable by the employees, employers, self-employed and the state.

Structural Changes

Structural Changes between 2015 and 2016

In 2016 there were changes in the income tax bands for single, married and parental computations. This change however affects the three lowest tax brackets only as a new system of calculating the income tax has been introduced.

As of 1st January 2016, the minimum amount payable to those aged 75 years and over for a contributory pension, including the bonus, for those with sufficient contributions was topped up. Pensioners with insufficient contributions will receive payments pro rata.

The number of years of valid contributions has been extended from 40 to 41 years for persons born after 1968.

In 2016, Government extended the In-Work Benefit Scheme to those households who are dependent on a single earner.

Structural Changes between 2016 and 2017

In 2017, pensioners aged over 61 were no longer liable to pay tax on the pension or pensions they might have from different sources such as social security pensions, treasury pensions as well as other local or foreign pensions (up to a maximum threshold). This reform was spread over a period of two years. Moreover, in 2017 the minimum contributory pension for married

couples with a full contributory period living was increased further. The increase in pension was also paid to married pensioners who receive the Old Age Pension.

The current ceiling for Supplementary Assistance paid to married low-income earners, including those on the minimum wage, who do not have children under the age of 16 and therefore do not benefit from the Children's Allowance was increased. This reform saw an increase to the ceiling for Supplementary Assistance for married couples, working single persons living on their own (up to a certain income threshold) and to low income pensioners.

A Voluntary Occupational Pension Scheme came into effect as from 1 January 2017, whereby an annual tax credit was made available to employees who voluntarily make additional contributions into the employer's scheme.

Structural Changes between 2017 and 2018

In 2018, all those individuals who are in employment, whether in full or part-time work received a tax refund. This refund depended on the gross income that the employee would have earned the previous year. In the Budget for 2018, the In-Work Benefit Scheme was extended. In addition, the ceiling on which income from pension is tax exempt was raised further. Contributory and non-contributory pensions were increased by a further €2.00 per week, over and above the cost of living adjustment.

Structural Changes between 2018 and 2019

For 2019, the Government revised the housing benefit intended to enhance the affordability of the private sector rentals. The means test on household assets were removed and instead two eligibility criteria introduced. The criteria entailed that the gross household income does not exceed the threshold and that the existing rents paid exceed the benchmark of the households. The financial aid ranges from €3,000 to a maximum of €5,000 per year, according to the household's circumstances.

In 2019, the maximum amount of tax-exempt annual financial investment and the reduction in taxes under the Voluntary Occupational Pension Scheme were increased. Moreover, contributory and non-contributory pensions were raised by €2.17 per week, over and above the cost of living adjustment. The tax rebate for individuals who are in employment was repeated.

2.2 Order of simulation and interdependencies

The order of the simulation is the same in all 4 years included in this Country Report. The minimum wage is simulated first as this affects subsequent tax and contribution calculations. However, by default the minimum wage is switched off in the baseline (Table 2.3).

Next are Class I and Class II contributions paid by employees, employers, self-employed and the state. As they are generally deductible from assessed income both in the case of the personal income tax base and in the case of means-tested benefits, they need to be calculated before those income components. The special unemployment benefit may not be received at the same time with the contributory non-means-tested unemployment benefit and thus the latter is simulated first. The age pension is included in the income test of the special unemployment benefit and of the unemployment allowance. As a result, its calculation precedes that of the unemployment benefits. All contributory benefits and the age pension are included in the means-test of social assistance and social assistance for single unmarried parents. Bonuses depend on receipt of a number of contributory and non-contributory benefits and so are simulated near the end. Finally, the supplementary assistance is simulated last as eligibility and amount depends on receipt of previously simulated benefits.

Table 2.3. EUROMOD spine: order of simulation

Policy	2016	2017	2018	2019	Description
SetDefault_mt	on	on	on	on	Default values for variables
Uprate_mt	on	on	on	on	Uprating factors
ConstDef_mt	on	on	on	on	Constants
Uprate_bands_mt	on	on	on	on	Uprating factors in bands
Ilsdef_mt	on	on	on	on	Standard income concepts
Ilsudbdef_mt	on	on	on	on	Standard income concepts (UDB related)
Ildf_mt	on	on	on	on	Specific income concepts
tundef_mt	on	on	on	on	Assessment units
yem_mt	off	off	off	off	Minimum wage
neg_mt	on	on	on	on	Recode negative incomes
tscee_mt	on	on	on	on	Class I contributions paid by the employees
tscer_mt	on	on	on	on	Class I contributions paid by the employers
tsce_mt	on	on	on	on	Class II contributions paid by self-employed and self-occupied persons
tscgv_mt	on	on	on	on	Class I & Class II contributions paid by the state
bunctnm_mt	on	on	on	on	Contributory non-means tested unemployment benefit
bmact_mt	switch	switch	switch	-	Maternity leave for employees
bmanc_mt	switch	switch	switch	-	Maternity benefit
bmactm_mt	switch	switch	switch	-	Maternity leave benefit
boanc_mt	on	on	on	on	Senior Citizen Grant
boamt_mt	on	on	on	on	Age pension
bch_mt	on	on	on	on	Child allowance (means-tested and flat rate)
bchmtcm_mt	-	-	-	-	Child supplement (only valid in 2015)
tin_mt	on	on	on	on	Personal income tax
bunmt_mt	on	on	on	on	Special unemployment benefit & unemployment assistance
bsa_mt	on	on	on	on	Social assistance and social assistance for single unmarried parents
btuls_mt	on	on	on	on	Bonuses
bmttu_mt	on	on	on	on	Supplementary allowance
bwkmt_mt	on	on	on	on	In-Work Benefit
tsct_mt	on	on	on	on	Credited social insurance contributions
bhomt_mt	off	off	off	on	Rent subsidisation

2.3 Social Contributions

The contributory scheme in Malta is a universal system of contributions whereby an employee, self-occupied, or self-employed person pays a weekly contribution as laid down by the Social Security Act.

There are two classes of contributions: the Class One contribution payable in respect of employed persons and the Class Two contribution paid by self-employed/occupied persons. Generally speaking, contributions are payable by all persons between the age of 16 years and the age of 65, therefore even by pensioners in gainful employment. For this group, ceiling on earnings is removed at age of 65 years and no further contributions are due. For each person, a tripartite contribution is payable: the employed person, the employer and the State each pay 10 per cent of the basic salary of the employee; with the contribution capped to the Maximum Pensionable Income.

The maximum pensionable income (MPI) thresholds from 2016 are shown in Table 2.4. As from 2014, the MPI is indexed to a mechanism that is made up of 70% wages and 30% inflation.

Table 2.4. Maximum pensionable income thresholds in Euro, 2016-2019

	2016	2017	2018	2019
Persons born up to 31/12/1961	17,933	18,024.68	18,271.68	18,562
Born on or after 1/1/1962	22,137.96	22,803.56	23,700.56	24,194

Source: Department of Social Security

The rate of Class Two contributions is equally shared by the State and self-occupied persons (a self-occupied person is a defined by the Social Security Act as “a self-employed person who is engaged in any activity through which earnings exceeding €10 per annum are being derived”), whereby the self-occupied pays 15 per cent and the State pays 7.5 per cent of their annual income that is subject to the same ceiling that applies for employees. In 2014 a new regulation exempted the elderly from paying their share as an employer of the social security contributions when employing a live-in carer.

Buy Back of Social contributions

As from 2015, those born between 1950 and 1956 and who are currently in employment are allowed to pay back a maximum of five years of contribution to qualify for a minimum pension once they retire.

As from 2016 those between the age of 62 and 74 years and have retired from work and do not currently qualify for a pension are entitled to receive an additional bonus. In 2016, those who have paid more than 5 years in contributions received a bonus of €200, whilst if they paid for more than 1 year in contribution and less than 5 years will receive a €100 bonus. In 2017 the rates were revised to €150 and €250. In 2018 the bonus rates were kept constant. In 2019 the bonus was increased to €200 and €300, respectively.

2.3.1 Employee social contributions (tscee_s)

Employees pay Class One social insurance contributions. The rate of such contribution by the employee is equivalent to 10 per cent of the basic pay. The minimum and maximum contributions payable are shown in Table 2.5.

Table 2.5. Minimum and maximum contribution payable (Euro per week), 2016-2019

	2016	2017	2018	2019
Minimum	16.80*	16.98*	17.25*	17.58*
Maximum: for persons born up to 31/12/1961	34.49	34.66	34.94	35.70
Maximum: for persons born from 1/01/1962	42.57	43.85	45.58	46.53

Notes: * Or if the employee is a part-timer, earning a weekly salary that is less than the National Minimum Wages, 10 per cent of the weekly wage. This rate of contribution entitles the contributor to pro-rata contributory benefits.

Source: Commissioner for Revenue

Class One contributions imply that any person employed under a contract of service in Malta is considered to be in insurable employment and subject to the payment of these contributions.

National Insurance is due from 16 to 65, or up to retirement. If the employee works less than 8 hours per week, then the employee is exempted from paying Class One Social insurance contributions. However if such employee has several such employments, s/he would be liable to pay National Insurance as a self-occupied person if total earnings from work exceed €10 annually, and for employed widows in receipt of a widows pension whose salary does not exceed the national minimum wage.

A person who is employed in more than one insurable employment shall be deemed to be employed in that insurable employment which carries the higher or highest basic wage or salary;

The following categories of employment shall not be considered as **insurable employment**:

- Employment of a casual nature otherwise than for the purposes of the employer's trade or business;
- Employment of a person who is not ordinarily resident in Malta if the employer of that person is not resident in Malta and has no place of business there;
- Employment by any one employer for less than eight hours in a calendar week;
- Employment as secretary or clerk of a society, club, philanthropic institution, school or other similar body or institution, where personal service is ordinarily required only occasionally and outside the ordinary hours of work, provided the hours referred to above are not exceeded;
- Employment of a person who is not ordinarily resident in Malta, if the employer of that person is paying contributions in respect of that person under a scheme of social insurance in another country;
- Employment of any of the directors in any partnership, for the purposes of that partnership, wherein such partnership has been entered into between or among persons that are related to one another, up to and including cousins of the first degree and/or their spouses, provided any such directors are themselves such partners or the spouses of such partners;
- Employment of any majority shareholder in any partnership, for the purposes of that partnership; and for this purpose any shareholder shall still be deemed to be a majority shareholder if, notwithstanding the fact that the number of his shares do not constitute the majority, the value or powers attached to his holding exceed the aggregate total value or powers attached to the holding of the other shareholders in that partnership;
- With effect from the 6th January, 1992, employment of a person who has reached pension age, or a widow, if she so elects, who is in receipt of a pension in respect of widowhood, provided the weekly wage or salary of such person or widow does not exceed the NMW;
- With effect from the 4th July, 1988, employment of a person as a Casual Social Assistant by the Department for the Care of the Elderly of the Government of Malta.

EUROMOD notes: Employee social insurance contributions are simulated taking into account the number of months worked during the year. Minimum hours worked per week are simulated using a variable relating to year after the one in which employment income is derived. Categories of non-insurable employment are not simulated. All employment income is considered to be derived in insurable employment. Special lower minima for part-time workers are not simulated. The exemption widows earning below the minimum wage is not simulated.

2.3.2 Employer social contributions (tscer_s)

Employers pay Class One social contributions. The weekly rate is 10 per cent of the basic gross wage. The contribution is capped to a maximum wage ceiling and there is a minimum contribution payable. Table 2.6 shows this for period 2016-2019.

Table 2.6. Weekly maximum and minimum thresholds for Class One social insurance Contributions (in Euro per week), 2016-2019

	2016	2017	2018	2019
Minimum	16.80	16.98	17.25	17.58
Maximum: for persons born up to 31/12/1961	34.49	34.66	34.94	35.70
Maximum: for persons born from 1/01/1962	42.57	43.85	45.58	46.53

Source: Commissioner for Revenue

If the employee works less than 8 hours per week then the employer is exempted from paying Class One Social insurance contributions. The minimum threshold for employer contributions is applicable for all employees working more than 8 hours a week, including employees working less than 8 hours a day and paying less than the minimum.

EUROMOD notes: Employer social insurance contributions are simulated taking into account the number of months worked during the year. Minimum hours worked per week are simulated using a variable relating to year after the one in which employment income is derived. Categories of non-insurable employment are not simulated. All employment income is considered to be derived in insurable employment.

2.3.3 Self-employed/occupied social contributions (tsese_s)

Class-Two contributions are paid by self-occupied and self-employed persons. The Social Security Act distinguishes between self-employed and self-occupied, whereby, a self-employed person is that who is not gainfully self-employed in a business or profession and mainly lives on income from investments/rents, while the self-occupied person is that who derives income from an economic activity and declares net profit/loss. The rate of Class-Two contributions is shared by the state and the self-employed/self-occupied person. While there is a minimum contribution payable, the total contribution is also capped to a maximum wage ceiling.

The weekly rate payable on net income is 15 per cent of the income base subject to contributions. The income base subject to contributions is the net earnings/profit of the previous year for self-occupied persons and net income derived during the previous year (minus some exemptions) for self-employed persons. According to the Social Security Act, 'earnings' means the income derived by a self-occupied person from any economic activity (including the

exercise of any trade or profession), and is to be taken net of expenses directly incurred in generating that income, and does not include:

- any income derived by way of any interests on any bank deposits (including any liquid assets, time deposits, bonds, stocks, shares or other securities), rents or ground rents receivable on any property, or
- any other income, if any, which is not directly related to such economic activity, or
- in any case, any income belonging to the spouse of such person (see Table 2.7).

Table 2.7. Asset & income limits (per year) in Euro to qualify for an exemption to pay Class 2 contributions, 2016-2019

	2016	2017	2018	2019
Asset limit- married person maintaining non-employed wife	16,310	16,310	16,310	16,310
Asset limit-other persons	9,320	9,320	9,320	9,320
Income limit-married person maintaining non-employed wife	1,005	1,005	1,005	1,005
Income limit-other persons	910	910	910	910

Source: Commissioner for Revenue

In addition to the income test, the person must also pass a capital resources test. Account is also taken of the:

- Value of any property belonging to the contributor (excluding primary residence) which could be put or invested to profitable use excluding furniture, jewellery and other personal effects;
- Cash in the bank and in hand including any liquid asset, time deposits, bonds, stocks, shares and other securities;
- Capital value of any urban immovable property (excluding the primary residence) which is not being put to profitable use.

For 2016-2019, where the capital resources exceed the value of €9,320 for single person and €16,310 for married couple, the person is not entitled to be exempt from payment of Class Two Contributions.

The following categories of persons are statutorily exempt from the payment of a Class Two **contribution**:

- Persons in receipt of full-time education or training;
- Non-gainfully occupied married persons;
- Persons in receipt of a pension in respect of widowhood, invalidity or retirement or persons in receipt of a Parent’s Pension;
- Persons in receipt of non-contributory Social Assistance or a non-contributory pension.

Table 2.8 shows contributions subjected to a maximum and a minimum per week.

Table 2.8. Weekly maximum and minimum thresholds for Class Two social insurance Contributions (in Euro per week), 2016-2019

	2016	2017	2018	2019
Minimum	28.73	28.99	29.41	30.25
Maximum: for persons born up to 31/12/1961	51.73	51.99	52.40	53.54
Maximum: for persons born from 1/01/1962	63.86	65.78	68.37	69.79

Source: Commissioner for Revenue

EUROMOD notes: Self-employment income (i.e. income from property and investments) is collected at the household rather than at the individual level. In establishing entitlement to be exempt from paying Class II contributions, unearned income is allocated to the individual with the highest earnings (as an employee or a self-occupied person).

2.3.1 Social insurance contributions paid by the state (tscgv_s)

The state pays Class One social insurance contributions on behalf of employees and Class Two social insurance contributions on behalf of self-occupied/self-employed persons.

Class One social insurance contributions: the state pays 10 per cent (or half of the total rate paid by the employee and the employer) of the basic gross wage. The contribution is paid on a weekly basis. Minimum and maximum thresholds are shown in Table 2.9.

Table 2.9. Class One Minimum and Maximum thresholds (in Euro per week), 2016-2019

	2016	2017	2018	2019
Minimum	16.80	16.98	17.25	17.58
Maximum: for persons born up to 31/12/1961	34.49	34.66	34.94	35.70
Maximum: for persons born from 1/01/1962	42.57	43.85	45.58	46.53

Source: Commissioner for Revenue

Class Two social insurance contributions: the state pays 7.5 per cent of the net earnings/net income of the self-occupied/self-employed income. The contribution is paid on a weekly basis. Minimum and maximum thresholds are shown in Table 2.10.

Table 2.10. Class Two Minimum and Maximum thresholds (in Euro per week), 2016-2019

	2016	2017	2018	2019
Minimum	28.73	28.99	29.41	30.25
Maximum: for persons born up to 31/12/1961	51.73	51.99	52.40	53.54
Maximum: for persons born from 1/01/1962	63.86	65.78	68.37	69.79

Source: Commissioner for Revenue

No contribution is payable by the state when the self-employed/self-occupied person does not pay Class Two contributions on account of her being exempted.

EUROMOD notes: The state Class 1 contributions are modelled as half the amount payable by the employee and the employer. Class 2 contributions are modelled to be equal to the amount paid by the self-employed/occupied person.

2.3.2 Credited social insurance contributions (tscct_s)

The Social Security Act also provides that in the event of certain contingencies, credits are awarded. These credits are entitlements not to pay contributions, but this period of non-payment still counts as if **the contributions** were made.

Crediting of contributions is allowed during certain contingencies, mainly:

- A widow, where such widow is not gainfully occupied for any period during which she does not remarry;
- An ex-member of the Malta Police Force or the Armed Forces of Malta who retires on a service pension on completion of the full service prior to reaching pension age, for any period during which he or she is not gainfully occupied and has not yet reached pension age;
- A person who goes abroad as a volunteer worker on projects in the areas of human welfare and development and environmental protection for any period he or she is performing such volunteer work and has not yet reached pension age subject to statutory defined criteria;
- A person who is entitled to sickness, injury, or unemployment benefits or to an Invalidity Pension;
- Credit of contributions is also applicable to persons born on or after the 1 January 1952, who have the legal care and custody of a child who is less than six years old, or ten years old in the case of a child suffering from a serious disability.

EUROMOD notes: Credited social insurance contributions have been simulated to be the minimum total amount applicable to employees, i.e. the minimum amount paid by employees, employers and the state combined. Due to absence of information in the data, credited social insurance contributions have been simulated for a period of 12 months irrespective of the number of months a person would have been eligible for such credited contributions during the year. Finally, credited contributions for ex-members of the Malta Police Force/ Armed Forces of Malta and credited contributions for volunteers working abroad have not been simulated. Likewise, the entitlement of parents of disabled children aged 6 to 10 has not been simulated due to lack of data on disability status among children.

2.4 Social Benefits

2.4.1 Unemployment benefit (Benefiċċju għal diżimpjieg) (bunctnm_s)

- **Benefit description**

Unemployment benefit (UB) may be awarded to a person who has paid Class 1 or Class 2 Social Security Contributions and is registering with Jobsplus under Part I of the Unemployment Register.

- **Eligibility conditions**

A person must be registering for employment under Part 1 of the Unemployment Register kept by JobsPlus. Claimant has paid a minimum of 50 Class 1 and/or Class 2 Social Security

Contributions since being registered under the Social Security Act (Cap. 318.) until date of Benefit Claim; and also has 20 paid or credited Class 1 or Class 2 Social Security Contributions during the last 2 consecutive calendar years prior to the request for the Unemployment Benefit. To be entitled for the full 156 days of UB, claimant must satisfy the Social Security Contributions Tests indicated above and also have a minimum of 156 Social Security Contributions paid or credited before the claim is made.

- **Benefit amount**

The Social Security Act stipulates maximum entitlement to UB of 156 days (excluding Sundays). The rates are slightly increased every year, as per cost of living rate. The benefit is a flat-rate allowance that depends solely on the composition of the household.

Rates are shown in the Table 2.11.

Table 2.11. Unemployment Benefit Amounts (in Euro, daily), 2016-2019

	2016	2017	2018	2019
Single parent & married person maintaining non-full-time employed spouse	12.18	12.31	12.44	12.61
Other persons	7.97	8.05	8.13	8.24

Source: Department of Social Security

- **Means test**

This benefit is not means-tested.

EUROMOD notes: Eligibility conditions for the receipt of unemployment benefit cannot be simulated accurately. Instead eligibility for current recipients of unemployment benefit is taken from the data. For other categories, it is assumed that the fraction of time worked during the income reference period is the same in the previous two years, if this is not higher than the entire work history. The duration of receipt of the unemployment benefit is also taken from the data. The condition that the recipient must not be earning income is not simulated.

2.4.2 Top-Up to Retirement Pension (Żieda fil-Pensjoni tal-Irtirar) (poanm)

- **Benefit description**

As of 1st January 2016, the National Minimum Pension was topped up by Eur 8.92 weekly for those aged 75 and over and by Eur 8 weekly for those below 75 years. Married couples who received the minimum pension for married persons and who did not benefit from this measure were given increased payments beyond the COLA totalling €4.15 per week. In 2017, the minimum contributory pension for married couples with a full contributory period living on one pension was raised by €4.00 per week. The National Minimum Pension forms part of ‘poanm’.

Contributory and non-contributory pensions were further increased by €2.00 per week and €2.17 in 2018 and 2019 over and above the cost of living adjustment, respectively.

- **Eligibility conditions**

The minimum amount payable for a contributory pension were increased in 2016 and 2017. The increases in 2018 and 2019 were applicable to all contributory and non-contributory pensions.

EUROMOD notes: The input dataset lacks information about contribution history and pensionable income. As a result, the different components of the contributory retirement pension (two thirds pension, retirement pension, increased retirement pension, national minimum pension, increased national minimum pension and decreased national minimum pension) cannot be simulated using EUROMOD. The top-ups are added as part of uprating of pension variables recorded in the input datasets (policy: uprating_bands_mt).

2.4.3 Old age pension (Pensjoni tal-Eta) (boamt_s)

- **Benefit description**

The old-age pension is a non-contributory benefit designed to prevent poverty in old age. It is payable to citizens of Malta over the age of 60, who do not have enough National Insurance Contributions to qualify for a Contributory Pension and applicants who satisfy a capital resources test and an income test.

- **Eligibility conditions**

To receive the benefit, the applicant must be over 60 years, be a resident citizen of Malta and satisfy an asset test (capital resources test) and an income test.

- **Means test**

There are two tests that must be passed, namely the capital resources test and an income test.

Capital resources test (asset test):

The test is done on the property (including financial assets such as savings, stocks, bonds etc.) of the applicant and her spouse. In order to qualify, capital must be below €14,000 for a single person and below €23,300 for a couple across all four years to 2019.

Income test:

The income test is done on the income of the applicant and her spouse. It includes:

- Earnings from which any Class 1 and Class 2 contributions which are due are deducted;
- Investment and property income;
- All social benefits with the exception of Medical Assistance, Supplementary Allowance, Children's Allowance, Care Allowance, Disabled Child Allowance and Maternity Benefit.

A lump sum equivalent to Eur 270 per year for a single person and Eur 385 for a married couple is disregarded from the income base.

- **Benefit amount**

The benefit is equal to the difference between the applicable rate and the assessed income. See Table 2.12.

Table 2.12. Benefits: Highest rate of non-contributory Age Pension (in Euro per week), 2016-2019

	2016	2017	2018	2019
A married couple where both qualify for a pension	134.66	140.06	143.23	146.95
A married couple where only one of the spouses qualifies for a pension	88.51	93.68	96.85	100.57
Widowed, single persons or a married person where a spouse is in receipt of a State Financed Residential Service	106.12	107.29	110.46	114.18

Source: Department of Social Security

EUROMOD notes: The input dataset lacks accurate information about assets. As a result, the capital resources test is simulated based on an imputed financial capital variable-itself based on information about investment income received by the household. As a result, the asset test is likely to be inaccurate. Theoretical income from unused property is not taken into account in the simulation of the income test (due to lack of information about additional properties). Fluctuations in income throughout the income reference period are not taken into account. The age test is based on age at the end of the income reference period. Hence, persons turning 60 during the income reference period are simulated to be eligible throughout the year.

2.4.4 Children’s allowance (Allowance tat-Tfal) (bchnm_s and bchmt_s)

- **Benefit description**

Children’s allowance is payable to the head of any household or spouse having the care and custody of children under 16 years of age residents in Malta. The applicants should be residents of Malta at least 3 months before the date of application. One of the parents should be a citizen of Malta or married to a Maltese citizen or in Civil Union with a Maltese citizen, or is a citizen of a European Union Member State, or a citizen of a member country of the European Social Charter, or has a refugee status and ordinarily resides in Malta or Gozo.

In case of EU Nationals where:

- One of the parents is legally employed in Malta and the other parent is living and is unemployed in a foreign country, then the Department of Social Security is bound to pay Children’s Allowance
- One of the parents is legally employed in Malta and the other parent is living and is on unpaid leave in a foreign country, then the Department of Social Security is bound to pay Children’s Allowance
- One of the parents is legally employed in Malta and the other parent is living and is employed in a foreign country, then that foreign country is bound to pay Children’s Allowance if the child is living with the parent in the foreign country. If the child is living with the parent being employed in Malta, then the Department of Social Security will pay the Children’s Allowance, even though the other parent is employed abroad.

In case of Third Country Nationals where:

- Claimants and children are both living in Malta
- Both parents have valid residential permits
One or both parents is/are in employment for at least the past 6 months or is/are in receipt of Social Assistance / Subsidiary Assistance issued by the Department of Social Security

The benefit is means-tested. There is no asset test but solely an income test. The highest **income-tested** children allowance annual rate was set at €1,252.16 for 2019.

In 2008, a new flat-rate child component, equal to €250 per year for every child aged under 16, has been introduced for those families that do not qualify for the means-tested child allowance. In 2013, the children’s allowance flat-rate was increased to €450 a year for each child. In 2019, there was an increase in Children’s Allowances for families who earn less than €20,000 per year. The rate was increased to a maximum of €6 per child.

- **Eligibility conditions**

Must be parent or guardian of a child aged under 16 and satisfy an income test.

- **Income test**

The income test is carried out on the income of the applicant and her spouse. Assessed income includes all income with the exception of:

- Orphan allowance, children allowance and disabled child allowance;
- Sickness assistance, Leprosy assistance and tuberculosis assistance;
- Injury grants;
- Widow & survivor pensions.

The taken income is net of any Class I and Class II contributions paid. Cohabiting couples are treated the same way as married ones. The income test is carried out on the income realized during the calendar year preceding the date of the claim. The benefit is granted for the duration of a year. In order to qualify for the means-tested allowance, assessed income must be below the threshold (see Table 2.13). Recipients of social/unemployment assistance and age pension qualify automatically. The means-tested allowance paid is a percentage calculated on the difference between the threshold and the income declared for the previous year less the social security contributions paid. When assessed income is equal or less than a lower limit threshold, the applicant qualifies for the highest rate of the benefit (i.e. income below the lower limit of assessed income is considered to be equal to the limit for benefit calculation purposes).

Table 2.13. Children’s allowance policy parameters, in Euro, 2016-2019

	2016	2017	2018	2019
Income threshold	24,742	24,833	24,924	25,045
Lower limit of assessed income	5,477	5,568	5,659	5,780

Source: Department of Social Security

- **Benefit amount**

The calculation of the rate is based upon the difference between the maximum acceptable income under this scheme (€25,045.00) and the actual income. For 2019, a 6.50 % for each child under the age of 16 is then applied to the result and the amount is divided by 52 to determine the weekly rate, which rate cannot be lower than the minimum of €3.66 and cannot exceed the maximum of €4.08. In case of 16 to 21 year olds registering for work for the first time or students not receiving any stipends, it is 2%.

EUROMOD notes: The income test is carried out on current year’s income rather than previous year’s income. The automatic eligibility of social and unemployment assistance

recipients is not simulated. However, the income threshold for children's allowance is well above that for unemployment/ social assistance. A means-tested child allowance is simulated for all persons aged 16 and up to 21 if they are observed to be in education and not receiving a scholarship. Benefits going to persons aged 16 to 21 that register for the first time for work are not simulated.

2.4.5 Special unemployment benefit (Benefiċċju speċjali għal diżimpjeg) (bunmt_s)

- **Benefit description**

This benefit is aimed at unemployed persons who satisfy the contributory conditions of the unemployment benefit and the means test of unemployment assistance. If both the contributory and resource conditions are met, the Unemployment benefit is converted into a Special unemployment benefit. The benefit provides a higher rate than the ordinary Unemployment benefit. A person may not receive the Unemployment benefit and the Special unemployment benefit at the same time.

- **Eligibility conditions**

To claim the benefit, a person needs to be head of household, below retirement age, registered as unemployed, not deriving any earnings and satisfying the contributory test of the Unemployment benefit and the means-test of Unemployment assistance (see Table 13).

- **Means test**

To qualify, a claimant must pass an asset test and an income test. These are identical to tests applicable in the case of unemployment assistance.

- **Benefit amount**

The benefit is flat rate. Its amount depends only on the household composition. Daily rates are shown in the Table 2.14.

EUROMOD notes: Eligibility conditions for the receipt of the special unemployment benefit cannot be simulated accurately. Instead eligibility for current recipients of unemployment benefit is taken from the data. For other categories, it is assumed that the fraction of time worked during the income reference period is the same in the previous two years, if this is not higher than the entire work history. The duration of receipt of the special unemployment benefit is also taken from the data. The condition that the recipient must not be earning income is not simulated.

The input dataset lacks accurate information about assets. As a result, the capital resources test is simulated based on an imputed financial capital variable-itself based on information about investment income received by the household. As a result, the asset test is likely to be inaccurate. Theoretical income from unused property is not taken into account in the simulation of the income test (due to lack of information about additional properties).

Table 2.14. Special unemployment benefit, 2016-2019

		2016	2017	2018	2019
Eligibility	Contribution period	Claimant has paid a minimum of 50 Class 1 and/or Class 2 Social Security Contributions until date of Benefit Claim; and also has 20 paid or credited Class 1 or Class 2 Social Security Contributions during the last 2 consecutive calendar years prior to the request for the Unemployment Benefit			
	Other conditions	Head of Household, qualifies for unemployment assistance			
	Eligibility of self-employed	No			
Payment	Contribution base	Number of Social Security Contributions paid by the claimant prior to the claim			
	Basic amount (daily, €)				
	- Single parent / married person maintaining non-employed spouse	20.47	20.68	20.89	21.17
	- Other persons	13.50	13.64	13.78	13.97
Duration	Standard (in months)	A beneficiary is entitled to a maximum of 156 days of Unemployment Benefit			
	Special cases (in month)	To be entitled for the full 156 days of Unemployment Benefit, the claimant must satisfy the Social Security Contributions Tests indicated above and also have a minimum of 156 Social Security Contributions paid			
Subject to	Taxes	No			
	SIC	No			

Source: Department of Social Security

2.4.6 Unemployment assistance (Għajjnuna għal dizimpjieg) (bunncmt_s)

- **Benefit description**

While unemployment benefit is considered a short-term benefit, the unemployed person may qualify for longer-term benefits under Social / Unemployment assistance. In case that the beneficiary is not entitled to UB, he will be paid the UA in full. Unemployment assistance is received by unemployed persons not qualifying for UB, subject to passing the capital resources test and an income test. The claimant must be registering for work under the Part 1 register.

- **Eligibility conditions**

To receive unemployment assistance, one must be registered as an unemployed and satisfy an income and an asset test.

The applicant must be registering for work under Part 1 of the Unemployment Register.

- **Means test**

The applicant must satisfy the capital means test. Capital resources for a couple must not exceed €23,300 and €14,000 for a single person. Any income deriving from rents; bank interest from capital, stocks and shares; alimony / child maintenance and any other income derived; must not exceed the maximum Unemployment assistance rate as per household.

- **Benefit amounts**

The amount of the unemployment assistance is the difference between the maximum benefit rate and the claimant’s assessed income. Weekly maximum benefit rates are shown in the Table 2.15.

Table 2.15. Unemployment assistance, 2016-2019

		2016	2017	2018	2019
Eligibility	Contribution period	Non-contributory			
	Other conditions	May be awarded to a head of household who is registering under Part 1 of the Unemployment Register			
	Means Tested	Yes			
	Eligibility of self-employed	No			
Payment	Contribution base rates (weekly, €)	Not applicable, since non-contributory			
	- single person	102.04	103.21	104.38	105.93
	- additional member	8.15	8.15	8.15	8.15
	Ceiling	Unemployment Assistance is awarded in full if the applicant is single and is living on his own. However, if the applicant is living with someone else who is a relative (excluding parent/s), he becomes entitled to 75% of the Unemployment Assistance rate			
Duration	Standard (in months)	Not Applicable			
	Special cases (in month)	Not Applicable			
Subject to	Taxes	No			
	SIC	No			

Source: Department of Social Security

EUROMOD notes: The input dataset lacks accurate information about assets. As a result, the capital resources test is simulated based on an imputed financial capital variable-itself based on information about investment income received by the household. As a result, the asset test is likely to be inaccurate. Theoretical income from unused property is not taken into account in the simulation of the income test (due to lack of information about additional properties). Eligibility to unemployment assistance is taken from the input dataset (i.e. the person is observed as receiving this type of benefit). Other eligible persons are assumed to receive social assistance (the rules of entitlement as well as the amounts received for the two benefits are identical).

2.4.7 Social assistance (Għajnuna Soċjali) (bsa_s) and Social assistance for single unmarried parents (Applikazzjoni għall-Għajnuna Soċjali) (bsalp_s)

2.4.7.1 Social assistance (Għajnuna Soċjali) (bsa_s)

- **Benefit description**

Social assistance is payable to heads of households, who are either unemployed, or unfit for work or seeking employment, and where the relative financial means fall below the level established by the Social Security Act. Also, social assistance is payable to separated persons who have custody of children and to single or widowed parents who lack financial resources and who are caring for an elderly or physically/mentally disabled relative on a full-time basis.

- **Eligibility**

To be eligible for the benefit a person must be the head of a household and satisfy a means test comprising an asset test and an income test. The applicant is not in employment and cannot register for work under Part 1 of the Unemployment Register.

- Means test

The applicant must satisfy the capital means test: for a couple must not exceed €23,300 and €14,000 for a single person. Any income deriving from rents; bank interest from capital, stocks and shares; alimony / child maintenance and any other income derived; must not exceed the maximum Social Assistance rate as per household.

The awarded benefit is equal to the difference between the applicable social assistance rate (which in turn depends on the household composition) and assessed income (see Table 2.16).

Table 2.16. Social assistance weekly rates, in Euro, 2016-2019

	2016	2017	2018	2019
Rate for single person	102.04	103.21	104.38	105.93
Additional members	8.15	8.15	8.15	8.15

Source: Department of Social Security

EUROMOD Notes: The input dataset lacks accurate information about assets. As a result, the capital resources test is simulated based on an imputed financial capital variable-itself based on information about investment income received by the household. As a result, the asset test is likely to be inaccurate. Theoretical income from unused property is not taken into account in the simulation of the income test (due to lack of information about additional properties). Fluctuations in income through the income reference period are not taken into account. A person is deemed to be employed or non-employed based on her yearly earnings.

2.4.7.2 Social assistance for single unmarried parents (Applikazzjoni għall-Għajnunja Soċjali) (bsalp_s)

- **Benefit description**

The benefit is targeted towards single parents with low income. It is a means-tested benefit, where the means test consists of an asset test (capital resources test) and an income test.

- **Definitions and eligibility**

A person is considered a single parent if s/he is not married and not cohabiting and is the parent of at least one dependent child. A child is considered to be dependent when aged under 18, not married and not a parent herself/himself. For the purposes of this benefit, the single parent and her dependents are assessed separately from any other household members.

A single parent who is the head of the household (i.e. not living with other adults) is entitled to apply to social assistance even when unemployed and not actively looking for work. If the single parent is employed, she is entitled to apply for social assistance if her assessed income (calculated as for the general Social Assistance benefit) together with the social assistance rate for two persons does not exceed the national minimum wage. In effect, this translates to an income (earnings) disregard (see Table 2.17).

Table 2.17. Disregarded income/earnings (in Euro per week), 2016-2019

	2016	2017	2018	2019
Income disregard	57.82	58.40	58.98	59.75

Source: Department of Social Security

- **Means test**

The benefit is means-tested. It consists of the capital resources test and the income test. The capital resources test has the same rules as in the case of general social assistance. The income test has the same rules as the general social assistance with the exception that earnings up to a threshold are disregarded (see Table 2.16).

- **Benefit amount**

In the case of single parents not living with other adults, the benefit is equal to 100% of the difference between the applicable general social assistance rate (for the single person and her dependents) and assessed income. In the case of single parents living with other adults, the benefit is equal to 75% of the difference between the applicable general social assistance rate and assessed income.

EUROMOD Notes: The input dataset lacks accurate information about assets. As a result, the capital resources test is simulated based on an imputed financial capital variable; itself based on information about investment income received by the household. As a result, the asset test is likely to be inaccurate. Theoretical income from unused property is not taken into account in the simulation of the income test (due to lack of information about additional properties). The earnings disregard is applied to yearly employment earnings.

2.4.8 Bonuses (btuls_s)

- **Benefit description**

Two types of bonuses are paid to majority of social beneficiaries, as well as to employed persons (all categories).

Bonus (1) is payable to all persons receiving a pension (public or service pension), Orphans allowance, Social assistance and Leprosy assistance under the Social Security Act. It is paid twice a year, in June and December.

Additional Bonus (2) consists of a weekly sum payable to all recipients of Bonus (1). The benefit is paid twice per year, at the end of March and at the end of September. The Sixth Schedule of the Social Security Act, in its parts I, II, III and IV stipulates that the rates of the Additional Bonus will be increased by €1.16 per week, if the household is paying rent for its normal place of habitation, House Rent.

- **Eligibility**

To receive a bonus, one must be the recipient of one of the following contributory or non-contributory benefits: contributory old-age, invalidity and survivor pensions, age pension, service pension, social assistance, social assistance for single parents, leprosy and tuberculosis

assistance and unemployment assistance. The bonus (or fraction thereof) is paid for every month of receipt of a qualifying benefit.

- **Means test**

There is no separate means test applicable for this benefit.

- **Benefit amount**

The benefit amounts are presented in Table 2.18.

Table 2.18. Bonus rates, in Euro, 2016-2019

	2016	2017	2018	2019
Bonus (per 6 months)	135.10	135.10	135.10	135.10
Additional Bonus (per week)	3.12	3.12	3.12	3.12
Rent supplement (per week)	1.16	1.16	1.16	1.16

Source: Department of Social Security

EUROMOD notes: The eligibility of recipients of tuberculosis assistance or leprosy assistance is not simulated. The simulation of bonuses is limited to those related to simulated income components as the bonuses are already included in the data variables for non-simulated components. The number of months receiving a qualifying benefit is ignored in the simulation. Instead, the bonuses are simulated for a period of one year for all recipients.

2.4.9 Supplementary assistance ('Allowance' Supplementari) (bmttu_s)

- **Benefit description**

A Supplementary allowance may be awarded to a person having a low income and is currently not in receipt of a Children's allowance. This allowance is intended to help a person bridge his income requirements.

- **Eligibility conditions**

An Applicant should be a resident of Malta for at least three (3) months before date of application.

A single person who is a head of household and is currently in receipt of a Social assistance or Unemployment assistance or any type of a Contributory / Non-contributory pension or Disability assistance or who is a head of household and is employed or is an employed pensioner. The total reckonable income shall not exceed €13,434 in the case of a couple and €9,337 in the case of a single person.

A single person who is not a head of household and is living with his parents whilst being in gainful employment has a total reckonable income that shall not exceed €9,337.

The income ceiling is based on income and emoluments for Year of Assessment 2017; Foreign Pension Income for Year of Assessment 2018 and Local Pension Income for Current Year 2019 requirements

- **Benefit amount**

The benefit amount depends on the assessed yearly income and is worked out as follows:

$$[\text{Amount} - \text{Annual assessed income (minimum applies)}] * \text{Rate}]$$

The amount and rate depend on the family composition and are shown in the Table 2.19.

Table 2.19. Yearly Policy parameters for the supplementary allowance, 2019

	Maximum annual reckonable income that can be taken for entitlement purposes	Maximum allowance payable	Maximum amount of annual allowance payable
Married person who is maintaining a spouse	€1,505	€52.26	Equivalent to 3.5% of the difference obtaining between 25,462 and actual reckonable income
	€11,505 - €13,434	€39.56	Equivalent to 1% of the difference obtaining between 25,462 and actual reckonable income
Single pensioner	€337	€37.61	Equivalent to 1.70% of the difference obtaining between 20,802 and actual reckonable income
Single person forming a household on his/her own OR a Single parent with dependent children with earnings from a gainful occupation not exceeding the National Minimum Wage	€337	€64.00	Equivalent to 2.751% of the difference obtaining between 20,802 actual reckonable income up to a maximum rate of €7.00 pw
Single person not forming a household on his/her own with earnings from a gainful occupation not exceeding the National Minimum Wage	€337	€26.36	

Source: Social Security Act

Those who are of 65 years of age or single persons not forming a household on his/her own and whose reckonable income is below the poverty line gets an extra €100.

EUROMOD notes: No information exists in the EUROMOD input dataset about previous year’s income. As a result, the income test is simulated based on current year’s income. The incompatibility with the Disabled child allowance is not simulated.

2.4.10 In-work benefit (Benefiċċju ta' waqt l-Impjieg) (bwkmt_s)

- **Benefit Description**

The in-work benefit scheme was introduced at the beginning of 2015, where such benefit is awarded to a claimant who is in employment and has children living within the household who are under 23 years of age.

- **Eligibility**

In 2019, in order to be eligible for the In-work benefit, applicants must have children under 23 years of age living within their household and had an income during 2018 that falls between the following brackets:

- Single parents in employment who earn more than €6,600 and less than €17,130 are eligible for a maximum payable rate of up to €1,350 yearly per child.
- Married couples with both parents in employment whose collective income is greater than €10,000 and is less than €24,630 (if a spouse works part-time, the income of this spouse must be over €3,000) are eligible for a maximum payable rate of up to €1,300 yearly per child.
- Married couples of whom only one is in gainful employment and whose income is greater than €6,600 and less than €17,130 are eligible for a maximum payable rate of up to €50 yearly per child.

- **Benefit Amount**

In Table 2.20, the income thresholds have been condensed and benefit rates have been averaged.

Table 2.20. The in-work benefit scheme

Income (€)	2019 Yearly Benefit Rates (€)		
	Married, only one parent in employment	Married, only both parents in employment	Single
6,660 - 7,630	550		987
7,631 - 8,630	550		1,163
8,631 - 9,630	550		1,325
9,631 - 10,000	550		1,283
10,000 - 10,131	550	500	1,220
10,132 - 11,030	500	500	1,120
11,031 - 12,030	500	775	938
12,031 - 12,631	500	1,225	753
12,632 - 13,631	425	1,300	570
13,632 - 14,631	275	1,300	410
14,632 - 15,631	190	1,300	247
15,632 - 16,631	125	1,300	100
16,632 - 17,130	125	1,300	100
17,131 - 17,730		1,300	

17,731 - 18,830		1,110	
18,831 - 19,930		795	
19,931 - 20,230		585	
20,231 - 21,130		440	
21,131 - 22,030		210	
22,031 - 22,930		180	
22,931 - 23,930		155	
23,931 - 24,630		150	

Source: Department of Social Security

EUROMOD notes: Further detail on the IWB weekly rates for single and married persons by income level can be found on <https://dssservices.gov.mt/BenefitPaymentRates.aspx>

2.4.11 Housing benefit on privately rented dwellings (Benefiċċju tal-Kera ta' Residenzi Privati) (bhomt_s)

- **Benefit Description**

This Scheme provides a housing benefit to tenants on rent paid for premises leased as ordinary residence of the applicants and their family thus rendering the rent more affordable. The housing benefit shall apply on dwelling-houses which are not the property of the Government.

- **Eligibility conditions**

In 2019, for a person to qualify for a housing benefit under this Scheme, the following conditions shall apply:

- the applicant is a Maltese citizen or an EU citizen, a person enjoying a refugee status, a person who possess the status of subsidiary protection and also who enjoys a long-term residence status. In the case only of married couples but not separated, one person must be a Maltese or EU citizen;
- applicants are residents of Malta and have been so resident continuously for not less than 18 consecutive months immediately preceding the date of application; and
- in the case of married couples, two persons who have entered into a Civil Union, and who are not legally or de facto separated or more than three applicants together, the application for Assistance under this Scheme must be made jointly in solidum.

The Scheme is means-tested according based on the following aggregate income:

- the gross income from any occupation, pay and/or salary, overtime, pension and/or other social benefits (excluding children's allowance) earned by the applicants during the basic preceding calendar year.
- the applicant's income during the basic calendar year from capital assets such as; bank deposits, stocks, shares, loans, rents, investments in commercial enterprises, other investments in property, including capital gains;
- from the gross annual income of a separated person any amount paid to the other part as alimony will be deducted.

- **Benefit Amount**

The benefit shall be based on the annual income of the applicants together with the rent being paid by them. Table 2.21 indicates the various categories of applicants who can benefit from this scheme, their maximum income permitted together with the maximum amount of housing benefit these applicants are entitled to.

Table 2.21. Housing Benefit for 2019

Category	Household	Maximum Annual Income (in Euro)	Maximum Housing Benefit (in Euro)
1	Single Person	14,700	3,600
2	Single Parent with 1 child	19,050	4,800
3	Single Parent with 2 children and more	23,400	5,000
4	Two Adults without children	19,000	3,600
5	Couple with 1 child	23,800	4,800
6	Couple with 2 children and more	28,600	5,000
7	3 or more adults living together	27,900	5,000

Source: Housing Authority

In case of a disabled person, or a disabled person within a household, the annual income should not exceed €30,000.

An additional €125 per annum will be granted to families having a disabled member, an additional €125 per annum will also be granted to families having more than 5 members, and an additional €300 per annum to families having fostered children living with them.

Further detail on the Housing benefit rate for the previous years can be found on <https://housingauthority.gov.mt/en/>

EUROMOD notes: The simulation of the housing benefit is switched off in the baseline to avoid double-counting the benefit (as it is also included in the variable *bho*), except for 2019. The simulation of the 2019 rules are included in the baseline to capture the reform that year, which is expected to be large and outweigh the small bias from the double counting.

2.4.12 Senior citizen grant (Ghotja għal Ċittadin Anzjan) (boanc_s)

- **Benefit Description**

The grant is a one-time payment but paid every consecutive year given to the elderly aged 75 years and over and are still living in their home.

- **Eligibility conditions**

Elderly persons who have already reached their 75th birthday on the 1st of January 2016, or on a pro-rata basis from the date of the 75th birthday up to the end of the current year, who are still living in the community, that is:

- (i) reside in their own residence in Malta or Gozo;
- (ii) reside with their relatives in their residence in Malta or Gozo

- **Benefit Amount**

In 2012, a €300 annual grant was given to the elderly aged 80 years and over who are living in their home. In 2013 and 2014, the grant was extended to elderly aged 78 years and over and are still living in their home. As from 1st January 2015, the granted is given to the elderly aged 75 years and over and are still living in their home.

2.4.13 Maternity leave for employees (Liv tal-Maternita' għall-impjegati) (bmact_s)

A pregnant employee can resort to maternity leave for an uninterrupted period of 18 weeks. The first fourteen (14) weeks are paid by the employer but the other 4 weeks are not paid by the employer as described in Section 2.4.15 on the Maternity Leave Benefit.

- **Definitions**

Female employees who are pregnant or have recently given birth are eligible for maternity leave.

- **Eligibility conditions**

Pregnant employees who informs her employer in writing of her pregnancy and who subsequently, within fifteen days, formally informs her employer of her pregnancy and of the expected date of confinement by means of a certificate issued by a registered medical practitioner or midwife. Eligibility is not affected by the contribution record.

- **Benefit duration**

The employee is obliged to avail herself of six (6) weeks of the total entitlement immediately after the date of confinement. Another four (4) weeks are to be taken immediately before the expected date of confinement, unless agreed otherwise between the employer and the employee. The remaining balance of entitlement to be availed of, in whole or in part may be taken, either immediately before or immediately after the aforementioned periods, as the employee may decide.

14 weeks of paid leave by the employer, of which at least 6 weeks have to be taken after the delivery of a child. The same duration applies in case of twins etc.

- **Benefit amount**

An employee on maternity leave shall be entitled to the first fourteen weeks of maternity leave with full wages but if the employee chooses to avail herself of any additional maternity leave beyond the fourteen weeks, the employer shall not be obliged to pay any wages for those weeks of maternity leave which go beyond the aforementioned fourteen weeks.

- **Subject to taxes/SIC**

Not subject to any tax.

2.4.14 Maternity benefit (Benefiċċju tal-Maternita') (bmanc_s)

- **Definitions**

This is a 14-week flat-rate benefit based on universal entitlement payable to ordinary residents or women married to a citizen, or women who were last insured under the Maltese scheme prior to giving birth, and are self-employed, self-occupied or unemployed.

- **Eligibility conditions**

For the applicant to be eligible for the maternity benefit, the applicant should be a citizen of Malta or married/cohabiting with a citizen of Malta or is a citizen of a European Union Member State, or a citizen of a member country of the European Social Charter or has a refugee status and ordinarily resides in Malta or Gozo.

The applicant has to be in her 8 month of pregnancy or has given birth to a child in the 6 months prior to the date of the claim; irrespective of the type of couple (same sex, partners, etc.). The applicant must not have availed herself of paid maternity leave as described under policy number 2.4.13 on paid maternity leave for employees.

Women who are self-employed, self-occupied or unemployed can apply.

- **Benefit duration**

The first part of the benefit consists of 8 weeks entitlement before the due date of the child. The second part of the benefit consists of 6 weeks compulsory entitlement after the birth of the child.

- **Benefit amount**

Applicants are entitled to 14 weeks of maternity benefit, for which payment is made in two instalments (if claimed before birth) or in one instalment if claimed after birth. The rate payable for 2019 is €175.84 per week for self-occupied women, while other pregnant women are entitled to 14 weeks of maternity benefit at the weekly rate of €94.35 per week. The table below presents the maternity benefit rates for the four years under review.

Table 2.22. Maternity Benefit Rates, weekly in Euro, 2016-2019

	2016	2017	2018	2019
Self-occupied	168.01	169.76	172.51	175.84
Others	89.10	90.27	92.02	94.35

Source: Department of Social Security

- **Subject to taxes/SIC**

Not subject to any tax.

2.4.15 Maternity leave benefit (Beneficcju dwar Liv tal-Maternitá) (bmacm_s)

- **Definitions**

Maternity leave benefit (Beneficcju dwar Liv tal-Maternitá) is a 4-week flat rate benefit payable to employed and self-occupied women alike, following the expiry of the 14 weeks paid Maternity leave from the employer or Maternity benefit in case of self-occupied women and is conditional upon the return to work of the women.

- **Eligibility conditions**

Women who are in insurable employment and are entitled to Maternity leave; or self-occupied women eligible for Maternity benefit are both eligible for the maternity leave benefit.

- **Benefit duration**

4 additional weeks can be issued after the 14th week of Maternity leave or Maternity benefit, up to end of 18th week.

- **Benefit amount**

Payment for a maximum of 4 weeks is made in one instalment. Maternity leave benefit rates are presented in the table below.

Table 2.23. Maternity leave benefit, 2016-2019

		2016	2017	2018	2019
Payment	Rates (weekly, €)	168.01	169.76	172.51	175.84
Eligibility	Other conditions	Women who are in insurable employment and are entitled to Maternity Leave; or self-occupied women eligible for Maternity Benefit			
Duration	Maximum	4 weeks			
Subject to	Taxes	NIL			
	SIC	NIL			

Source: Department of Social Security

2.4.16 Other benefits

- **Tapering of Benefits (Single Parents)**

The Tapering of Benefits Scheme is intended to introduce persons in receipt of Unemployment Assistance, Social Assistance and Social Assistance for Single Unmarried Parents to employment. Tapering of Benefits is given for a 3-year period to those beneficiaries who become engaged in employment or also as self-occupied, as long as they earn the national minimum wage or more.

Following Budget 2015, this scheme was extended to Single Parents with children under the age of 23 years. In these cases, the Tapering of Benefits is given for a 3-year period to those single parents who become engaged in employment or self-occupation, as long as they work at least for 10 hours per week earning the hourly rate equivalent to the national minimum wage.

The percentage paid to beneficiaries will be calculated only on the main benefit (UA, SA, SUP) while the other ancillary benefits (bonuses) are stopped: 1st Year Beneficiary (65%), 2nd Year Beneficiary (45%) and 3rd Year Beneficiary (55%). The eligibility condition is that beneficiaries who in the last 36 months benefited from Unemployment Assistance, Social Assistance or Single Unmarried Parents for a period of 24 months can have their benefit from the tapering of benefits.

EUROMOD notes: Tapering of Benefits is not modelled in EUROMOD because of the static nature of the model.

2.5 Personal income tax (tin_s)

2.5.1 Tax unit

Both individual and joint taxation exists in Malta. Married couples may choose whether they opt for individual or joint taxation. The income of a married couple living together is treated as the

income of one taxpayer, but for the purpose of calculating the tax payable they may opt for a separate computation. In the latter case, the earned income of each spouse is taxed as if they were derived by a single person. The unearned income of both spouses is treated as the income of the spouse with the higher amount of earned income. The income of each spouse qualifies for the tax free portion applicable to single taxpayers and is taxed at the single person's rate.

A widow or separated spouse may be charged tax rates applicable to married couples as long as the following four **conditions** are met:

- The individual maintained under his/her custody a child who was not over sixteen years of age or, if at that age, was receiving full-time instruction at any educational establishment or was incapacitated by infirmity from maintaining himself/herself, and who was not in receipt of income in his/her own right in excess of €2,329.37/year;
- A children's allowance was paid in respect of that child, and was recognized as the beneficiary of the children's allowance payable in respect of that child;
- The individual was in receipt of financial assistance in respect of the maintenance of the said child from the other parent of the child; and
- The individual was not living or residing at the same house with the other parent of the said child.

EUROMOD notes: to establish the unit of taxation, EUROMOD optimizes between individual and joint taxation in the case of married couples. More specifically, payable tax is calculated for married couples using first the joint tax regime and then using the individual tax regime. The more advantageous regime (i.e. the one yielding a lower tax liability) is chosen.

2.5.2 Exemptions

The following types of income are **exempt from taxation**:

- Income from private retirement fund or scheme;
- Disability pensions and pension for the visually impaired;
- Social assistance;
- Age pension;
- Financial assistance received by an individual from his estranged spouse in respect of maintenance of a child;
- Marriage grant;
- Maternity benefit;
- Children's allowance;
- Foster care allowance;
- Disable child allowance;
- Capital sums received by way of commutation of pension, retiring or death gratuity or received as compensation for death or injury;
- Income arising from a scholarship;
- Income from a collective investment scheme other than income from immovable property;
- Interest, discount, premium or royalties derived by any person not resident in Malta; and
- Profits derived by any person not resident in Malta on a disposal of any units in a collective investment scheme and such like instruments.

Furthermore, a number of **special provisions**, such as, part-time work, investment income and fringe benefits apply also:

- **Part-time work**

Individuals who work part-time are taxed at a fixed rate of 15 per cent as long as income derived from part-time work does not exceed €10,000 for part time workers, and €12,000 to self-employed part-time workers. Any excess should be declared with the individual's other income in the tax return. This tax rate is applicable to full-time employees, pensioners, and full-time students (i.e. the part-time job is not the main activity of the individual). An individual who has a part-time job and does not qualify under any of the aforementioned criteria does not qualify for the 15 per cent tax rate. However, if an individual is married, even though that person only works on a part-time basis, he/she may benefit from the part-time rate as long as the husband/wife qualifies under any of the mentioned criteria.

Also, only those working up to an average of 30 hours of part-time employment per week may qualify for this preferential rate. This applies to individuals who are full time employees, pensioners and full-time students (or those serving an apprenticeship).

- **Investment income**

A payee has the option of having the payer deduct tax from a payment relating to investment income at the rate of 15 per cent of such payment or include investment income together with all taxable income in the tax return. However, when the recipient receives investment income in the form of dividend, tax shall be deducted at the rate of 35 per cent.

- **Fringe benefits**

Employment income includes the value of any fringe benefits. The use of a company car or a car allowance, the use of company property, the provision of free or subsidized board and lodging and free non-business travel are among the fringe benefits. Share options become taxable when the option is exercised. A number of specified benefits are exempt under certain conditions, such as health insurance.

2.5.3 Tax base

Incomes subject to the personal income tax include:

- Gains/profits from any business or profession
- Gains/profit from employment
- Dividends, premiums, interest or discounts
- Pensions, charge or annual payment
- Rent, royalties, and any other profits arising from property
- Gains/profits not falling under any of the above

Social insurance contributions (Class One and Class Two) are deducted from the gross income earned.

EUROMOD notes: all pension income is included in the tax base with the exception of the age pension. Sickness and injury benefits are also included in the tax base. No information exists regarding capital gains. As a result, they are not included in the tax base.

2.5.4 Tax schedule

Personal tax is levied on each individual/couple at progressive rates with a maximum rate of 35 per cent, whilst the income tax rate on company profits is of 35 per cent except in the case of distributed dividends. A final withholding tax of 15 per cent also applies to certain categories of investment income. The parental computation is aimed for working parents supporting children up to 18 years old who are not gainfully employed (or 21-year-olds where they continue their studies to tertiary education). The respective rates of taxation for married computations and the bands and rates for parental computations are presented in the Table 2.22.

Table 2.24. Income Tax applicable Rates (in Euro), 2016-2019

	Annual taxable income (€)		
	Rates applicable to single persons and married couples opting for individual taxation	Rates applicable to married couples opting for joint taxation	Rates applicable for parental computation
0%	0-9,100	0-12,700	0-10,500
15%	9,101-14,500	12,701-21,200	10,501-15,800
25%	14,501-19,500	21,201-28,701	15,801-21,200
25%	19,501-60,000	28,701-60,000	21,201-60,000
35%	60,001+	60,001+	60,001+

Source: Commissioner for Revenue

In order to qualify for this computation, a parent must satisfy these conditions:

- The individual is currently being taxed under the ‘single’ tax rate;
- S/he maintained under his/her custody a child or paid maintenance (established or authorised by courts) in respect of his or her child;
- Such child was not over 18 years of age, or not over 21 years if receiving full-time instruction at a tertiary education establishment;
- Such child did not earn income in excess of €2,400 from gainful occupation.

Investment income may be taxed at a rate of 15 per cent if not received under the form of dividends. If it is received as dividends, a 35 per cent tax rate applies. As a general rule, payers of investment income have the obligation to deduct 15 per cent tax from every payment made. This 15 per cent tax is final and such income will not be subject to any further tax. In fact persons receiving this income should not declare it in their income tax return. If, however, the recipient elects to receive the income without deduction of tax, this income needs to be declared in the tax return. In this case, the income is aggregated with the rest of the income and taxed at the normal rates.

EUROMOD notes: No information exists on the source of investment income in the input dataset. Similarly, no information exists on whether a taxpayer with investment income chooses to have it taxed separately rather than together with remaining taxable income. Consequently, investment income is modelled to be taxes separately at a rate of 15 per cent irrespective of

source and taxpayer. Note that given the structure of the tax schedule, only payers with low investment income sources and little/no additional income would benefit from including their investment income in the general tax return.

2.5.5 Tax credits for persons returning to employment

Persons who return to employment or self-employment may benefit from a tax credit. Those who may benefit from this tax credit are:

- Persons who have not reached the statutory retirement age and return to employment after the 1st of January 2008 after having been absent from any gainful occupation for at least five years preceding the date of return. Such person must not be in receipt of a pension or had previously been in employment for at least 24 consecutive months in order to qualify for the said tax credit. This tax credit is entitled up to a maximum of €2,000.
- A woman who has a child or children who is or are under 16 years of age and returns to employment on or after the 1st January 2008 after having been absent from any gainful occupation for at least 5 years immediately preceding the date of the said return; or
- a woman who has a child or children born on or after the 1st January 2007 and continues in employment, or returns to employment on or after the 1st January 2007, may benefit from the following tax credits: (i) maximum of €2000 tax credit, or (ii) tax credit up to a maximum of €5,000. For the latter case, if the tax due on the person's employment or self-employment income is more than €2,000, the person may avail himself/herself up to a maximum of €5,000 tax credit.
- A married couple may opt to be taxed under the married tax rates without taxing the spouse's employment income (other than income derived from the holding of an office of director), provided that:
 - the spouse has been absent from any gainful occupation for at least 5 years; and whose name was not during the said time on the unemployment register (Parts 1 & 2) as established by JobPlus;
 - the spouse is over 40 years of age, and
 - the spouse's income does not exceed €9,500
 - This incentive applies for a period of 5 consecutive years of assessment commencing from the basis year in which the spouse started work.

2.5.6 Personal retirement tax credit and the Voluntary occupational pension scheme (Skema Personali tal-Irtirar u Skema ta' Pensjoni Okkupazzjonali Volontarja)

- **Benefit Description**

In 2014, the Government launched the third pillar pensions under the Personal Retirement Scheme. This scheme provides for a tax credit with respect to contributions paid to personal retirement schemes or premium payments in relation to a policy of insurance. Furthermore, the Voluntary Occupational Pension Scheme Rules, which were introduced by virtue of Legal Notice 228 of 2017, set out the fiscal measures in favour of both the employer and the employee as announced in the 2017 Budget Speech relating to voluntary occupational pension schemes. They are the first set of tax measures introduced to incentivise an occupational pension system in Malta. The latter Voluntary Occupational Pensions Scheme came into effect as from 1 January 2017.

- **Eligibility**

In the case of a married couple resident in Malta, each of the spouses may claim the personal retirement scheme tax credit (irrespective of whether they have used the parent, single or married computation). The credit will only be available in respect of income tax chargeable for the year in which the contribution was made or the premium paid and cannot be carried forward if not utilised. The income against which the tax credit is granted is the first part of the income. The same eligibility conditions apply under the voluntary occupational pension scheme, as long as the employee does not benefit under the Highly Qualified Persons Rules.

- **Tax Credit Amount**

The amount of the tax credit is equivalent to the lower of: 15% of the aggregate of any contributions made or premiums paid by a person during the year in respect of membership in any personal retirement schemes; and €150. In 2019, the amount of tax-exempt annual financial investment was raised to a maximum of €2,000 each year and the reduction in taxes was increased from 15% to 25%.

2.5.7 Other Tax Credits

As from 2014 an extension was also given by government for parents sending their children to private childcare centres. This policy extended the limit from €1,300 to €2,000 in tax credits to these parents. Persons deriving income from the lease of residential property have also the option to apply a 15% final withholding tax calculated on the gross income from such leases which will effectively mean a tax reduction. Furthermore, the current tax legislation provides for a deduction from income for parents who send their children to child care centres against payment. This deduction was increased from €1,300 to €2,000. This benefit was applicable to those parents who opt to pay for child care, rather than making use of the free child care service.

Fiscal incentives for parents to use school or scheduled transport was announced in 2015. These parents are eligible for a tax credit on part of transport charges, up to a maximum of €150 if they use school or scheduled transport.

A Scheme which is effective as from 1st January 2017 provides for a tax credit of up to 70% of the study costs paid by a student for a certification, degree or post-graduate degree as approved by the Ministry for Education. The tax credit will be deducted against the student's tax liability on his chargeable income for the year of assessment commencing in the year following that in which the relevant qualification is obtained. Any tax credits which are not absorbed may be carried forward to be allowed as a tax credit for the subsequent ten years of assessment. No tax credit certificates may be issued in respect of a course of studies that commences after 31st December 2020 and in respect of applications submitted to the Ministry after 2 years from the day on which the relevant qualification is obtained.

As from the 2018 Budget, for those pursuing a Masters or MQF 7, a year's income tax are deducted whilst those reading a PhD or MQF 8, have a tax exemption of two years on income up to a maximum of €60,000 by means of tax credits. The individual has to work for a minimum of three years in Malta. The Government also introduced tax refunds for those who send their children to independent schools.

As from 2019, parents who send their children to independent schools benefit from tax deductions on fees paid. In 2019, the Government increased further the tax deduction to €1,600 per year for each child that attends a kindergarten centre, €1,900 per year for each child that attends primary school, and €2,600 per year for each child attending secondary school, an addition of €300 for each child.

EUROMOD notes: None of the tax credits mentioned above is simulated due to lack of data (there is no detailed information on work history in the EUROMOD input dataset).

2.5.8 Tax rebates

For the 2018 and the 2019 Budgets, all those individuals who are in employment, whether in full or part-time work, are to receive a refund varying between €40 to a maximum of €68. The tax refund will be worked on the gross income that the employee would have earned the previous year. According to this reform;

- a) Persons who have employment and/or self-employment income will be eligible;
- b) Rebate will be determined only on employment/self-employment income;
- c) Pensioners who are still in employment/self-employment will be eligible; and
- d) Married couples who are both in employment/self-employment will both be eligible for the rebate even if they are taxed at married rates.

Table 2.25. One-time yearly Reduction in taxes for all persons in employment, for both 2018 and 2019 (in Euro)

Computation: Single	
Income	Amount
0 – 15,000	60
15,001 – 30,000	50
30,001 – 59,999	40
Computation: Married	
Income	Amount
0 – 20000	68
20,001 – 40,000	56
40,001 – 59,999	44
Computation: Parent	
Income	Amount
0 – 15,000	64
15,001 – 30,000	52
30,001 – 59,999	40

EUROMOD notes: The tax rebate mentioned above is simulated.

2.5.9 Tax Rebate on Pensions

As announced in the Budget for 2017, individuals who are at least 61 years of age are allowed a tax rebate on their pension income. Persons on a single rate benefited from a tax-free pension income up to €10,500 in 2017, which went up to €13,200 in 2018. Persons on the married rate benefited from the full tax-free amount for pension that is up to €13,000 as of 2017. The other tax-free income for married pensioners was spread out to cover €500 in 2017 going up to €1,000 in 2018. Pensioners qualifying for the parent rates also benefited from this measure since in 2017 a tax-free pension income on the first €1,500 was applied for each parent. In 2018, this amount went up to cover the first €13,200. In 2019, the cap increased to €13,434.

EUROMOD notes: The tax rebate mentioned above is simulated.

3. DATA

3.1 General description

The input dataset is constructed using the Maltese section of the European Union Statistics on Income and Living Conditions (EU-SILC) User Database (UDB). This is a rotating panel survey (4 rotational groups), representative of the Maltese population in private households. Sampling takes place at the household level, the household being defined as all persons living at the same address. All members of the household aged 16 and above are interviewed. The SILC User Database is provided by Eurostat. More information regarding the technical aspects of the Maltese SILC can be found in the Intermediate Quality Reports issued by the Maltese Statistical Office (see Table 3.1).

Table 3.1. EUROMOD database description

EUROMOD database	MT_2017_a1
Original name	SILC_UDB_c17 (March 2019 release)
Provider	Eurostat
Year of collection	2017
Period of collection	2017
Income reference period	2016
Sampling	Simple random sample of households
Unit of assessment	Household
Coverage	Private households
Sample size	Approximately: 5,000 households
Response rate	86.9%
Final EUROMOD dataset sample size	Households: 3,902; Individuals: 10,148

Source: National Statistics Office, Malta

3.2 Data adjustment

Very few adjustments have been carried out. There is some minor data cleaning that ensures that relationships among members of the same household are coherent. So as to ensure consistency between the time reference of income components and household demographic information, children born after the income reference period are dropped from the sample.

3.3 Imputations and assumptions

3.3.1 Time period

The income reference period used for all income components is 1st January-31st December 2016. Some demographic and labour market status variables refer instead to the situation existent at the time of interviewing. The lag between the income information and demographic and labour market characteristics varies between 4 and 7 months.

All monetary information has been collected on an annual basis. These are converted for EUROMOD purposes into monthly amounts (dividing by 12). No information is collected on the number of months an income component has been paid.

3.3.2 Gross incomes

Incomes have mostly been collected as gross amounts. Where the respondent could not provide a gross amount, the net figure has been recorded. Subsequently, net incomes have been transformed into gross using a conversion table provided by the Department of Inland Revenue. Respondents were asked additional information aimed to differentiate between main and secondary earnings for purposes of correctly converting net incomes to gross.

3.3.3 Other imputed variables

The standard SILC UDB aggregates information about some income sources as well as aggregating some income components from the individual to the household level. To perform accurate simulations, it has been necessary to disaggregate back some variables. These include:

- **Individual unemployment benefits** have been disaggregated into four variables corresponding to severance payments (lump sum benefits), the contributory unemployment benefit, the special unemployment benefit and the unemployment assistance; the disaggregation has been carried out based mainly on **benefit rules**:
 - a) For each recipient of unemployment benefits, the maximum annual amount of each type of unemployment benefit (UA, SUB, UB) has been simulated based on benefit rules, unemployment duration and household characteristics;
 - b) First the capital resources test has been simulated based on financial capital; recipients of unemployment benefits who did not pass the test, were considered recipients of unemployment benefit if the actual amount observed in the variable PY090G was larger than the maximum amount of UB benefits the person could receive; the difference was imputed as severance payments;
 - c) Finally, all recipients of unemployment benefits who are not beneficiaries of UA, SUB and UB, are assumed to receive unemployment assistance up to the maximum limit per year; any difference is imputed as severance payments (captured under lump sum benefits).
- **Months of receipt of an income component** are imputed based on the calendar of activities and adjusted to be compatible with income information.
- **Financial capital** is imputed based on investment income applying an annual interest rate of 7.00%.
- **Income from employment** has been disaggregated in previous years into bonuses and the rest. From this year this variable has been changed - rent supplement has been added as one of the components.

Finally, as the year of birth variable in EU-SILC 2017 for Malta is grouped into 5-year groups, a detailed **age variable** was constructed using a partly disaggregated year of birth variable made available by the NSI and imputing birth years within remaining groups by assuming a uniform distribution.

3.4 Updating

To account for any time inconsistencies between the input dataset and the policy year, updating factors are used. Each monetary variable (i.e. each income component) is updated so as to account for changes in the non-simulated variables that have taken place between the year of the data and the year of the simulated tax-benefit system. Updating factors are generally based on changes in the average value of an income component between the year of the data and the policy year. For benefits and taxes (public pensions, in particular), these are updated on the basis of statutory indexation rules to capture policy effects. These include the COLA together with a further increase of €2.00 per week which was added to Contributory and non-contributory pensions over and above the COLA.

As a rule, updating factors are provided both for simulated and non-simulated income components present in the input dataset. Note however that in the case of simulated variables, the actual simulated amounts are used in the baseline rather than the updated original variables in the dataset. Updating factors for simulated variables are provided so as to facilitate the use of the model in cases when the user wishes to turn off the simulation of a particular variable. The list of updating factors as well as the sources used to derive them can be found in Annex 1.

4. VALIDATION

4.1 Aggregate Validation

Albeit the definition of household disposable income in EUROMOD comes very close to the one used in EU-SILC, these two are not identical. More specifically, in EUROMOD we include income from private pensions in household disposable income. However, we do not include the value of a company car, if such a fringe benefit is present. Because tax adjustments usually concern income and taxes from previous years, we do not include them in our definition, as it is often difficult to disentangle to what extent tax adjustments are already captured by EUROMOD simulations or not. Finally, although EUROMOD does include the most important means-tested benefits, it is possible that some minor and especially ad-hoc and discretionary benefits are left out. There is not enough information to accurately simulate these benefits on the one hand and on the other, they are too small to be accurately disaggregated from the EU-SILC social exclusion variable.

Table 4.1 shows the components of household disposable income, both in EUROMOD (for 2016-2019 systems) and in EU-SILC 2017.

Table 4.1. Components of disposable income

	EUROMOD 2016-2019	EU-SILC 2017
	ils_dispy	HY020
Employee cash or near cash income	+	+
Employer's social insurance contribution	0	0
Company car	0	+
Contributions to individual private pension plans	0	0
Cash benefits or losses from self-employment	+	+
Pension from individual private plans	+	+
Unemployment benefits	+	+
Old-age benefits	+	+

Survivor' benefits	+	+
Sickness benefits	+	+
Disability benefits	+	+
Education-related allowances	+	+
Income from rental of a property or land	+	+
Family/children related allowances	+	+
Social exclusion not elsewhere classified	+	+
Housing allowances	+	+
Regular inter-household cash transfer received	+	+
Interests, dividends, etc.	+	+
Income received by people aged under 16	+	+
Regular taxes on wealth	-	-
Regular inter-household cash transfer paid	-	-
Tax on income and social contributions	-	-
Repayments/receipts for tax adjustment	+	+

Notes: A value of 0 is used to denote that the respective income concept does not enter the calculation of household disposable income.

4.1.1 Validation of incomes inputted into the simulation

Tables 4.2 to 4.6 reported in Annex 3 illustrate the number of recipients/earners and the total amounts of income, and the benefits that are not simulated for the period of 2016-2019. Moreover, when available, the tables also include external statistics that are collected from various administrative sources, which are then utilised to validate the EUROMOD results derived from the SILC.

In **Table 4.2**, the **number of employed** and **unemployed** individuals in the SILC is compared with the administrative data from the Labour Force Survey (LFS). In the base year, 2016, the number of employed individuals matches closely the external statistics (97%), while the number of unemployed is relatively lower with a ratio of 0.74. Reasons for this discrepancy includes; the 2018 revisions of the estimates of population size (e.g. estimated population size in 2016 increased by 4.5%) which are being captured in the LFS but not in the weights applied in the SILC and the different way of computing the two numbers. The definition used in the LFS and the SILC for the number of employees and unemployed is slightly different. In the SILC a person aged 15 and over is defined as employed or unemployed by their frequent activity status and occupied for more than 6 months in a year. While, the LFS defines employed and unemployed persons as individual aged 15 and over who during the reference week have either; got paid from employment, self-employed, where employed but absent from work, undertook unpaid family works, actively seeking work during pervious 4 weeks or currently available to work.

Tables 4.3 and **4.4** cover components of market income in terms of total earners and total amounts. Recipients of **employment income** are slightly overestimated in 2016 and relatively close in 2017 and 2018, while their income is slightly underestimated. The number of people with **self-employment** income is also overestimated for the period of 2016-2018, however this is expected since the external data is based on full-time equivalent self-employed. On the other hand, total **self-employment income**, when compared to external data, is slightly underestimated for the whole period of analysis, with a ratio ranging from 0.90 to 0.83. This is possibly explained by the different data methodologies of the external data and the SILC, together with data revisions.

The number of recipients and the annual spending of the non-simulated benefits are shown in **Tables 4.5 and 4.6** (Annex 3). Both tables show a misalignment between the **main contributory sickness benefits** and **other sickness benefits**. Originally, these types of benefits are aggregated into one variable in the SILC. A disaggregation is performed due to the different treatment of these benefits in the Maltese tax-benefit system. Even though every effort has been made to ensure that the disaggregation is as accurate as possible, some errors remain resulting in a slight overestimation of those benefits. This difference can be explained by the inaccurate population weights that are applied in the SILC.

The **energy benefit**, both in terms of number of recipients and the total spending, is slightly overestimated in EUROMOD when compared to administrative statistics. This difference is expected since the weights applied in the SILC do not adequately capture the recent revisions in the population. Other possible reason includes that the SILC variable include additional components which are not being captured in EUROMOD and possible low take-up. In addition, **survivor pensions** are highly underestimated in EUROMOD relative to the external data. **Disability pensions** are slightly underestimated in EUROMOD by 4% in 2016. On the other hand, **non-means-tested old-age pensions** are overestimated throughout the years under study, with the highest overestimation being in the base year. This result in non-means-tested old age pensions is not surprising when considering the way this type of benefit variable have been constructed in the EU-SILC. More specifically, in the SILC all benefits/pensions going to individuals aged over 65 are considered to be old-age irrespective of their actual classification in the national system. As a result, persons over 65 receiving disability or survivor benefits are observed in EUROMOD as recipients of old-age benefits. No adjustment is made in EUROMOD for this peculiarity in EU-SILC. **Total pensions** are also overestimated throughout the periods of analysis, mainly because the recent population revisions are not factored in the SILC data.

In both tables, **unemployment assistance** is highly underestimated in EUROMOD. In 2016, the number of recipients of the EUROMOD results is underestimated by 30%, while total spending is underestimated by 54%. Moreover, **other benefits**, which includes the maternity benefit, the maternity leave benefit and marriage grant is slightly underestimated in terms of the number of recipients, with a ratio of 0.84 in the base year. The annual amount from EUROMOD matches closely the administrative sources, with a ratio of 1.04 in 2016.

4.1.2 Validation of outputted (simulated) incomes

This section validates the results from the policies simulated in EUROMOD, the results are presented in Tables 4.7 and 4.8 in Annex 3. Table 4.7 illustrates the number of recipients of the benefits, social insurance contributors and tax-payers and Table 4.8 shows the corresponding aggregates amounts simulated in EUROMOD and when available, from administrative source.

The first section of **Table 4.7 and Table 4.8** presents the benefits that were simulated in EUROMOD, indicating that only a few of the instruments are relatively well simulated. The number of recipients of the children allowance is slightly overestimated in EUROMOD, while the total spending in Table 4.8 matches closely administrative sources. Furthermore, the recipients and total spending of the **in-work benefit** are highly overestimated in EUROMOD. Factors that explain this gap includes the recent population revisions that distort the weights applied in the SILC and – in later years – the increase in employment and the possible low uptake due to higher income levels, from higher employment, that decreases the likelihood of meeting the eligibility threshold.

Social assistance for single parents is overestimated by around 43% in EUROMOD, for both the number of recipients and aggregate amounts. Possible factors that clarifies this misalignment

include; lack of a fully simulated asset test, the different reference years for the income taken into account, non-take-up by lone parents, especially if living with other adults and lower take-up due to the significant upturn in the economy. **Supplementary allowance and age pension** are also above the external statistics. The external data of age pension does not include the component of the Cost of Living Adjustment which is part of the benefit simulated in EUROMOD. The results of the **senior citizen grant** match closely the administrative sources however, they vary from the SILC. This is attributed to the fact that the corresponding SILC variable includes additional components which are not being captured in the simulation.

Social assistance is underestimated in EUROMOD. This discrepancy may be due to the inability to accurately replicate the asset test, misalignment of time periods and non-take-up. Moreover, since we are using annual income and not monthly income, this may lead to a situation where the low-income short-term scenario, and thereby the respective benefit entitlement, is not taken into consideration. The simulation of **unemployment benefits, special unemployment benefit and unemployment allowance** recipients is underestimated in EUROMOD in 2016 but overestimated in 2017 and 2018. It is possible that the disaggregation of the unemployment benefit variable in EUROMOD into the various types of unemployment benefits and severance payments is not accurate. On the other hand, it is also possible that the SILC unemployment variable does not adequately capture the incidence of unemployment benefits. The corresponding aggregate amounts are overestimated in EUROMOD with the expectation of **unemployment allowance**, which is underestimated in 2016. From the external data it is observable that there is a significant drop in the unemployment benefit recipients, which also explains the overestimation of benefits in EUROMOD. The benefits of **maternity leave for employees, maternity benefit and parental leave benefits** are currently not included in the baseline.

With regards to taxes and social insurance contributions, the number of payers of **income tax** and the **employee and employer social insurance contributions** are underestimated when compared to the external statistics. Whereas, apart from **income tax paid** which is underestimated, the total amounts paid of the **employee and employer social insurance contributions** are slightly overestimated. The number of **self-employed social insurance contributors** and the **contributions** paid are overestimated in EUROMOD. *Some external data was not available in the moment of writing this document.*

4.2 Income distribution

All income distribution results presented in **Table 4.9** (Annex 3) are computed for individuals according to their household disposable income (HDI) equivalised by the “**modified OECD**” **equivalence scale**. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. The weights in the OECD equivalence are: first adult=1; additional people aged 14+ = 0.5; additional people aged under 14 = 0.3.

4.2.1 Income inequality

Indicators of the distribution of household disposable income (**Table 4.9**, Annex 3) are quite close to the ones released by EUROSTAT. There are no difference between the **mean and median disposable income** indicators in EUROMOD and SILC in 2016. Inequality, as measured by the **Gini coefficient**, is also very close to the SILC value. In general, the distribution of disposable income is closely aligned in EUROMOD with external data. The only exception lies within the first decile, where income is slightly overestimated in EUROMOD by 3% in 2016 and the third decile, where income is underestimated by 3% in 2016. *Some external data was not available in the moment of writing this document.*

4.2.2 Poverty rates

Poverty rates as derived from EUROMOD are compared to EUROSTAT figures in **Table 4.10** (Annex 3). Poverty rates using the poverty line at **50, 60 and 70 per cent** of median equivalised household incomes are all slightly overestimated in 2016 and 2017, apart from poverty rates with the poverty line at **the 40 per cent** of median, which are slightly underestimated in 2016 and 2017. This variation is likely because a significant part of the senior citizen's grant SILC variable is not being fully simulated, thus, this income component is omitted from the income distribution. Taking into consideration the poverty line at **60 per cent** of median, EUROMOD overestimates poverty rates for the people aged 50-64 years and 65+ years. This discrepancy can be explained by the fact that these cohorts are more sensitive to changes in the poverty line. Thus, this suggests a higher elasticity, so a small change in the poverty line will bring about a more-than-proportionate change in the AROP rate. Furthermore, it is also observed there is no systematic bias over the years, possibly indicating that any over or under estimation is random and not systematic. *Some external data was not available in the moment of writing this document.*

4.2.3 Validation of minimum wage

Finally, Table 4.11 in Annex 3 shows a comparison of some basic results with and without the minimum wage. Including the minimum wage in the simulation has virtually no effect because income earned from the minimum wage is tax-free and exempted from paying any social insurance contribution.

4.3 Summary of “health warnings”

This section summarizes the most important issues to be kept in mind when using the Maltese model in EUROMOD.

- The latest **underlying micro-data** was collected in 2017 with 2016 incomes. In 2018, the estimates of total population size in recent years were significantly revised (e.g. 2016 population estimate increased by 4.5%); however, these changes are not reflected yet in the weights available in SILC.
- 2016 incomes are adjusted to follow growth in their average values in 2017-2019 (public pensions according to the statutory indexation rules). However, although every effort is made to use detailed uprating factors, the result is only an approximation of the true **income distribution** in 2017-2019.
- The **quality** of income data available in EU-SILC mainly depends on the respondents' ability to indicate correctly the household income received during the income reference year and their ability to distinguish between the different sources of income. Although most of these errors are corrected during analysis by the use of auxiliary information within the dataset, errors may still exist, which might create distortions in the model.
- Several income variables in the underlying dataset that enter the micro-simulation model are the result of a **disaggregation**. The disaggregation is generally based on benefit rules and other external information and as such may contain classification errors.
- As the detailed year of birth variable is no longer available for Malta, a detailed age variable is partly based on imputations.
- Some **means-tested benefits** are over-simulated. This is due to the inability to accurately replicate some eligibility conditions (asset test), use of current year instead of

previous year's incomes in the simulation of the income test and very likely non-take up.

- A significant component of the senior citizen grant is not being simulated, because the **disaggregation** of the corresponding SILC variable is not possible.
- Several very small benefits means-tested or contingency based (such as for example leprosy assistance or milk grant) are ignored in the simulation.
- Poverty rates using the 50-70 per cent of the median HDI as poverty lines are slightly over-simulated whereas poverty rates with the poverty line at 40 per cent of the median HDI are significantly under-simulated.

5. REFERENCES

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Sources for tax-benefit descriptions/rules

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- Social Security Act (Chapter 318 of the Laws of Malta)
- Voluntary Occupational Pension Scheme Rules (Subsidiary Legislation 123.175)
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- OECD (2008), Benefits and Wages, Country chapter Malta
- OECD (2009), Benefits and Wages, Country chapter Malta

ANNEX 1: UPRATING FACTORS

Index	Constant name	Values of the raw indices				Source	Income components uprated by the index
		2016	2017	2018	2019		
Harmonized Consumer Price index from EUROSTAT	\$f_hicp	100.9	102.18	103.95	105.93	Eurostat	bed, kfb, kivho, tad, yot, ypt, tis, xpp, xhcot, xhcmomi, xhcrt, xmp, bfa
Mean annual gross basic salary	\$f_yem	17626	18209	18964	19750	Annual Labour Force Dataset	yem00, yse, bunls, yem_a
Mean annual old age pension	\$f_poanm	8949.29	8968.93	9379.99	9809.88	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	poanm
Mean annual disability pensions	\$f_pdi	5267.49	5056.39	5258.36	5468.40	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	pdi
Mean annual survivor pension	\$f_psu	7430.16	7755.55	7804.1	7852.95	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	psu
Mean annual contributory unemployment benefit	\$f_bunctnm	585.28	570.67	556.41	562.19	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctnm
Mean annual contributory special unemployment benefit (SUB)	\$f_bunctmt	828.21	881.72	679.50	523.66	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	
Basic UB daily benefit for single individuals (lower rate)	\$f_bunctnm_index	7.97	8.05	8.13	8.24	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctnm

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Index	Constant name	Values of the raw indices				Source	Income components updated by the index
		2016	2017	2018	2019		
Basic SUB daily benefit for single individuals (lower rate)	\$f_bunctmt_index	13.5	13.64	13.78	13.97	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctmt
Mean annual sickness benefit	\$f_bhl00	343.28	340.32	310.32	282.98	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bhl00
Mean annual sickness assistance	\$f_bhlmt	1408.19	1437.98	1451.0	1479.91	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bhlmt
Basic social assistance weekly rate	\$f_bsa	102.04	103.21	104.38	105.93	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctmt, bsa, bunnctmt
Basic age pension weekly rate	\$f_boamt	88.51	93.68	96.85	100.57	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	boamt
Average energy benefit	\$f_bho	41.62	40.06	38.94	38.94	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bho
Employment bonuses	\$f_yemls	135.1	135.1	135.1	135.1	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	yemls, yls
Indexation rules for pensioners born after 1962	\$f_poa_index	130.08	133.62	137.97	142.68		poanm, pdi, psu
Previous average wage	\$f_yempv	16780	17626	18209	18964	Annual Labour Force Dataset	yivwg
GDP at market prices	\$f_gdp	10342.1	11305.0	12327.7	13092.02	Eurostat	yyi, afc
CPI (cumulative)	\$f_cpi	1.18	1.19	1.21	1.23	Eurostat	ypp, yds, ydses_o

Source: EUROMOD I2.0+ and National Statistics Office, Gainfully Occupied Population, Annual Averages

ANNEX 2: POLICY EFFECTS IN 2018-2019

The results presented below are estimated with the EUROMOD policy effects tool, which calculates the first-order effects of policies on household incomes. The tool separates direct policy effects from other changes in the income distribution by holding household characteristics and market incomes constant when simulating household net incomes under the two policy systems (e.g. 2018 vs 2019). Furthermore, the tool also adjusts the monetary parameters of the tax-benefit system by the Consumer Price Index to measure policy effects in real terms – allowing for the comparison of policy systems in place at different, possibly distant, points in time. Measuring policy effects against such a benchmark allows the tool to quantify the effects also in the specific case when the policy parameters are kept nominally constant in practice. Consequently, results are to be interpreted accordingly. For further details on the methodology, see Paulus and Tasseva (2018).

Table A1 and Figure A1 show the effect of 2019 policies on the mean equivalised household disposable income by income component and income decile group, as a percentage of mean equivalised household disposable income in 2018. The effect is estimated as a difference between simulated household net income under the 2019 tax-benefit policies (deflating monetary parameters by *projected* Eurostat's Harmonized Index of Consumer Prices, HICP) and net incomes simulated under 2018 policies.

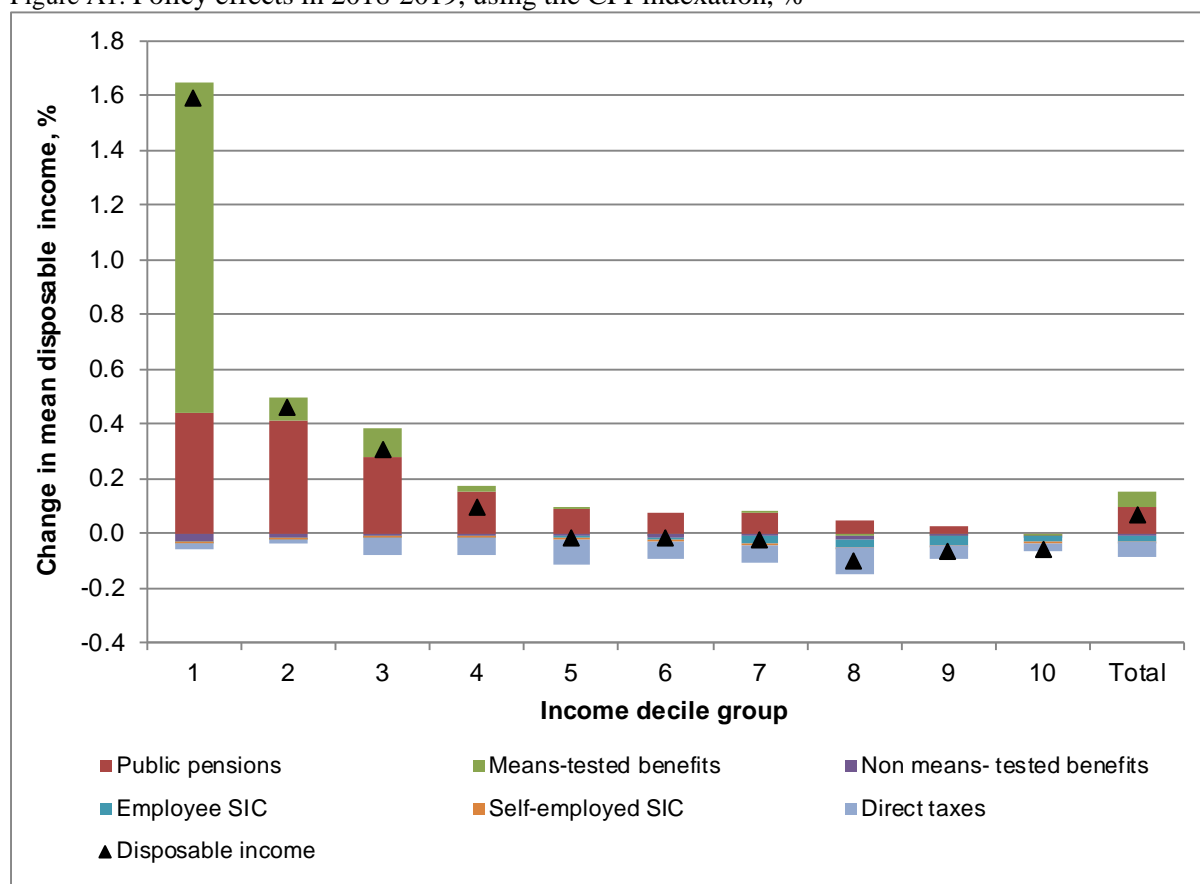
Measured in real terms, policy changes led to an overall increase in the average household disposable income by around 0.06%. The policy effect for the lower deciles are estimated to be positive, with the largest increase of 1.59% occurring for the lowest decile. The increase amongst the lower-income groups is mainly attributed to an increase in public pensions and means-tested benefits, because of the discretionary increase in public pensions, tax rebates, revisions in the in-work benefit, and rent subsidisation. Rent subsidisation is simulated for 2019 to capture major changes in the benefit rules in that year, even though this results in double-counting as rent subsidisation is also included in the energy benefit variable (2016 values). Moreover, the positive contribution of public pensions to the overall change in disposable income for households above the median income was approximately cancelled by direct taxes. This is because in this scenario the taxation parameters are indexed with the HICP. Overall the mean policy effects of different components were very small and staying mainly within the range of -0.06% to 0.1%. Nominally there were some positive gains but non-means-tested benefits, employee SIC and direct taxes were adjusted in most cases below the rate of inflation and therefore resulted in a loss in real terms.

Table A1: Policy effects for MT in 2018-2019, using the CPI indexation [1.019] on dataset MT_2017_a1, %

Decile	Original income	Public pensions	Means-tested benefits	Non means-tested benefits	Employee SIC	Self-employed SIC	Other SIC	Direct taxes	Disposable Income
1	0.00	0.44	1.21	-0.03	0.00	-0.01	0.00	-0.02	1.59
2	0.00	0.41	0.09	-0.02	0.00	-0.01	0.00	-0.01	0.46
3	0.00	0.28	0.11	-0.01	0.00	-0.01	0.00	-0.06	0.30
4	0.00	0.15	0.02	-0.01	0.00	0.00	0.00	-0.06	0.09
5	0.00	0.09	0.01	-0.01	-0.01	0.00	0.00	-0.09	-0.02
6	0.00	0.07	0.00	-0.01	-0.01	0.00	0.00	-0.07	-0.02
7	0.00	0.07	0.00	-0.01	-0.02	-0.01	0.00	-0.06	-0.03
8	0.00	0.05	-0.01	-0.01	-0.03	0.00	0.00	-0.10	-0.10
9	0.00	0.03	-0.01	-0.01	-0.03	0.00	0.00	-0.05	-0.07
10	0.00	0.00	0.00	0.00	-0.02	0.00	0.00	-0.03	-0.06
Total	0.00	0.10	0.06	-0.01	-0.02	0.00	0.00	-0.06	0.06

Notes: Shown as a percentage change in mean equivalised household disposable income by income component and income decile group. Income decile groups are based on equivalised household disposable income in 2017, using the modified OECD equivalence scale. Each policy system has been applied to the same input data, deflating monetary parameters of 2018 policies by Eurostat’s Harmonized Index of Consumer Prices (HICP).

Figure A1: Policy effects in 2018-2019, using the CPI-indexation, %



ANNEX 3: VALIDATION STATISTICS

ANNEX 3 VALIDATION STATISTICS

Table 4.2 - Number of employed and unemployed

		EUROMOD					External					Ratio				
		2016	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019		
liwmy	Number of employed	201,236	208,132	220,489	234,169	N/A	0.97	0.91	0.94	N/A						
lunmy	Number of unemployed	7,610	10,231	9,184	9,037	N/A	0.74	0.83	0.84	N/A						

Notes: EUROMOD - Numbers of employed and unemployed computed are based on months in employment (including self-employment)/unemployment. Numbers are computed as averages of monthly data over the year.

External statistics - Numbers are computed as annual averages.

Sources: EUROMOD 12.0 and Labour Force Survey (National Statistics Office), Annual Averages

Table 4.3 - Market income in EUROMOD - Number of recipients

		EUROMOD		External			Ratio			
		2016	2016	2017	2018	2019	2016	2017	2018	2019
yem	Employment income	203,195	181,266	196,000	205,702	N/A	1.12	1.04	0.99	N/A
yem00	Employment income: main	203,195	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
yemls	Employment income: lump sum	203,105	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
yse	Self-employment income	29,886	24,453	26,283	28,405	N/A	1.22	1.14	1.05	N/A
ypp	Private pensions	2,466	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ypr	Rent income	26,483	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
yyi	Investment income	280,400	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes: External statistics - only full-time self-employed included.

Sources: EUROMOD I2.0 and National Accounts

Table 4.4 - Market income in EUROMOD - Annual amounts (in mil.)

		EUROMOD				External				Ratio			
		2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
Av_yem	Average employment income	19,769	20,410	21,240	22,104	21,757	21,575	22,140	N/A	0.91	0.95	0.96	N/A
yem	Employment income	4,016.9	4,147.2	4,315.8	4,491.4	3,943.8	4,228.8	4,554.3	N/A	1.02	0.98	0.95	N/A
yem00	Employment income: main	3,937.1	4,067.3	4,236.0	4,411.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
yemls	Employment income: lump sum	79.8	79.8	79.8	79.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
yse	Self-employment income	475.6	491.3	511.7	532.9	526.1	563.4	619.78	N/A	0.90	0.87	0.83	N/A
ypp	Private pensions	21.2	21.4	21.8	22.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ypr	Rent income	88.6	89.4	90.9	92.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
yyi	Investment income	163.2	178.4	194.5	206.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes: Amounts refer to total aggregate incomes received throughout the year. N/A - not available.

Sources: EUROMOD I2.0 and National Accounts

Table 4.5 - Tax benefit instruments included but not simulated in EUROMOD -
Number of recipients / payers

		EUROMOD		External			Ratio			
		2016	2016	2017	2018	2019	2016	2017	2018	2019
Benefits										
bhl00	Sickness and injury benefits	25,048	22,237	21,821	22,333	N/A	1.13	1.15	1.12	N/A
bhlmt	Sickness assistance and other means-tested health benefits	14,774	12,970	12,767	12,600	N/A	1.14	1.16	1.17	N/A
bho	Energy benefit	26,962	23,619	22,227	20,061	N/A	1.14	1.21	1.34	N/A
pdi	Disability pensions	7,451	8,089	8,305	8,412	N/A	0.92	0.90	0.89	N/A
psu	Survivor pensions	4,049	16,865	17,267	17,909	N/A	0.24	0.23	0.23	N/A
poanm	Non means-tested old-age pensions	89,043	61,257	64,745	64,521	N/A	1.45	1.38	1.38	N/A
bed	Education benefits	24,980	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bunls	Unemployment assistance	6,263	8,963	7,429	6,525	N/A	0.70	0.84	0.96	N/A
bot01	Other benefits	5,805	6,873	6,758	6,509	N/A	0.84	0.86	0.89	N/A
Taxes and Social Insurance contributions										
tpr	Property tax	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes: In EUROMOD, the number of recipients is computed as number of people who have received some income of the type indicated during the income reference period. N/A - not available.

Sources: EUROMOD I2.0 and Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System

Table 4.6 - Tax benefit instruments included but not simulated in EUROMOD - Annual amounts (in mil.)

		EUROMOD				External				Ratio			
		2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
Benefits													
bhl00	Sickness and injury benefits	8.9	8.8	8.1	7.3	7.6	7.4	6.9	N/A	1.17	1.19	1.16	N/A
bhlmt	Sickness assistance and other means-tested health benefits	21.1	21.6	21.8	22.2	18.3	18.4	18.3	N/A	1.16	1.17	1.19	N/A
bho	Energy benefit	8.2	8.3	8.1	8.1	4.7	5.7	5.6	N/A	1.74	1.45	1.45	N/A
pdi	Disability pensions	41.1	41.7	43.2	44.9	42.6	42.0	44.2	N/A	0.96	0.99	0.98	N/A
psu	Survivor pensions	31.2	31.7	32.7	33.8	125.3	133.9	139.8	N/A	0.25	0.24	0.23	N/A
poanm	Non means-tested old-age pensions	747.4	756.3	771.5	790.0	548.3	580.7	605.2	N/A	1.36	1.30	1.27	N/A
pdi+psu+poanm	Total pensions (old-age, disability, survivor)	819.7	829.7	847.4	868.7	716.2	756.6	789.2	N/A	1.14	1.10	1.07	N/A
bed	Education benefits	29.7	30.1	30.6	31.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bunls	Unemployment assistance	11.6	12.0	12.5	13.0	25.2	19.9	17.0	N/A	0.46	0.60	0.73	N/A
bot01	Other benefits	4.5	4.5	4.6	4.7	4.3	4.3	4.2	N/A	1.04	1.05	1.10	N/A
Taxes and Social Insurance contributions													
tpr	Property tax	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes: Amounts refer to total aggregate incomes received throughout the year.

bot01 includes marriage grant, maternity leave benefit, and pension of widows with children. N/A - not

Sources: EUROMOD I2.0 and Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)

Table 4.7 - Tax benefit instruments simulated in EUROMOD - Number of recipients / payers

		EUROMOD				SILC	Ratio	External				Ratio			
		2016	2017	2018	2019	2016	2016	2016	2017	2018	2019	2016	2017	2018	2019
Benefits															
bchmt	Child allowance (means-tested component)	21,744	21,110	20,583	19,999	0	N/A	17,559	16,568	17,611	N/A	1.24	1.27	1.17	N/A
bchnm	Child allowance (flat rate component)	27,383	28,017	28,529	29,112	37,797	0.72	25,918	27,184	26,306	N/A	1.06	1.03	1.08	N/A
bch	Child allowance	49,127	49,127	49,112	49,112	0	N/A	43,666	43,931	44,108	N/A	1.13	1.12	1.11	N/A
bwkmt	In work benefit	6,003	10,327	8,718	8,442	0	N/A	2,122	3,371	4,514	N/A	2.83	3.06	1.93	N/A
bmttu	Supplementary allowance	30,925	38,364	36,744	37,418	0	N/A	24,245	25,339	24,967	N/A	1.28	1.51	1.47	N/A
boamt	Age pension	8,904	8,699	8,418	7,877	6,027	1.48	5,326	5,160	5,084	N/A	1.67	1.69	1.66	N/A
boanc	Senior Citizen Grant	29,409	29,409	29,409	29,409	78,340	0.38	29,551	29,742	30,819	N/A	1.00	0.99	0.95	N/A
bsalp	Social assistance for single parents	4,963	5,027	4,887	4,797	0	N/A	3,494	3,261	2,961	N/A	1.42	1.54	1.65	N/A
bsa00	Social assistance	5,417	5,548	5,097	5,298	0	N/A	6,302	5,996	5,520	N/A	0.86	0.93	0.92	N/A
btuls	Bonuses	20,658	20,670	19,967	19,536	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bunctnm	Unemployment benefit	1,653	1,653	1,674	1,750	1,855	0.89	1,702	1,219	1,067	N/A	0.97	1.36	1.57	N/A
bunctmt	Special unemployment benefit	234	234	212	212	540	0.43	351	210	183	N/A	0.67	1.11	1.16	N/A
bunncmt	Unemployment allowance	2,977	2,977	2,685	2,685	856	3.48	3,594	1,954	1,392	N/A	0.83	1.52	1.93	N/A
bunncmt+bsa	Social assistance + unemployment allowance	15,243	15,439	14,555	14,741	3,250	4.69	15,443	12,640	11,123	#N/A	0.99	1.22	1.31	#N/A
bhomt	Rent subsidisation	0	0	0	661	0	N/A	1,714	2,331	2,186	N/A	0.00	0.00	0.00	N/A
bmact	Maternity leave for employees	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bmanc	Maternity benefit	0	0	0	0	0	N/A	3,601	3,693	3,551	N/A	0.00	0.00	0.00	N/A
bmaccm	Parental leave benefit	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Taxes and Social Insurance contributions															
tin	Income tax	226,319	224,644	215,422	217,010	0	N/A	290,545	290,812	280,939	N/A	0.78	0.77	0.77	N/A
tscee	Employee social insurance contributions	184,748	186,297	186,899	187,456	0	N/A	201,670	215,577	228,591	N/A	0.92	0.86	0.82	N/A
tscse	Self-employed social insurance contributions	24,349	24,370	24,546	24,575	0	N/A	18,028	22,388	N/A	N/A	1.35	1.09	N/A	N/A
tscgv	Social insurance contributions paid by the government	226,344	226,366	226,542	226,571	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscer	Employer social insurance contributions	201,996	201,996	201,996	201,996	0	N/A	201,670	215,577	228,591	N/A	1.00	0.94	0.88	N/A
tsctt	Credited social insurance contributions	75,244	75,244	75,244	75,244	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes: In EUROMOD, the number of recipients is computed as number of people who have received some income of the type indicated during the income reference period. N/A - not available.

Sources: EUROMOD I2.0 and Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS), and Commissioner for Revenue

Table 4.8 - Tax benefit instruments simulated in EUROMOD - Annual amounts (in mil.)

		EUROMOD				SILC				Ratio				External				Ratio			
		2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
Benefits																					
bchmt	Child allowance (means-tested component)	21.7	21.0	20.5	21.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	22.4	20.9	20.5	N/A	0.97	1.01	1.00	N/A
bchnm	Child allowance (flat rate component)	17.1	17.5	17.8	18.3	22.0	22.3	22.7	23.1	0.78	0.79	0.78	0.79	17.1	17.5	17.0	N/A	1.00	1.00	1.05	N/A
bch	Child allowance	38.8	38.6	38.3	39.3	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	40.8	39.7	39.3	N/A	0.95	0.97	0.97	N/A
bchmtcm	Child supplement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bwkmt	In work benefit	4.6	6.2	6.0	7.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	2.3	2.4	3.8	N/A	2.04	2.54	1.59	N/A
bmttu	Supplementary allowance	9.9	12.9	12.2	12.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	7.7	9.0	9.0	N/A	1.28	1.43	1.35	N/A
boamt	Age pension	35.0	34.6	35.1	34.8	26.0	27.5	28.4	29.5	1.35	1.26	1.23	1.18	21.5	21.9	22.0	N/A	1.63	1.58	1.59	N/A
boanc	Senior Citizen Grant	8.8	8.8	8.8	8.8	49.2	49.6	50.4	51.3	0.18	0.18	0.17	0.17	8.6	8.7	8.8	N/A	1.02	1.02	1.01	N/A
bsalp	Social assistance for single parents	21.2	21.3	21.4	21.7	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	14.8	13.9	12.9	N/A	1.43	1.53	1.66	N/A
bsa00	Social assistance	14.5	15.4	15.4	15.9	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	27.9	26.8	24.5	N/A	0.52	0.57	0.63	N/A
btuls	Bonuses	9.5	9.5	9.2	8.9	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	9.6	9.4	9.2	N/A	0.98	1.01	0.99	N/A
bunctnm	Unemployment benefit	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.2	0.99	0.99	1.01	1.08	1.0	0.7	0.6	N/A	1.19	1.73	2.06	N/A
bunctmt	Special unemployment benefit	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.02	1.02	0.91	0.91	0.3	0.2	0.1	N/A	1.39	2.21	2.96	N/A
bunncmt	Unemployment allowance	8.7	8.7	8.7	8.7	5.4	5.4	5.5	5.6	1.62	1.61	1.59	1.57	10.3	6.0	4.7	N/A	0.84	1.45	1.86	N/A
	Unemployment allowance +social assistance	46.1	47.0	47.2	48.0	7.0	7.0	7.1	7.2	6.62	6.68	6.63	6.65	54.3	47.6	42.8	N/A	0.85	0.99	1.10	N/A
bhomt	Rent subsidisation	0.0	0.0	0.0	1.9	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	1.1	1.5	2.4	N/A	0.00	0.00	0.00	N/A
bmact	Maternity leave for employees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bmanc	Maternity benefit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	3.4	3.5	3.4	N/A	0.00	0.00	0.00	N/A
bmacm	Parental leave benefit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Taxes and Social Insurance contributions																					
tin	Income tax	535.4	565.3	598.5	638.7	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	603.0	653.2	674.4	N/A	0.89	0.87	0.89	N/A
tscee	Employee social insurance contributions	299.9	311.0	324.2	335.2	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	255.3	279.6	313.2	N/A	1.17	1.11	1.04	N/A
tscse	Self-employed social insurance contributions	55.0	56.6	59.0	61.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	41.7	43.7	N/A	N/A	1.32	1.30	N/A	N/A
tscgv	Social insurance contributions paid by the government	360.0	372.2	387.7	400.5	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscer	Employer social insurance contributions	309.9	320.0	333.0	343.8	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	257.0	281.2	314.8	N/A	1.21	1.14	1.06	N/A
tsctt	Credited social insurance contributions	197.7	199.9	203.0	206.9	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes: boamt - the Cost of Living Adjustment component is included in the EUROMOD figure while it is reported as part of the bonus in the external statistics. N/A - not available.

Sources: EUROMOD 12.0 and Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS), and Commissioner for Revenue

Table 4.9 - Distribution of equivalised disposable income

	EUROMOD				External				Ratio			
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
D1	3.8	3.8	3.8	3.8	3.7	3.6	#N/A	#N/A	1.03	1.06	#N/A	#N/A
D2	5.0	5.0	4.9	4.9	5.1	5.1	#N/A	#N/A	0.98	0.97	#N/A	#N/A
D3	6.0	6.0	6.0	6.0	6.2	6.2	#N/A	#N/A	0.97	0.97	#N/A	#N/A
D4	7.2	7.1	7.1	7.1	7.2	7.2	#N/A	#N/A	0.99	0.99	#N/A	#N/A
D5	8.2	8.2	8.2	8.2	8.3	8.3	#N/A	#N/A	0.99	0.99	#N/A	#N/A
D6	9.5	9.5	9.5	9.5	9.5	9.4	#N/A	#N/A	1.00	1.01	#N/A	#N/A
D7	10.8	10.8	10.7	10.8	10.7	10.7	#N/A	#N/A	1.01	1.01	#N/A	#N/A
D8	12.3	12.3	12.3	12.2	12.1	12.1	#N/A	#N/A	1.01	1.02	#N/A	#N/A
D9	14.9	14.8	14.9	15.0	14.8	14.4	#N/A	#N/A	1.00	1.03	#N/A	#N/A
D10	22.4	22.5	22.6	22.6	22.4	23.0	#N/A	#N/A	1.00	0.98	#N/A	#N/A
Median	14,510	14,884	15,433	15,940	14,522	14,781	#N/A	#N/A	1.00	1.01	#N/A	#N/A
Mean	16,466	16,922	17,509	18,130	16,387	16,749	#N/A	#N/A	1.00	1.01	#N/A	#N/A
Gini	28.6	28.7	28.9	29.0	28.2	28.7	#N/A	#N/A	1.02	1.00	#N/A	#N/A
S80/S20	4.25	4.27	4.32	4.33	4.20	4.28	#N/A	#N/A	1.01	1.00	#N/A	#N/A

Notes: Based on household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income. N/A - not available.

Sources: EUROMOD I2.0 and EUROSTAT statistics database,
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Table 4.10 - Poverty rates by gender and age

	EUROMOD				External				Ratio			
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
40% median HDI												
Total	2.4	2.3	2.5	2.3	2.8	3.5	#N/A	#N/A	0.84	0.66	#N/A	#N/A
Males	2.4	2.4	2.6	2.6	3.0	3.3	#N/A	#N/A	0.80	0.72	#N/A	#N/A
Females	2.3	2.3	2.5	2.1	2.7	3.7	#N/A	#N/A	0.85	0.61	#N/A	#N/A
50% median HDI												
Total	9.3	9.2	9.7	9.7	8.6	8.7	#N/A	#N/A	1.08	1.06	#N/A	#N/A
Males	8.9	8.8	9.4	9.2	8.4	8.3	#N/A	#N/A	1.06	1.06	#N/A	#N/A
Females	9.7	9.6	10.1	10.3	8.8	9.2	#N/A	#N/A	1.10	1.04	#N/A	#N/A
60% median HDI												
Total	18.4	18.4	19.0	19.1	16.7	16.8	#N/A	#N/A	1.10	1.10	#N/A	#N/A
Males	17.5	17.4	17.9	18.0	16.1	15.6	#N/A	#N/A	1.09	1.12	#N/A	#N/A
Females	19.2	19.4	20.1	20.2	17.3	18.1	#N/A	#N/A	1.11	1.07	#N/A	#N/A
70% median HDI												
Total	26.3	26.1	26.6	26.4	24.4	25.2	#N/A	#N/A	1.08	1.04	#N/A	#N/A
Males	25.3	25.0	25.5	25.1	23.3	23.6	#N/A	#N/A	1.09	1.06	#N/A	#N/A
Females	27.3	27.3	27.8	27.7	25.6	26.9	#N/A	#N/A	1.07	1.01	#N/A	#N/A
60% median HDI												
0-15 years	20.3	20.4	21.0	21.0	20.8	21.2	#N/A	#N/A	0.97	0.96	#N/A	#N/A
16-24 years	15.5	14.8	15.8	15.5	16.3	14.1	#N/A	#N/A	0.95	1.05	#N/A	#N/A
25-49 years	11.6	11.7	11.8	11.7	11.9	11.9	#N/A	#N/A	0.97	0.98	#N/A	#N/A
50-64 years	17.6	17.4	17.8	17.9	14.9	16.5	#N/A	#N/A	1.18	1.06	#N/A	#N/A
65+ years	33.0	33.5	35.1	35.8	24.9	25.4	#N/A	#N/A	1.32	1.32	#N/A	#N/A

Notes: Computed for individuals according to their household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. N/A - not available.

Sources: EUROMOD I2.0 and EUROSTAT statistics database,
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Table 4.11 - Minimum wage validation - Annual amounts (in mil.)

		Min Wage Incl.				Baseline				Ratio			
		2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
ils_dispy	Equivalised disposable income	4,947.6	5,081.2	5,256.2	5,440.0	4,938.7	5,074.5	5,249.9	5,433.8	1.002	1.001	1.001	1.001
yem	Employment income	4,027.7	4,157.5	4,325.8	4,501.2	4,016.9	4,147.2	4,315.8	4,491.4	1.003	1.002	1.002	1.002
tin_s	Income tax	535.7	565.5	598.8	639.0	535.4	565.3	598.5	638.7	1.001	1.000	1.000	1.000
tscee_s	Employee social insurance contributions	300.4	313.4	326.4	337.4	299.9	311.0	324.2	335.2	1.002	1.008	1.007	1.007
tsce_s	Self-employed social insurance contributions	55.0	56.6	59.0	61.0	55.0	56.6	59.0	61.0	1.000	1.000	1.000	1.000
tscer_s	Employer social insurance contributions	309.9	320.0	333.0	343.8	309.9	320.0	333.0	343.8	1.000	1.000	1.000	1.000
bunncmt_s	Unemployment allowance	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	0.997	0.998	0.999	1.000
bsa00_s	Social assistance	14.3	15.1	15.1	15.6	14.5	15.4	15.4	15.9	0.984	0.984	0.982	0.984
bsalp_s	Social assistance for single parents	20.5	20.6	20.7	21.0	21.2	21.3	21.4	21.7	0.966	0.966	0.966	0.967
gini	Gini coeficient	28.6	28.7	28.8	28.9	28.6	28.7	28.9	29.0	0.998	0.999	0.999	0.999
poverty	Poverty rate (60% median HDI)	18.4	18.7	19.1	19.3	18.4	18.4	19.0	19.1	1.003	1.017	1.007	1.009

Source: EUROMOD I2.0