

EUROMOD

COUNTRY REPORT

MALTA (MT)
2020-2023

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EUROMOD is the tax-benefit microsimulation model for the European Union (EU). It 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 27 Member States and is yearly updated to cover the most recent changes in countries' policy systems. It uses input databases which are also updated on a yearly basis, coming mainly from the European Union Statistics on Income and Living Conditions (EU-SILC). The model yearly update is supported by the following Directorate-Generals of the European Commission: DG EMPL, DG ECFIN, DG TAXUD, DG REFORM, DG JRC, DG ESTAT.

Originally maintained, developed and managed by the Institute for Social and Economic Research (ISER), since 2021 these responsibilities are taken over by the Joint Research Centre (JRC) of the European Commission, in collaboration with Eurostat and 27 national teams from the EU countries.

The EUROMOD governance structure consists of a Steering Committee, allowing partner DGs to monitor the process of the EUROMOD update, and a Scientific Advisory Board to monitor and guide the scientific development of the model.

This report documents the work done in the most recent annual update for Malta. This work was carried out by the EUROMOD core development team, based at the JRC in Seville, in collaboration with the national team.

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The results presented in this report are derived using EUROMOD version I6.0+. EUROMOD is continually being improved and the results presented here may not match those that would be obtained with earlier or later versions of EUROMOD.

For more information see <https://euromod-web.jrc.ec.europa.eu/>

The information contained within this document does not necessarily reflect the position or opinion of the European Commission.

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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. Retirement age currently stands at 64 years, which increased in 2023 for people born during the calendar years 1959 to 1961. In the case of people born after 1961, retirement 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 annual increase in wages, majority of means-tested benefits 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 (RPI) 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, is 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 when 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 obtained 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 per cent and 89 per cent. Rates awarded according to degree of disability. Where the degree of disablement is assessed at 90 per cent 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. From 2020, the invalidation pension increased up to the Net National Minimum Wage. The new rate will apply to both single and married people but in order to qualify, one needs to be medically certificated to be at the highest level of

impairment according to Social Security Act. Moreover, beneficiaries of this measure must have at least 250 social security contributions paid or credited.

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.

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 €140.00 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 2023, the GNMI increased to €179.50 per week for single persons and to €183.50 per week for married persons. This weekly amount includes the cost-of-living bonuses and any other increase as provided in article 90A of the Social Security Act.

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. In 2023, widows benefited from an average additional increase of €3.45 per week in their widow's pension. Additionally, from 2023 onwards, widows are entitled to contributory unemployment, sickness and injury on duty benefits, according to the contributions they paid.

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 and its severity. Various types of disability are listed under the Social Security Act. One may receive a Disability pension/assistance if he/she:

- suffers from a severe disability;
- has an income not exceeding the National Minimum Wage;
- has a disability certified 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 cohabiting person who are over 18 years of age, has paid an average of 20 social security contributions per year, 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. From 2023, this benefit will cover people who have paid at least 15 social security contributions per year. Beneficiaries are also allowed to pay up to 5 years of missing social security contributions when they reach the age of 59.

Carer Grant: is payable to parents who had to leave their employment to take care of a disabled child over the age of 16 and who are entitled to the Increased Severe Disability Assistance. This grant was introduced in 2021 and amounted to €300 per year. In 2022, this grant increased to €500 per year and continued to increase in 2023 with a benefit rate of €4,500 per year.

Carer at Home Scheme: is payable to senior citizens over the age of 60 who employ a carer of their choice to assist them in their daily needs. The carer must have a recognised qualification and each applicant is assessed by a professional to ensure that the benefit is given to those who require the service. In 2022, this annual benefit increased from €6,000 to €7,000, which will help elderly persons to remain in the community while at the same time supporting informal carers to remain active in the workforce.

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. From 2022, the benefit rates of social assistance are awarded the full COLA. As a result, in 2023 the benefit increased by €9.90 per week.

Unemployment assistance: is payable to head of household who is registering under Part 1 of the Unemployment Register and who satisfy the conditions of a means test as laid down in the Social Security Act.

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. From 2022, persons aged 80 years and over who benefit from the supplementary allowance, will also be eligible for free medical assistance. From 2023, people suffering from coeliac disease will receive an increase of €20 per month to their grant. Additionally, people who are not in employment and who are receiving unemployment contributory benefits, or the sickness contributory benefits, can also benefit from non-contributory medical assistance.

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.

Children's Allowance Supplement: from 2021 on, beneficiaries of the children allowance will benefit from an additional supplement. Families that benefit from the universal flat-rate element will be receive a supplement equal to €50 per year for each child. Families that benefit from the means-tested element will be awarded €70 per year for each child. In 2023, this supplement was increased by an additional €90 per year for each child for both categories, totalling €140 and €160, respectively.

Child Birth/ Adoption Bonus: is payable to the mother of a new-born child or adoptive parent. This scheme was introduced in 2020.

Adoption Grant: this benefit is given to adoptive parents with the aim of covering expenses incurred during the adoption process. Parents eligible for this fund must be Maltese residents. The adoption grant was extended to couples who adopt children locally in 2021.

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. In 2022, the benefit rate increased to €30 per week.

Foster care allowance: is payable to recognised institutes for the care of children up to the age of 18 years and to foster parents for children up to the age of 21 years. The children are to be resident at a recognised institute or living with foster parents. From 2023, the benefit will not stop immediately after the parent adopts, but it will decrease gradually over the following 4 years or until the child's 21st birthday, depending on which comes first. The weighting will include; 80 per cent of fostering allowance in the first year of adoption, 60 per cent in the second, 40 per cent in the third and 20 per cent in the fourth. The benefit rate in 2023 amounted to €110 per week.

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. The benefit is also extended to women that are self-occupied, self-employed or unemployed. This is not means-tested. Following the 14 weeks maternity benefit, beneficiaries are also eligible to the maternity leave benefit, which covers an additional 4 weeks. As from 2015, the rate of maternity leave benefit was increased and paid at a rate equivalent to the national minimum wage.

Adoption benefit: is payable for a maximum of 14 weeks to any person who adopts a child. Persons that are self-occupied, self-employed or unemployed are also eligible. Following the 14 weeks adoption benefit, recipients can benefit from the adoption leave benefit, which provides a weekly flat-rate benefit equivalent to the national minimum wage for another 4 weeks. The rates granted are the same as the maternity benefit.

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 2021; Foreign Pension Income for Year of Assessment 2022 and Local Pension Income for Current Year 2023. 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 €10,871.
- A single person who is head of household and is employed or is an employed pensioner.
- A married person still living within the same household with his/her spouse. The total reckonable income shall not exceed €14,968.

From 2021, an additional supplement started being awarded to all person aged 65 and over who qualify for supplementary assistance.

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. The capping of the rent benefit scheme amounts to €500 monthly for a one-bedroom residence, €600 monthly for a two-bedroom residence and €700 per month for a three-bedroom residence.

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.

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.

In-work benefit for employees with atypical working hours: as from 2022, employees in the private sector who do not exceed a basic pay of €20,000 and who work in the evening, on weekends and shifts will benefit from a €150 yearly grant. This includes the following sectors: accommodation and food service activities, administrative and support service activities, manufacturing, transportation and storage, and wholesale and retail trade. Eligible workers must have worked for at least 6 months over a calendar year. This measure was extended in 2023.

Tapering of Benefits Scheme: aimed at introducing into employment people in receipt of unemployment assistance, social assistance, and social assistance for single unmarried parents. The scheme is given for a 3-year period to those beneficiaries who become engaged in employment/self-employment and earn the national minimum wage or more. In 2023, this scheme was improved whereby the eligible beneficiaries received 10 per cent more of the benefit in the following 3 years. Thus, the beneficiaries now receive 75 per cent of the benefit in the first year of work, 55 per cent in the second year and 35 per cent in the third year. In addition, the employer is paid 25 per cent of the social benefit duration those three years.

1.2.3 Lump Sum Benefits

Marriage grant: one-time payment payable upon marriage to persons normally resident in Malta. A grant of €311.85 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/er who remarries and hence forfeits her/his right to a widow/er'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 per cent and 19 per cent.

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/her 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. In 2023, for service pensioners aged 72 years and over, the exempted amount of service pension that is not taken into consideration for social security pension assessment purposes, continued to increase by €200, amounting to €3,266.

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.

Credits for persons with mental health issues scheme: this scheme covers individuals that missed pension contributions due to absences from work once already started working or also before joining the workforce due to mental illnesses. The Government covers two years of contribution credits to those people who have not worked for a period of time between the ages of 18 and the age of 30 and who received regular treatment from a psychiatrist who is or was a government consultant.

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. In 2023, given the increase in energy prices, the Government is subsidising the price increase in electricity, gas and fuel for all households and businesses.

Housing Authority schemes: these schemes, administered by the Housing Authority, include an equity sharing scheme (aimed for those aged over 40, who 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. Other schemes include; the new hope scheme, where the Government will act as a guarantor, enabling individuals with medical issues or disabilities to become homeowners, and the home assist scheme, where the Government assists individuals who are unable to pay the required 10 per cent down payment when taking a loan to purchase a residential property. Another scheme is the deposit payment scheme which was introduced in 2020. The scheme offers an interest-free loan of 10 per cent covering a property of a maximum value of €175,000, to assist people who are not able to save enough funds for a down payment and want to purchase a residential home. In 2023, the maximum value of the property increased to €225,000 to reflect market prices.

First-time buyers grant: A €10,000 grant, over a span of 10 years, is given to every first-time buyer who purchases a property with a value below €500,000. This grant will be eligible to every purchase made from 1st January 2022 and is not subject to a means test.

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. This scheme was extended to elderly aged 75 and over in 2020 and to elderly aged 70 and over in 2021. From October 2022 onwards, this scheme was extended to all residents that hold a “*tallinja*” card.

Gozo ferry subsidy scheme: Holders of the ‘*Kartaanzjan*’ card, which are individuals aged 60 and over, are eligible to free fare on Gozo Channel Co. Ltd and the ferry boat trips - a boat ferry service linking the island of Gozo and Malta. Furthermore, Gozitan citizens benefit from a subsidised rate for both the Gozo Channel and the boat ferry service.

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 Job Bridge Scheme, Work Placement Scheme, 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. JobsPlus also offer child

care subsidy of €1.50 per hour to parents that attend these training courses organised by JobsPlus. In 2022, JobsPlus launched an online portal that includes a number of employment contract templates setting the minimum requisites and standards stipulated by law, to ensure that all employees' rights are respected.

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.

Free childcare: the Government offers free childcare services to parents and guardians who work or are still in education. This service can be provided directly through Government services or through Registered Child Care Centres. In 2022, this service was extended to benefit employees who work evenings, in the weekends or on organised shifts.

Free internet access to post-secondary students: from 2021 free internet access is offered for a whole year to all the students who keep on studying after completing their secondary schooling.

Assistance for vulnerable children: Since 2022, a grant averaging €10,000 annually is given to the heads of all state schools, from kindergartens to secondary schools, in order to ensure that the children under their supervision are not deprived from necessities such as food or other basic resources. In 2023, programmes are being designed to address challenges these vulnerable students face on a daily basis. Schools with the highest proportion of students coming from a difficult environment will receive a larger allocation of these programmes. These programmes will be included under scheme 9 which was first introduced in 2016 and 2017 scholastic year. This scheme offers a vast range of assistance to vulnerable children such as technological resources (laptops and tablets), uniforms, school lunch, free extra-curriculum events and reading books.

Stipends' Maintenance Grants: these are offered to students that choose to further their studies on a full-time basis in higher education. This includes a one-time initial grant, a stipend that is paid periodically in backdated four-weekly payments, summer special stipends and top-up stipends. In 2022, all students will benefit from a 10 per cent increase in their stipends and will continue receiving this benefit even if they are concurrently in employment (work up to 25 hours per week).

Work-Life Balance Measures: in 2022 there was an increase of the paternity leave for the second parent to 10 paid days and two months of parental leave for each parent were introduced, paid at the sickness benefit rate. Additionally, five days of unpaid leave for carers of a relative or a person who lives in the same residence and who requires care for medical reasons were introduced.

Vulnerable Household Mechanism: was introduced in December 2022, to compensate low-income families for the increase during 2022 and 2023 in the cost of living due to high inflation. The mechanism is triggered when two circumstances occur:

- The inflation rate in the previous 12 months is higher than 2 per cent.
- Individual inflation in the previous 12 months in three of the five basic components of the RPI (namely Food; Accommodation; Electricity, Water, Gas and Fuel; Household equipment and household maintenance cost; and Personal health care) exceed their five-year rolling average.

If both conditions are met, the mechanism is triggered and households who receive social benefits and who earn less than the household median equivalised income (set at €17,796) will benefit from a pay-out based on the household earnings and household size. The households most exposed to the price increases will receive the highest allowance, as the mechanism ensures that the pay-out is highest among families with more persons living in same household and whose household equivalised income is low.

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: income tax is levied on income in general and on 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 has 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). On immovable property, in 2014, the Government introduced the first-time buyer scheme, whereby, stamp duty is exempt on the first €150,000 of residential property bought as a first residence. In 2018, a similar stamp duty reduction was announced for second-time buyers on the first €86,000 of residential property. These measures were extended each year and in 2020, the amount of the stamp duty exemption increased to €175,000 for both first-time and second-time buyer. As part of the Economic Regeneration Plan the stamp duty on property acquisition was reduced from 5 per cent to 1.5 per cent on the first €400,000 of the property value and the capital gains tax paid by the seller was reduced from 8 per cent to 5 per cent. These rates apply to promise of sale agreements registered up to the end of March 2021, extended to July 2021. In 2021, the first-time buyers stamp duty exempt threshold was further increased to €200,000. As from 2022, capital gain tax and stamp duty are exempt on the first €750,000 of the sale price for properties that were built more than twenty years ago and have been vacant for more than seven years, for properties that are in an Urban Conservation Area (UCA), and for new properties that are built in a typical traditional Maltese style and architecture. Also, first buyers of such properties in Malta will benefit from a grant of €15,000. These schemes were further extended in 2023.

2. SIMULATION OF TAXES, SOCIAL INSURANCE CONTRIBUTIONS AND BENEFITS IN EUROMOD

2.1 Scope of simulation

Not all benefits and taxes are simulated in EUROMOD. Indirect taxes such as VAT and excise duties that do not affect net disposable income are currently 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 [2020-2023]

Benefit	Variable	2020	2021	2022	2023	Comments
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	Cannot be simulated as it includes stipends, smartcards, scholarship benefit and education subsidies.
Wage supplement for employees	bwkmcee_s	S	S	S	-	COVID-19 policy
Wage supplement for self-occupied/self-employed	bwkmcse_s	S	S	S	-	COVID-19 policy
Parental benefit	bfapl_s	S	-	-	-	COVID-19 policy
COVID-19 Social benefits	bec_s	IA	-	-	-	
Maternity leave for employees	bmact_s	IA	IA	IA	IA	Limited data in SILC. The Maternity benefit is captured in the SILC variables bot01 and bot02 which include additional benefits such as carers pension, marriage grant and the milk grant.
Maternity benefit	bmanc_s	IA	IA	IA	IA	
Maternity leave benefit	bmacm_s	IA	IA	IA	IA	
Child birth bonus	bchba_s	PS	PS	PS	PS	No information on adoptions during the calendar year
Child allowance (means-tested)	bchmt_s	S	S	S	S	
Child allowance (flat rate)	bchnm_s	S	S	S	S	
Carers allowance	bca_s	IA	IA	IA	IA	In SILC we do not have information on

						which individuals take care of dependent relatives. The variable which captures this benefit, include additional simulated benefit which are deducted to account for this benefit.
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	
Additional bonus	bls_s	S	-	-	-	
One-time stimulus cheque	blstm01_s	-	-	S		
In-work benefit	bwkmt_s	S	S	S	S	
Housing benefit on privately rented dwellings	bhomt_s	S	S	S	S	
Bonuses	btuls_s	IA/S	IA/S	IA/S	IA/S	
Vulnerable Household Mechanism	bsamt_s	-	-	-	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 2018, 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 2018 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 insurance contributions in EUROMOD [2020-2023]

Tax/SIC	Variable	2020	2021	2022	2023	Comments
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	tscct_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.

2.2 Main Policy Changes

Policies	2020 → 2021	2021 → 2022	2022 → 2023
Benefits	<ul style="list-style-type: none"> The introduction of an annual child allowance supplement varying from €50 to €70 for each child in the family. The supplementary allowance was revised, increasing between €70 and €108. The additional supplement of €150 for pensioners was given to all persons aged 65 years and over who qualified for this assistance, and not only to those whose income is below the poverty line. The in-work benefit and the housing benefit thresholds increased for all categories. 	<ul style="list-style-type: none"> The extension of the child birth and adoption bonus, and the elderly grant for adults over 80, with an increase of €100 and €50 on the previous year’s bonus, respectively. Increase in the supplementary allowance. The extension and increase of the in-work benefit. The extension of the tax rebate on pensions and the tax credit for personal retirement scheme. 	<ul style="list-style-type: none"> Increase in the children allowance supplement by an additional of €90 per child per year for both the means-tested and the flat rate category. The extension of the child birth and adoption bonus, and the elderly grant for adults. The extension and increase of the in-work benefit. The extension of the tax rebate on pensions and the tax credit for personal retirement scheme.

	<ul style="list-style-type: none"> The child birth and adoption bonus, the senior citizen grant, tax rebate on pension and the tax credit for personal retirement scheme were all extended. 		
Social Insurance Contributions	<ul style="list-style-type: none"> Contributory and non-contributory pensions were raised by €3.25 per week, over and above the cost-of-living adjustment. 	<ul style="list-style-type: none"> Contributory and non-contributory pensions were raised by €3.25 per week, over and above the cost-of-living adjustment. 	<ul style="list-style-type: none"> Contributory and non-contributory pensions were raised by €2.60 per week over and above the COLA.
Direct Taxes	<ul style="list-style-type: none"> The tax rebate to employed individuals was extended with a higher rebate varying between €45 to a maximum of €95. 	<ul style="list-style-type: none"> Increase in the tax rebate to employees, varying between €60 to €140. Lower tax of 10 per cent on income from part-time work. 	<ul style="list-style-type: none"> Extension of the tax rebate to employees, varying between €60 and €140. Extension of the lower tax on income from part time work.
Other	<ul style="list-style-type: none"> The extension of the wage supplement until the end of year. The benefit amount granted to businesses and employees will be calculated on the loss of sales the entity incurred during 2020. The parental benefit was further extended for one month following the restrictive measures imposed during March and April 2021. 	<ul style="list-style-type: none"> Stimulus cheque granted to individuals to combat inflationary pressures, amounting to €100 to students and workers, and €200 to pensioners and social benefits' beneficiaries. Extension of the wage supplement scheme until end of May 2022. 	<ul style="list-style-type: none"> Introduction of the vulnerable household mechanism, a payment targeted to low-income families, which could be triggered once a year.

2.3 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	2020	2021	2022	2023	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)
Ildef_mt	on	on	on	on	Specific income concepts
random_mt	on	on	on	-	Random assignment for yemcomp_mt/ysecomp_mt (COVID-19 WCs)
TransLMA_mt	off	off	on	-	Modelling labour market transitions
tundef_mt	on	on	on	on	Assessment units
yem_mt	switch	switch	switch	switch	Minimum wage
neg_mt	on	on	on	on	Recode negative incomes
yemcomp_mt	on	on	on	-	Wage compensation scheme COVID-19
ysecomp_mt	on	on	on	-	Wage compensation scheme COVID-19
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
tscse_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
bfapl_mt	off	-	-	-	COVID-19 Parental benefit
yemadj2_mt	on	-	-	-	Wage recalculation after parental benefit
yemmyadj_mt	on	-	-	-	Month in employment recalculation after parental benefit
bec_mt	on	-	-	-	COVID-19 Social benefits
bmact_mt	switch	switch	switch	switch	Maternity leave for employees
bmanc_mt	switch	switch	switch	switch	Maternity benefit
bmact_mt	switch	switch	switch	switch	Maternity leave benefit
boanc_mt	on	on	on	on	Senior citizen grant
boamt_mt	on	on	on	on	Age pension
bchba_mt	on	on	on	on	Birth Bonus
bch_mt	on	on	on	on	Child allowance (means-tested and flat rate)
bchmtcm_mt	-	-	-	-	Child supplement (only valid in 2015)
bca_mt	on	on	on	on	Carers allowance
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
bls_mt	on	-	-	-	Additional bonus
blstm01_mt	-	-	on		One-time stimulus cheque
bwkmt_mt	on	on	on	on	In-work benefit
tscct_mt	on	on	on	on	Credited social insurance contributions
bhomt_mt	on	on	on	on	Rent subsidisation
bsamt_s	-	-	-	on	Vulnerable household mechanism

2.4 Policy Extensions

The Maltese model includes various ‘extensions’ (previously called ‘switches’), that enable users to switch certain simulations on or off. They are indicated by little coloured symbols in the row

number column of the spine. Switchable policies can be turned ON or OFF through the run dialog box without changing the model itself. In the baseline a switchable policy is set to its default (ON or OFF) as specified in this documentation. Malta’s model has four extensions:

- **MWA switch:** Minimum Wage Adjustment OFF by default
 - yem_mt: if hourly wage is lower than hourly minimum wage, yem is recalculated according to the minimum wage, ignoring overtime hours of work; if ON, the switch overwrites yem00.
- **HHoT_un switch:** HHoT unemployment extension OFF by default
- **UAA switch:** Uprating by Average Adjustment OFF by default
 - allows for uprating pensions according to the regular rules of indexation when the switch is off, or according to the average rise in pensions when it is on.
- **PBE switch:** Parental Leave Benefits OFF by default allows to switch on parental leave related policies not simulated in the baseline: bmacro_mt, bmacro_mt and bmacro_mt.

2.5 Benefits

2.5.1 Unemployment benefit (Benefiċċju għal diżimpjieg) (bunctnm_mt)

- **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 2.4.

Table 2.4. Unemployment Benefit Amounts (in Euro, daily), 2020-2023

	2020	2021	2022	2023
Single parent & married person maintaining non-full-time employed spouse	12.86	13.12	13.25	13.97
Other persons	8.41	8.58	8.66	9.13

Source: Department of Social Security

- **Means test**

This benefit is not means-tested.

EUROMOD modelling: 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.

2.5.2 Top-Up to Retirement Pension (*Zieda fil-Pensjoni tal-Irtirar*) (poanm)

- **Benefit description**

As of 1st January 2016, the National Minimum Pension was topped up by €8.92 weekly for those aged 75 and over and by €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 €3.51 per week in 2020, €3.25 per week in 2021 and 2022 over and above the cost-of-living adjustment. In 2023, the additional increase amounted to €2.60 per week over and above the COLA (amounting to a total of €12.50 per week).

- **Eligibility conditions**

In 2016 and 2017 the minimum amount payable was increased for contributory pension, while in 2018 until 2023 the increase was applicable to all contributory and non-contributory pensions.

EUROMOD modelling: 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`).

2.5.3 Old age pension (*Pensjoni tal-Eta*) (boamt_mt)

- **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 a 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, in the four years preceding 2022. As from January 2022, the capital limit to people who have inherited a property after they started receiving the non-contributory pension is €50,000 for couples and €30,000 for single persons, for at least five years.

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 2.5.

Table 2.5. Benefits: Highest rate of non-contributory Age Pension (in Euro per week), 2020-2023

	2020	2021	2022	2023
A married couple where both qualify for a pension	152.79	157.21	161.63	170.83
A married couple where only one of the spouses qualifies for a pension	106.41	110.83	115.25	124.45
Widowed, single persons or a married person where a spouse is in receipt of a State Financed Residential Service	120.02	124.44	128.86	138.06

Source: Department of Social Security

EUROMOD modelling: 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.

2.5.4 Children's allowance (Allowance tat-Tfal) (bchnm_mt and bchmt_mt)

- **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 in 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 €96 per child. In 2021 and 2022, beneficiaries of the Children's Allowance benefitted from an additional supplement. In the scenario where income of the family does not exceed €25,409 per annum, the amount of the supplement was equal to €70 per year for each child. Whereas, families whose income exceeded this amount, received a supplement equal to €50 per year for each child. In 2023, the children's allowance supplement increased by an additional of €90 per child per year.

- **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 2.6). 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 2.6. Children’s allowance policy parameters, in Euro, 2020-2023

	2020	2021	2022	2023
Income threshold	25,227	25,318	25,409	25,924
Lower limit of assessed income	5,962	6,053	6,144	6,659

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 (€25,924.00) and the actual income. For 2023, a 6.50 per cent 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 €8.66 and cannot exceed the maximum of €24.08. In case of 16- to 21-year-olds registering for work for the first time or students not receiving any stipends, it is 2 per cent. In addition, the benefit amount also increased by a supplement varying from €160 and €140 per child per year.

EUROMOD modelling: 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.

2.5.5 Special unemployment benefit (Benefiċċju speċjali għal diżimpjieg) (bunmt_mt)

- **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 2.8).

- **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 2.7.

EUROMOD modelling: 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 2.7. Special unemployment benefit, 2020-2023

		2020	2021	2022	2023
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	21.60	22.03	22.25	23.45
	- Other persons	14.25	14.54	14.68	15.47
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

2.5.6 Unemployment assistance (Ghajnuna għal dizimpjeg) (bunncmt_mt)

- **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, she/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 2.8.

Table 2.8. Unemployment assistance, 2020-2023

		2020	2021	2022	2023
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	108.26	109.43	111.18	121.08
	- 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 modelling: 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).

2.5.7 Social assistance (Għajnuna Soċjali) (bsa_mt) and Social assistance for single unmarried parents (Applikazzjoni għall-Għajnuna Soċjali) (bsalp_mt)

2.5.7.1 Social assistance (Għajnuna Soċjali) (bsa_mt)

- **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 2.9).

Table 2.9. Social assistance weekly rates, in Euro, 2020-2023

	2020	2021	2022	2023
Rate for single person	108.26	109.43	111.18	121.08
Additional members	8.15	8.15	8.15	8.15

Source: Department of Social Security

EUROMOD modelling: 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. Therefore, 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.

2.5.7.2 Social assistance for single unmarried parents (Applikazzjoni għall-Għajnuna Soċjali) (bsalp_mt)

- **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 2.10).

Table 2.10. Disregarded income/earnings (in Euro per week), 2020-2023

	2020	2021	2022	2023
Income disregard	62.92	63.50	63.50	63.50

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 2.9).

- **Benefit amount**

In the case of single parents not living with other adults, the benefit is equal to 100 per cent 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 per cent of the difference between the applicable general social assistance rate and assessed income.

EUROMOD modelling: 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. Therefore, 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. Moreover, social assistance for

single parents is modelled within social assistance because, despite different eligibility conditions in the legislation they fall under the same benefit.

2.5.8 Bonuses (btuls_mt)

- **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 2.11.

Table 2.11. Bonus rates, in Euro, 2020-2023

	2020	2021	2022	2023
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 modelling: 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.

2.5.9 Supplementary assistance (‘Allowance’ Supplimentari) (bmttu_mt)

- **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/her 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 €14,968 in the case of a couple and €10,871 in the case of a single person.

The income ceiling is based on income and emoluments for Year of Assessment 2021; Foreign Pension Income for Year of Assessment 2022 and Local Pension Income for Current Year 2023 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 2.12.

Table 2.12. Yearly Policy parameters for the supplementary allowance, 2023

	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	€13,039	€1,099.28	Equivalent to 5.90% of the difference obtaining between €26,996 and actual reckonable income
	€ 13,039- - €14,968	€418.60	Equivalent to 3% of the difference obtaining between €26,996 and actual reckonable income
Single pensioner in receipt of a National Minimum Pension or equivalent rate	€10,871	€598	Equivalent to 4.28% of the difference obtaining between €22,336 and actual reckonable income

Single person forming a household on his/her own	€10,871	€598	Equivalent to 4.28% of the difference obtaining between €22,336 actual reckonable income up to a maximum rate of €11.50 per week
Single person not forming a household on his/her own with earnings from a gainful occupation not exceeding the National Minimum Wage	€10,871	€126.36	

Source: Social Security Act

Those who are of 65 years of age and whose reckonable income is below the poverty line gets an extra €150. With effect from 2021, the €150 supplement is paid without distinction to all persons aged 65 and over who qualify for supplementary assistance.

From 2022, there was an increase in the supplementary allowance for all those entitled to this benefit. In summary, married persons whose income does not exceed €14,968 will be obtaining an increase in the benefit ranging from €3.47 to €6.50 per week from the 2021 rates. Similarly, single persons including widowed persons whose income in 2023 is not greater than €10,871 will be receiving an addition ranging between €4.10 to €5.00 per week over the 2021 rates.

EUROMOD modelling: 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.

2.5.10 In-work benefit (Benefiċċju ta’ waqt l-impjieg) (bwkmt_mt)

- **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 2023, 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 2022 that falls between the following brackets:

- Single parents in employment who earn more than €6,600 and less than €35,000 are eligible for a maximum payable rate of up to €1,500 yearly per child.
- Married couples with both parents in employment whose collective income is greater than €10,000 and is less than €50,000 (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 €1,500 yearly per child.

- Married couples of whom only one is in gainful employment and whose income is greater than €6,600 and less than €35,000 are eligible for a maximum payable rate of up to €730 yearly per child.

Income is defined as income derived from gainful occupation (such as salary, and income from overtime) minus social security contributions.

- **Benefit Amount**

In Table 2.13, the income thresholds have been condensed and benefit rates have been averaged for each category.

Table 2.13. The in-work benefit scheme

Income (€)	2023 Yearly Benefit Rates (€)		
	Married, only one parent in employment	Married, only both parents in employment	Single
6,660 - 7,812	730		1162
7,813 - 8,812	730	0	1337
8,813 - 9,912	730	0	1475
9,913 - 9,999	730	0	1430
10,000 - 10,312	730	700	1390
10,313 - 11,212	680	700	1270
11,213 - 12,212	680	975	1088
12,213 - 12,712	680	1350	920
12,713 - 12,812	680	1500	870
12,813 - 13,712	605	1500	770
13,713 - 13,812	605	1500	670
13,813 - 14,812	455	1500	560
14,813 - 15,812	370	1500	393
15,813 - 16,812	305	1500	250
16,813 - 17,312	305	1500	250
17,313 - 17,812	305	1500	220
17,813 - 17,912	280	1500	220
17,913 - 18,812	280	1211	220
18,813 - 20,112	250	900	220
20,113 - 20,712	250	615	220
20,713 - 20,812	250	540	220
20,813 - 21,312	220	525	220
21,313 - 22,212	220	310	220
22,213 - 23,000	220	273	220
23,001 - 23,112	220	250	200
23,113 - 23,412	220	240	200
23,413 - 24,812	220	230	200

24,813 - 26,000	220	230	200
26,000 - 35,000	200	230	200
35,000 - 50,000		200	

Source: Department of Social Security

In 2022, an in-work benefit of €150 per annum will be given to employees that do not exceed €20,000 in basic pay and who work atypical hours for at least 6 months within certain private sectors, including: accommodation and food service activities, administrative and support service activities, manufacturing, transportation and storage, and wholesale and retail trade. This was extended in 2023. However, this is not simulated in EUROMOD due to lack of information.

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

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

- **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. The housing benefit reform was implemented in 2019.

- **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, or 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 2.14 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 2.14. Housing Benefit for 2023

Category	Household	Maximum Annual Income (in Euro)	Maximum Housing Benefit (in Euro)
1	Single Person	19,696.80	3,600
2	Single Parent with 1 child	19,928.28	4,800
3	Single Parent with 2 children and more	24,278.28	5,000
4	Two Adults without children	19,878.28	3,600
5	Couple with 1 child	24,678.28	4,800
6	Couple with 2 children and more	32,696.80	5,000
7	3 or more adults living together	28,778.28	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 modelling: 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 2020-2023. The 2021 SILC data corrects the issue of double counting as the housing benefit is excluded from bho, thus, the major reform introduced in 2019 is simulated. The variable used for total rent paid by household is xhcr. This variable is based on rent paid for unfurnished dwelling and may include ground rent.

2.5.12 Senior citizen grant (Ghotja għal Ċittadin Anzjan) (boanc_mt)

- **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 grant is given to the elderly aged 75 years and over who are still living in their home. In 2020, the annual grant increased to €350 for elderly aged 80 years and was further increased in 2022 to an annual rate of €400.

2.5.13 Child Birth/Adoption Bonus (Bonus għal Twelid ta' Tarbija jew Adozzjoni) (bchba_mt)

- **Benefit Description**

This measure was introduced in 2020, whereby it provides a grant for every birth or adoption during the year. This one-time bonus is granted to help families cope with the increase in expenses.

- **Eligibility conditions**

The child birth allowance is granted to new parents of every child that is born. The adoption allowance is given to the parents that adopt a child. It is a fixed allowance and not means tested. The bonus is granted for each new-born or each adoption during 2021.

- **Benefit Amount**

In 2021, the one-time bonus for every new birth or adoption was of €300. In 2022, the rate increased to €400 per child.

EUROMOD modelling: This measure is partially simulated since no information on adoptions is available in the input dataset.

2.5.14 Additional Bonus (Bonus addizzjonali) (bls_mt)

- **Benefit Description**

Every household will benefit from a one-time bonus in addition to the Cost of Living Adjustment (COLA) in 2020. The aim of this measure was to provide compensation to families for the increase in prices of certain necessities, which price increases may not have been wholly reflected in the price index. This measure was not reintroduced in the following years.

- **Eligibility conditions**

Every household was eligible for this scheme. Each household received a cheque with the bonus. The amount will depend on the number of persons that live within a household.

- **Benefit Amount**

Households made of a single person benefited from a one-time bonus of €15 while households made up of more than one person benefited from a bonus of €35.

2.5.15 Maternity leave for employees (Liv tal-Maternita' għall-impjegati) (bmaect_mt)

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 2.5.17 on the Maternity Leave Benefit.

- **Definitions**

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

- **Eligibility conditions**

A pregnant employee 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.

2.5.16 Maternity benefit (Benefiċċju tal-Maternita') (bmanc_mt)

- **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 2.5.15 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 2023 is €192.73 per week for self-occupied women, while other pregnant women are entitled to 14 weeks of maternity benefit at the weekly rate of €111.24 per week. The table below presents the maternity benefit rates for the four years under review.

Table 2.15. Maternity Benefit Rates, weekly in Euro, 2020-2023

	2020	2021	2022	2023
Self-occupied	179.33	181.08	182.83	192.73
Others	97.84	99.56	101.34	111.24

Source: Department of Social Security

- **Subject to taxes/SIC**

Not subject to any tax.

2.5.17 Maternity leave benefit (Benefiċċju dwar Liv tal-Maternitá) (bmacm_mt)

- **Definitions**

Maternity leave benefit (Benefiċċju 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 2.16. Maternity leave benefit, 2020-2023

		2020	2021	2022	2023
Payment	Rates (weekly, €)	179.33	181.08	182.83	192.73
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

EUROMOD modelling: the maternity benefits `bmact_s`, `bmanc_s` and `bmacm_s` are included in the parental leave benefit SWITCH, not in the baseline, as external data for the macro-validation is not available for the private sector.

2.5.18 One-time Stimulus Cheque

In 2022, the Government introduced a one-time cheque given to workers, students and pensioners to combat the increased cost of living. Students and workers received a benefit of €100 while pensioners and people on social benefits benefitted from a grant of €200. This measure was not extended in 2023.

EUROMOD modelling: The one-time benefit mentioned above is simulated.

2.5.19 Vulnerable Household Mechanism

- **Definition**

In December 2022, the Government introduced a new mechanism that provides an additional payment to the most vulnerable households. This mechanism may also be referred to as Additional COLA mechanism.

- **Eligibility conditions**

The aim of the mechanism is to assist low-income families with the rising cost of living and comes into effect whenever the following two circumstances are satisfied:

- The inflation rate in the previous 12 months was higher than 2 per cent.
- Individual inflation in the last 12 months in three of the five basic components in the RPI (which include Food; Accommodation; Electricity, Water, Gas and Fuel; Costs related to home maintenance and household appliances; and private healthcare) exceeds the average of the previous five years.

When these two conditions are met, the mechanism compensates all recipients of social benefits whose annual income is below the Median Equivalised Income (MEI - set at €17,796 in 2022). The payment to households varies and is dependent on the number of persons living in the household, and its income.

This mechanism is based on estimating the household disposable income considering social benefits received plus income earned less taxes and social insurance contributions. The COLA mechanism is pegged with the at-risk-of poverty line, where a household with an income lower than or equal to the 40 per cent of the median will be receiving one-and-a-half more than a household whose income lies at or over the 60 per cent threshold. The following conditions apply:

- i) Households are categorized into ventiles of the income distribution (groups of 5 percentiles), starting at the 40 per cent and with a ceiling at the 100 per cent of the MEI;
- ii) If the household's net equivalized income threshold is lower than 40 per cent of the MEI, the household will be automatically assumed to have the 40 per cent of the MEI in the calculation of the payout;
- iii) Inflation rate is that as of September 2022, which was equal to 4.93 per cent;
- iv) The 60 per cent of MEI is set at €10,678 based on SILC data 2021, income reference year 2020, and assuming a 4 per cent growth rate;
- v) Individuals who are identified as 'children' still living with their parents, but exceed the 100 per cent MEI income threshold or are above the age of 15 are excluded from the household's gross and net payout calculations;
- vi) An estimation of COLA set at €9.90 per week is deducted from the final payout, whenever an individual is assumed to be receiving it in 2023;
- vii) If the household's net equivalized income threshold is higher than 100 per cent of the MEI, the household will not be entitled to the benefit. The 100 per cent MEI equalled to €17,796 in 2022.
- viii) The minimum amount that a household can receive, if entitled to a positive payout of the benefit, is €100.

- **Benefit amount**

The benefit amount varies according to the household size and income. For eligible beneficiaries with a positive pay-out the minimum benefit is €100.

EUROMOD modelling: The vulnerable household mechanism mentioned above is simulated.

2.5.20 Other benefits

- **Tapering of Benefits**

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 per cent), 2nd Year Beneficiary (45 per cent) and 3rd Year Beneficiary (25 per cent). 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. In 2023, the beneficiaries will receive 10 per cent more of the benefit. This means that they will receive 75 per cent in the 1st Year Beneficiary, 55 per cent in the 2nd Year Beneficiary and 35 per cent in the 3rd Year Beneficiary.

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

2.6 Social Insurance 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 2019 are shown in Table 2.17. As from 2014, the MPI is indexed to a mechanism that is made up of 70 per cent wages and 30 per cent inflation.

Table 2.17. Maximum pensionable income thresholds in Euro, 2020-2023

	2020	2021	2022	2023
Persons born up to 31/12/1961	19,017	19,362	19,707	20,424
Born on or after 1/1/1962	24,986	25,258	25,986	26,831

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 €910 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.

2.6.1 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, respectively. In 2018 the bonus rates were kept constant while in 2019 the bonus was increased to €200 and €300, respectively. In 2020, the previous year’s rates were maintained, although the bonus continued being granted even if the beneficiaries reached the age of 75. In 2021 the bonus was further increased by €50, amounting to €250 for persons who contributed during less than 5 years, and €350 for persons who paid more than 5 years’ but less than 10 years’ worth of contributions. The annual bonus increased by €150 in 2022, amounting to €400 and €500 respectively. In 2023, the increase amounted to an additional €50, reaching a total of €450 and €550 respectively.

2.6.2 Employee social contributions (tscee_mt)

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 2.18.

Table 2.18. Minimum and maximum contribution payable (Euro per week), 2020-2023

	2020	2021	2022	2023
Minimum	17.93*	18.11*	18.28*	19.27*
Maximum: for persons born up to 31/12/1961	36.57	37.24	37.90	39.28
Maximum: for persons born from 1/01/1962	48.05	48.57	49.97	51.60

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 €910 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.

From 2022, part-time employees have the opportunity to pay social security contributions on more than one part-time job up to a maximum of 40 hours per week.

EUROMOD modelling: 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.

2.6.3 Employer social contributions (tscer_mt)

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 2.19 shows this for period 2020-2023.

Table 2.19. Weekly maximum and minimum thresholds for Class One social insurance Contributions (in Euro per week), 2020-2023

	2020	2021	2022	2023
Minimum	17.93	18.11	18.28	19.27
Maximum: for persons born up to 31/12/1961	36.57	37.24	37.90	39.28
Maximum: for persons born from 1/01/1962	48.05	48.57	49.97	51.60

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 modelling: 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.

2.6.4 Self-employed/occupied social contributions (tscse_mt)

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 2.20).

Table 2.10. Asset & income limits (per year) in Euro to qualify for an exemption to pay Class 2 contributions, 2020-2023

	2020	2021	2022	2023
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 2020-2023, 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 2.21 shows contributions subjected to a maximum and a minimum per week.

Table 2.11. Weekly maximum and minimum thresholds for Class Two social insurance Contributions (in Euro per week), 2020-2023

	2020	2021	2022	2023
Minimum	30.77	31.03	31.29	32.78
Maximum: for persons born up to 31/12/1961	54.85	55.85	56.85	58.91
Maximum: for persons born from 1/01/1962	72.08	72.86	74.96	77.40

Source: Commissioner for Revenue

EUROMOD modelling: 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).

2.6.5 Social insurance contributions paid by the state (tscgv_mt)

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 2.22.

Table 2.12. Class One Minimum and Maximum thresholds (in Euro per week), 2020-2023

	2020	2021	2022	2023
Minimum	17.93	18.11	18.28	19.27
Maximum: for persons born up to 31/12/1961	36.57	37.24	37.90	39.28
Maximum: for persons born from 1/01/1962	48.05	48.57	49.97	51.60

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 2.23.

Table 2.13. Class Two Minimum and Maximum thresholds (in Euro per week), 2020-2023

	2020	2021	2022	2023
Minimum	30.77	31.03	31.29	32.78
Maximum: for persons born up to 31/12/1961	54.85	55.85	56.85	58.91
Maximum: for persons born from 1/01/1962	72.08	72.86	74.96	77.40

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 modelling: 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.

2.6.6 Credited social insurance contributions (tscct_mt)

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;
- 2 years of contribution credits are covered by the Government for absences from work after or before joining the workforce due to mental illnesses. This is applicable to individuals who have not worked for a period between the ages of 18 and 30 and who received regular treatment from a psychiatrist who is or was a consultant employed by the Government.

EUROMOD modelling: 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.

2.7 Direct Taxes (tin_mt)

2.7.1 Tax unit (tin_mt)

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 €3,400 /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 modelling: 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.

2.7.2 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. From 2022, the tax rate decreased to 10 per cent.

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.

2.7.3 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 modelling: 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.

2.7.4 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 2.24.

Table 2.24. Income Tax applicable Rates (in Euro), 2020-2023

	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	21,201-28,700	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 €3,400 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 modelling: 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 taxed 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.

2.7.5 Tax credits for persons returning to employment (tintcwm_s)

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 JobsPlus;
 - the spouse is over 40 years of age, and
 - the spouse's income does not exceed €9,700
 - This incentive applies for a period of 5 consecutive years of assessment commencing from the basis year in which the spouse started work.

EUROMOD modelling: The tax credit mentioned above is simulated.

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

- **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 per cent 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 per cent to 25 per cent. In 2021, the tax-exempt annual financial investment was increased by €1,000 to a maximum of €3,000 each year.

EUROMOD modelling: The tax credit mentioned above is simulated.

2.7.7 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 per cent 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 childcare 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 childcare, rather than making use of the free childcare service.

Since 2012 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.

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 per cent 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.

In 2023, a tax credit of €200 per year is introduced for each child with a disability in order to aid parents with therapy costs.

EUROMOD modelling: the tax credit simulated within EUROMOD (tinta_s) include the tax deduction of children attending private childcare facilities and independent schools. The other tax credit mentioned above are not simulated due to lack of data (there is no detailed information on work history in the EUROMOD input dataset).

2.7.8 Tax rebates (tnaqqis ta’ taxxi) (tinrbp_s)

For the 2018, 2019 and the 2020 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. In 2021, the refund increased between €45 to a maximum of €95 and in 2022 and 2023, this continued increasing to an amount between €60 and €140. 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 refund in taxes for all persons in employment, for 2020 to 2023 (in Euro)

	2019-2020	2021	2022-2023
Income	Amount	Amount	Amount
0 – 15,000	60	80	125
15,001 – 30,000	50	65	95
30,001 – 59,999	40	45	60
Income	Amount	Amount	Amount
0 – 20,000	68	95	140
20,001 – 40,000	56	80	110
40,001 – 59,999	44	50	65
Income	Amount	Amount	Amount
0 – 15,000	64	90	135
15,001 – 30,000	52	75	105
30,001 – 59,999	40	45	60

Source: Commissioner for Revenue

EUROMOD modelling: The tax rebate mentioned above is simulated.

2.7.9 Tax Rebate on Pensions (Aggustament ghal helsien mit-taxxa fuq pensjonijiet) (tinrfp_s)

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. Table 2.26 illustrates the amount of pension income that is tax free for individuals under different computation, either; single, parent or married. The table also shows how the income threshold increased throughout the years, whereby in 2023 the cap increased to €14,968 and the other tax-free income for married pensioners cover up to €3,600.

Table 2.26. Tax rebate on pension income, for 2020 to 2023 (in Euro)

	2020	2021	2022	2023
Computation: Single	13,798	14,058	14,318	14,968
Computation: Parent	13,798	14,058	14,318	14,968
Computation: Married	13,798	14,058	14,318	14,968
Other non-taxable income				
Computation: Married	2,000	3,600	3,600	3,600

Source: Commissioner for Revenue

EUROMOD modelling: The tax rebate mentioned above is simulated.

2.7.10 Reduced taxes on income from Overtime

In 2020 the Government introduced a lower tax rate on overtime work. People who are not in a managerial position and whose basic wage does not exceed €20,000 a year benefit from a 15 per cent tax rate on the first 100 hours of overtime in a year.

EUROMOD modelling: The tax reduction mentioned above is not simulated since no information exist on income from overtime in the input dataset.

2.8 COVID-19 Measures

2.8.1 Wage Supplement (bwkmcee_mt & bwkmcse_mt)

During the peak of COVID-19, the Government imposed several restrictions that affected the operation of a number of businesses in different sectors. To provide financial assistance to employees, self-employed, and entities that operate in the sectors which were negatively affected by these restrictions and to also prevent job losses, the Government introduced the wage supplement scheme. This scheme was first introduced from 9th March until 30th June of 2020, and then extended until 30th December 2020. Due to the persistence of the virus, in 2021, this scheme was reintroduced with some changes until the end of 2021. The amount of assistance payable was based on each business' sale losses during the pandemic. This was calculated through filed VAT declarations, comparing the loss in turnover between March to October 2019 and March to October 2020. New employees, who were replacing previous employees that have resigned on a voluntary basis, were also covered by the scheme. Businesses who up until March 2021 did not benefit from this supplement and were forced to close down due to new restrictive measures introduced on 11th March 2021, were eligible to receive the full wage supplement of €800.00 per employee per month, irrespective of sales. The full supplement was paid until restrictive measures remained active. The restrictive measures were eased gradually.

In August 2021 the Government introduced a two-phased gradual tapering to reduce uncertainty to business. During the month of August and September 2021 the benefit amount decreased by

60 to 80 per cent of the benefit then in place (Phase 1), and during last quarter of 2021 the benefit amount decreased by 50 per cent of that in phase 1 (Phase 2). The wage supplement was extended until May 2022 following the same format already in place.

The wage supplement amounts were differentiated among different sectors classified under three annexes:

- **Annex A/Annex C**

Full-time employees and self-employed that operate in sectors that have been affected drastically from COVID-19 or had to temporarily suspend operation are entitled up to five days' salary equivalent to a monthly gross wage of €800. Part-time employees under Annex A are eligible for €500 per month. Further information to the list of sectors can be found in the following link: <https://covid19.maltaenterprise.com/wp-content/uploads/2020/03/Annex-A.pdf>.

From 1st July 2020 this scheme was also extended for pensioners and students that work part-time in the affected sectors. At the same time, those who fall under Annex A, with the exception of those working in areas involved with tourist accommodation, travel agencies, language schools, event organisation and air transport, moved to Annex C. The benefit amount for those operating within the new annex was reduced from €800 to €600 per month for full-timers, and from €500 to €375 per month for part-timers. Further information to the list of sectors can be found in the following link: <https://covid19.maltaenterprise.com/wp-content/uploads/2020/07/Annex-C-Updated-sectors-July-to-September.pdf>.

With the reintroduction of the wage supplement scheme in 2021, the sectors falling under Annex A and C were still eligible, but the benefit rates were based on the drop of sales the business incurred in 2020, as indicated in Table 2.27 hereunder. This remains applicable until the end of the scheme in May 2022.

- **Annex B**

Full-time employees of businesses that operate in other adversely affected sectors are entitled to one day's salary per week, equivalent to €160 per month, while part-time employees are entitled to €100 per month. Gozo based employees are entitled to up to two days' salary per week, equivalent to €320 per month for full-time employees, and €200 per month for part time employees. This also applies to self-employed who do not have employees, while those self-employed who do employ workers will benefit from a two days' salary per week equivalent to €320 per month. Self-employed operating from Gozo are also entitled to two-days' salary per week, which increases to three days' salary equivalent to €480 per month for those who have employees. Their full-time employees are entitled to a fixed amount of €800 per month. Further information to the list of sectors can be found in the following link: <https://covid19.maltaenterprise.com/wp-content/uploads/2020/03/Annex-B.pdf>. This component of the scheme was also extended for pensioners and students who work in the sectors that fall under Annex B from 1st July.

With the reintroduction of the wage supplement scheme in 2021, the sectors falling under Annex B were still eligible, but the benefit rates were based on the drop of sales the businesses incurred in 2020, as indicated in Table 2.27 hereunder. This remains applicable until the end of the scheme in May 2022.

Table 2.27: Wage supplement gross monthly rate in 2021 and 2022 according to the percentage drop in sales

Percentage drop in sales	FT employees (Jan– July 2021)	FT employees (Aug – Sept 2021)	FT employees (Oct 2021– May 2022)	PT employees (Jan– July 2021)	PT employees (Aug– Sept 2021)	PT employees (Oct 2021– May 2022)
55% or greater	€800	€800	€800	€500	€500	€500
Between 45% and 54%	€640	€510	€250	€400	€320	€150
Between 35% and 44%	€480	€290	€145	€300	€180	€90
Between 25% and 34%	€320	€200	€100	€200	€125	€60
Between 10% and 24%	€160	€100	€50	€100	€65	€35
Drop in sales 9% or less	€0	€0	€0	€0	€0	€0

Source: Malta Enterprise

EUROMOD modelling: This policy is switched off in the baseline model.

The scheme is modelled for 2020, 2021 and 2022 with different assumptions. Due to the lack of information, not all the elements of the scheme are being simulated. Specifically, in the data from 2020 it is not possible to distinguish between the employee and self-employed who are based in Gozo from those based in Malta – hence the model does not account in said year for the differential treatment of the scheme. Furthermore, in 2020 we assume that this benefit is granted for nine and half months and that during this time, employment income of individuals is partially replaced by the wage supplement. The same principle applies to the model for 2021 and 2022; however, the duration of the benefit is modelled for 12 months for 2021 and 5 months for 2022. For 2020, beneficiaries that fall under Annex A are being assumed to work around 20 to 50 per cent of the average monthly hours during the duration of this scheme, while for Annex B it is assumed that individuals work around 50 to 70 per cent of their normal hours during the whole period. For 2021 and 2022 the scheme is not disaggregated by Annex A and Annex B. In 2021 employees and self-employed are assumed to work around 70 to 80 per cent of their normal hours and around 92 per cent of their normal hours in 2022, based on the sector they work in.

For the period 2020 to 2022 the scheme is simulated based on the total expenditure data incurred during the assumed duration of the scheme. Furthermore, employees, pensioners, students, self-employed or employers receiving the benefit are randomly selected by sector, according to external data showing the take-up of this benefit by NACE sectors and Annex as provided by Malta Enterprise. However, for 2021 and 2022, since we cannot distinguish among the entities that incurred the highest drop in sales in 2020, the average benefit by sector was calculated from administrative data provided by Malta Enterprise, which portrayed the monthly expenditure in 2021 and 2022 by sector.

This policy can only produce results if the model is run in combination with the LMA add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the TransLMA_mt policy, which is switched on automatically by the add-on. For more information about the modelling of labour market transitions please consult the '*Simulating labour market transitions in EUROMOD*' document.

Moreover, TransLMA_mt enables the user to consider not only transitions to monetary compensation (Wage Supplement) but also other type of labour market transitions: e.g. from employment to unemployment, and vice versa. For more information about the modelling of labour market transitions please consult the '*Simulating labour market transitions in EUROMOD*' document.

Labour transitions model-based **data** included in the policy system of 2020 (figures for 2021 have not yet been updated) are produced by Eurostat, using detailed distributional information on labour transitions from the Labour Force Survey and administrative data.

The impact across different categories of individuals, the duration of unemployment/absence and the percentage of hours worked are modelled using the EU-LFS longitudinal and quarterly transitions as target.

For more information about the data please consult the methodological note available at <https://ec.europa.eu/eurostat/documents/7894008/8256843/Methodological-note-2020.pdf/9a70fb55-ceb7-d25a-1b31-ab0c030095d2?t=1625228771763>.

2.8.2 Social Measures

In 2020, the Government also introduced a set of social measures to compensate people that were affected by the restrictions imposed during the battle against COVID-19. The individuals that were targeted are people who lost their employment or could not continue working (physically or remotely) because they had to care for their children or were deemed as vulnerable. These measures included;

- **Additional Unemployment Benefit** which targeted employees who had their full-time employment terminated, as a result of COVID-19. These individuals are eligible for the Contributory Unemployment Benefit and receive a direct payment of €166.15 if they had been working full-time or €103.85 per week if they had been working part-time. The additional unemployment benefit was granted from 9th March until 1st of July 2020.
- **Parental Benefit** was targeted to parents who both work in the private sector and requires one of the parents to stay at home to take care of their school-aged children. Provided that any of the parents cannot carry out their functions through teleworking arrangements, they were entitled to a direct payment of €166.15 per week if working full-time or €103.85 per week if working part-time. This measure also applied to single parent families. The parental benefit was granted from 9th March till 1st of July 2020. This scheme was reintroduced in 2021 for the duration of one month from 15th March to 11th April 2021.
- **Medical Benefit** targeted employees in the private sector who cannot go to work nor telework, because they were ordered by the Public Health Authorities to stay at home. This applies to persons that were deemed vulnerable due to a medical condition. Given that the employer is not providing a wage, recipients were entitled to a direct payment of €166.15 per week if working full-time or €103.85 per week if working part-time. The medical benefit was granted from 27th March till 5th June 2020.
- **Disability Benefit** is targeted to persons with disability that work in the private sector. Since these individuals, on medical advice, could opt to stay at home for health and safety

reasons, they were eligible to receive to a direct payment of €166.15 per week if they were working full-time or €103.85 per week if working part-time. The disability benefit was granted from 9th March till 5th June 2020.

For all these measures, social security contributions were still being credited during the time beneficiaries benefited from these schemes. Subsequently, if they are in receipt of any other social measure such as; in-work benefit, tapering of benefits and children allowance, prior to COVID-19, they continued receiving such benefits.

EUROMOD modelling: The additional unemployment benefit, medical and disability COVID-19 related benefits are not included in the simulation since no information is available in the input dataset. The only benefit simulated is the parental benefit (bfapl_s) for the year of 2020. This measure is switched off in the baseline model. The ‘new’ unemployed individuals were selected through a random process according to the sector they work in. The percentages applied in randomisation are based on external data that shows unemployment patterns by NACE sectors during the peak of COVID-19 as provided by Social Security Department. For 2021, the simulation of the parental benefit was not included as the number of beneficiaries and the total expenditure was very small.

2.8.3 Government Vouchers

In 2020, to stimulate domestic expenditure, the Government has distributed a €100 voucher to every resident aged 16 and over, to be spent locally, to the extent of 80 per cent at hotels, licensed accommodations, restaurants, bars or diving schools and 20 per cent at retail outlets that were ordered to close down their business premises during the pandemic. The scheme was extended in 2021, whereby 60 per cent of the vouchers is allocated to hotels, licensed accommodations, restaurants and bars and the remaining 40 per cent is allocated to retail outlets.

EUROMOD modelling: The scheme is not simulated in the model, as the measure was granted in terms of vouchers and not in cash payments.

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.

From 2021 onwards, a new database prepared by Eurostat - EUROMOD SILC database (EMSD) is used to derive the input dataset. The EMSD includes:

- all UDB variables;
- national data supplied by National Statistics Institutions (NSIs);
- EUROMOD variables imputed by Eurostat (because of restricted data access) categorised as type E or E+p (the generation of those variables is explained in the DRD).

Based on the EMSD, the national teams derived additional variables that require a deep understanding of country specificities (for instance national tax-benefit rules). These variables are referred to as EUROMOD variables type N.

The majority of the variables were constructed from the UDB and when further disaggregation of the variables was available they were constructed from the PDB. The variables constructed from the PDB (categorised as type E or E+p) are: afc, amrrm, dcz, dec, decde, deh, dehde, dew, dmb, drgmd, dnscy, drgru, drgur, lcs, les, lfs, loc, kfbmy, yemmy, ysemy, bunmy, pdimy, psumy, yiy, ypr and yot.

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_2021_b1
Original name	SILC_UDB_c21 (November 2022release)
Provider	Eurostat
Year of collection	2021
Period of collection	2021
Income reference period	2020
Sampling	Simple random sample of households
Unit of assessment	Household
Coverage	Private households
Sample size	Approximately: 5,000 households
Response rate	88.0%
Final EUROMOD dataset sample size	Households: 4,038; Individuals: 10,110

Source: National Statistics Office, Malta

3.2 Data adjustment

Very few adjustments have been carried out. There is some minor data cleaning to ensure 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 2020. 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 ranges between 4 and 7 months.

All monetary information has been collected on an annual basis. These values 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 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 1.28 per cent.
- **Income from employment** has been disaggregated in previous years into bonuses and the rest.

As the year of birth variable in EU-SILC 2021 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. Moreover, the **senior citizen grant** is split from the SILC variable since the variable captures additional components that were not being accounted for in the simulation of this measure. Finally, the **energy benefit** was disaggregated to capture the housing and the energy benefit separately since additional information was provided from the national SILC.

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 €2.60 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

The tables reported in Annex 3 illustrate the number of recipients/earners and the total amounts of market income, benefits, taxes and social insurance contributions that are simulated and imputed over the period of 2020-2023. Moreover, when available, the tables also include external statistics that are collected from various administrative sources. These are then utilised to validate the EUROMOD results derived from the SILC and the EUROMOD results that are simulated. The main discrepancies between EUROMOD results and external benchmarks and factors that explain these differences are discussed in the following subsections.

4.1.1 Components of disposable income

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 the definition includes income from private pensions in household disposable income. However, the value of a company car is not included, if such a fringe benefit is present. Because tax adjustments usually concern income and taxes from previous years, these are not included in the EUROMOD 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 2020-2023 systems) and in EU-SILC 2021.

Table 4.1. Components of disposable income

	EUROMOD 2020-2023	EU-SILC 2021
	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.

4.1.2 Validation of market incomes

Annex Tables 3.1 and 3.2 illustrates components of market income in terms of total earners and total amounts. Recipients of **employment income** are on average slightly overestimated for the years from 2020 to 2021 but in 2022 the ratio is 1.0. Their income is also slightly overestimated from 2020 to 2022 ranging from a ratio of 1.11 to 1.20. The number of recipients of **self-employment income** is overestimated for the period of 2020-2022, which is expected since the external data is based on full-time equivalent self-employed. In fact, for the years 2020-2022, the ratio of total receipts varies from 1.28 to 1.35. This is possibly explained by the different data methodologies of the external data (National Accounts) and SILC, together with data revisions.

4.1.3 Validation of taxes and social insurance contributions

With regards to taxes and social insurance contributions, as indicated in **Annex Tables 3.3 and 3.4**, the recipients of **personal income tax** and **self-employed social insurance contributions** are overestimated in 2020 and 2021 when compared to external statistics. The number of people contributing to the **employee** and **employer social insurance contributions** are almost equal to the external statistics in both 2020 and 2021 when compared to external statistics. When it comes

to the total amount of **personal income tax, employee social insurance contributions and employer social insurance contribution**, these are overestimated in EUROMOD in both years, by a share ranging from 14 to 26 per cent. The number of **self-employed social insurance contributors** are also overestimated in EUROMOD. Validation of some indicators was not possible, given that some external data was not yet available.

4.1.4 Validation of benefits

This section validates the results from the benefits simulated and imputed in EUROMOD, which are also presented in **Tables 3.5 and 3.6** in Annex 3. **Table 3.5** illustrates the number of recipients of the benefits, and **Table 3.6** shows the corresponding aggregates amounts simulated/imputed in EUROMOD - and when available, the tables also include statistics from administrative sources.

Simulation of Pensions

The results of the **senior citizenship grant** match closely the administrative sources however, these 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. Such components include the special weekly bonus and the six-monthly bonus. To account for these additional components, they are included as a residual in EUROMOD under the variable **residual of the senior citizenship grant**. Indeed, in 2021 and 2022 the recipients of this grant are slightly underestimated.

In addition, the number of people captured in the **survivor pensions** are highly underestimated in EUROMOD in relation to external data, with a ratio ranging from 0.26 in 2020 to 0.24 in 2022. Recipients of **disability pensions** in EUROMOD are almost equal to the external statistics, with a slight underestimation of an average 6 per cent during the period from 2020 to 2022. On the contrary, **contributory pensions** have consistently been overestimated in the years analysed. This outcome is expected given the manner in which this variable was formulated in the EU-SILC dataset. In the SILC dataset, benefits and pensions received by individuals aged over 65 are categorised as old-age benefits, regardless of their actual classification in the national system. Consequently, in EUROMOD, individuals over 65 who receive disability or survivor benefits are recorded as recipients of old-age benefits, which account for the underestimation of the survivor pension (contributory pensions are not included in the Maltese model). No adjustment is made in EUROMOD for this peculiarity in EU-SILC.

The expenditures of the **disability pensions** and the **contributory pension grant** are overestimated when compared to the external statistics. During 2020 and 2021, the spending on the senior citizenship grant was somewhat overestimated by approximately 3 per cent, but it shifted to being slightly underestimated in 2022 by 2 per cent. Similar to the recipient count, the expenditure levels for survivor pensions are also significantly underestimated.

Simulation of Means-tested Benefits

The second section of Annex **Tables 3.5 and 3.6** presents the output results of the means-tested benefits from EUROMOD. The results show that only a few of the instruments are relatively well simulated.

Between 2020 and 2022, there is an overestimation of the number of recipients for the **energy benefit** in EUROMOD when compared to administrative statistics. Conversely, the total expenditure is slightly underestimated in all three years. Possible reasons include the fact that the SILC variable include additional components which are not being captured in EUROMOD. Also the SILC does not adequately capture the incidence of this benefit, and possible low take-up.

The count of individuals benefiting from **rent subsidization**, also known as housing benefit, is undervalued in EUROMOD, with ratios of 0.74 in 2021 and 0.70 in 2022. This underestimation extends to the corresponding expenditure level. This discrepancy can be explained by the fact that the variable only captures the rent of unfurnished dwelling thus, rent reported may be less than the actual rent paid, which can influence the eligibility condition that rent must exceed 25 per cent of the household's gross income. Another issue relates to the sampling error. Conversely, the recipients and total spending of the **in-work benefit** are extremely overestimated in EUROMOD in the years 2020-2022. Factors that explain this gap include; low take-up of the benefit, sampling error and – in later years from 2021 – the increase in employment which results in higher income levels that decreases the likelihood of meeting the eligibility threshold.

The **sickness assistance** is a non-simulated benefit. Both the figures for the receipts and expenditure in EUROMOD are overestimated due the period from 2020-2022.

Both the number of individuals and expenditure amounts for the **supplementary assistance** are overestimated in EUROMOD. This discrepancy in this benefit may be due to the inability to accurately replicate the asset test, misalignment of time periods and non-take-up. Moreover, since in EUROMOD annual income and not monthly income is used, this may lead to a situation where there is low-income in the short-term scenario, and the respective benefit entitlement, is not taken into consideration. On the other hand, expenditure in **social assistance** is slightly understated whilst the recipient numbers are in alignment with the external statistics. In table 3.6, **unemployment assistance** is slightly overestimated in EUROMOD whilst the recipients are almost equal to the external statistics. Furthermore, the simulation of **special unemployment benefit** is significantly overestimated in EUROMOD for the years 2020. The simulation of this benefit is dependent on the simulation of the **contributory unemployment benefit**, as beneficiaries who are in receipt of the latter are eligible to the former if they meet the income and asset test criteria. Given that the number of recipients of the unemployment benefits is data based through the corresponding SILC variable (as explained further in the next section, “Simulation of Non-Means-tested Benefits”), this led to an increase in the number of beneficiaries of the special unemployment benefit, which also increased total expenditure. In addition, there is also the issue of sampling error as the actual number of beneficiaries that benefit from these non-contributory unemployment benefits is relatively very small, as long-term unemployment in Malta has continued to decrease year-on-year.

The **age pension**, during the covered period, exceeds the external statistics in terms of both the number of beneficiaries and the expenditure. This disparity arises because the external data for the age pension does not include the Cost-of-Living Adjustment component, which is an integral part of the benefit simulated in EUROMOD. Additionally, due to lack of data the asset test cannot be accurately replicated.

Children allowance is also overestimated in EUROMOD, both in terms of recipients and also in terms of expenditure, however the expenditure is closer to administrative sources, as indicated in Annex Table 3.6.

Simulation of Non-Means-tested Benefits

The third section of Annex **Tables 3.5** and **3.6** presents the results of the non-means tested benefits. Between 2020 and 2022, the number of recipients and the overall expenditure for the **birth grant** are slightly higher in EUROMOD when compared with administrative sources. This discrepancy might be attributed to factors such as limited benefit uptake and potential sampling errors related to the birth cohort. In addition, various **other benefits**, including the maternity benefit, maternity leave benefit, and marriage grant, are undervalued in the baseline year. This undervaluation is evident in both the recipients and the total expenditure, with the respective ratios for 2022 amounting to 0.56 and 0.84.

With regards to the **unemployment benefits**, EUROMOD underestimates both the number of recipients and expenditure in 2020. This discrepancy can be attributed to the inclusion of COVID-related social benefits (such as parental benefit, medical benefit, disability benefit, and additional unemployment benefit) in the SILC variable that is the base of the simulation of contributory unemployment in EUROMOD. Specifically, the eligibility condition of the contributory unemployment benefit in EUROMOD is dependent on the recipients in the corresponding SILC variable (PY092G) and number of months in/out of employment during the year.

4.2 Income distribution

All income distribution results presented in **Table 3.7** (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 (Annex 3 **Table 3.7**) are quite close to the ones released by EUROSTAT. The **mean** and **median disposable income** in 2021 are slightly underestimated by 6 per cent and 2 percent, respectively. 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 for the year 2020, where income is overestimated by 21 per cent in EUROMOD. Conversely, in 2021, this measure is underestimated by 2 per cent. It should be noted that the validation of certain indicators was unfeasible, as certain external data had not yet been made accessible.

4.2.2 Poverty rates

Poverty rates as derived from EUROMOD are compared to EUROSTAT figures in **Table 3.8** (Annex 3). Poverty rates using the poverty line at the **40, 50, 60 and 70 per cent** of the median equivalised household incomes are underestimated in 2020. Meanwhile the total poverty rates estimated at the poverty line for all the percentages of median income in 2021 are close to the administrative sources. Taking into consideration the poverty line at **60 per cent** of median by age cohorts, EUROMOD slightly overestimates the poverty rates for the people aged 50-64 years by 13 per cent. This variation can be explained by the cohort's sensitivity to changes in the poverty line. Consequently, this implies a higher elasticity, where a minor adjustment in the poverty threshold results in a disproportionately significant change in the AROP rate. Additionally, it is noticeable that there is no consistent bias over the years, suggesting that any over or underestimation is likely sporadic rather than systematic. Validation of some indicators was not possible, given that some external data was not yet available.

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 2021 with 2020 incomes. No adjustments are made for changes in employment or demographic characteristics of the population.

- 2020 incomes are adjusted to follow growth in their average values in 2021-2023 (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 2021-2023.
- The SILC sample is relatively small. Care should be taken in interpreting results for small population sub-groups since the grossing factors (weights) applied to compute a population total may lead to cases of under-or-over representation of these groups.
- 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.
- Several very small benefits means-tested or contingency based (such as for example leprosy assistance or milk grant) are ignored in the simulation.
- The simulation of monetary compensation schemes (bwkmcee_s, generated by yemcomp_mt, and bwkmcse_s, generated by ysecomp_mt; for employee and self-employed respectively) is triggered by the simulation of labour market transitions defined in policy TransLMA_mt. This policy becomes operational if the model is run in conjunction with the LMA add-on. The nature of these simulations is still experimental and only partially validated. Users are encouraged to refer to the "Simulating labour market transitions in EUROMOD" document prior to their use.
- Labour market transitions are switched off in EUROMOD baselines. As a consequence, the simulation of monetary compensation schemes does not produce any effect in baseline simulations. Since all policies not linked to labour market transitions are fully functional, it is possible for disposable income in 2020 to 2022 to be higher than disposable income in previous years.

5. REFERENCES

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Sources for tax-benefit descriptions/rules

- Income Tax Act (Chapter 123 of the Laws of Malta)
- Social Security Act (Chapter 318 of the Laws of Malta)
- Voluntary Occupational Pension Scheme Rules (Subsidiary Legislation 123.175)
- OECD (2020), Benefits and Wages, Country chapter Malta
- OECD (2021), Benefits and Wages, Country chapter Malta
- OECD (2022), 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
		2020	2021	2022	2023		
Harmonized Consumer Price index from EUROSTAT	\$f_hicp	106.37	107.12	113.69	119.8	Eurostat	bed, kfb, kivho, tad, yot, ypt, tis, xpp, xhcot, xhcmomi, xhcrt, xmp, bfa
Mean annual gross basic salary	\$f_yem	18,909	19,758	20,952	22,074	Annual Labour Force Dataset	yem00, yse, bunls, yem_a
Average worker's wage (hourly is missing), Agriculture and Fishing (lindi = 1), units of national currency	\$f_hourly_wage_lindi_1	17,599.87	18,438.31	19,064.85	19,529.85	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (persons) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Mining, Manufact. and Utilities (lindi = 2), units of national currency	\$f_hourly_wage_lindi_2	11.4438	11.989	12.3964	12.6987	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Construction (lindi = 3), units of national currency	\$f_hourly_wage_lindi_3	9.1848	9.6223	9.9493	10.1920	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Wholesale and retail (lindi = 4), units of national currency	\$f_hourly_wage_lindi_4	9.77	10.2355	10.5833	10.8414	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi

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Index	Constant name	Values of the raw indices				Source	Income components updated by the index
		2020	2021	2022	2023		
Average hourly wage, Hotels and restaurants (lindi = 5), units of national currency	\$f_hourly_wage_lindi_5	6.7646	7.0868	7.3277	7.5064	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Transport and communication (lindi = 6), units of national currency	\$f_hourly_wage_lindi_6	18.7619	19.6557	20.3236	20.8193	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Financial intermediation (lindi = 7), units of national currency	\$f_hourly_wage_lindi_7	21.7203	22.7551	23.5283	24.1022	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Real estate and business (lindi = 8), units of national currency	\$f_hourly_wage_lindi_8	12.679	13.283	13.7344	14.0694	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Public administ. and defence (lindi = 9), units of national currency	\$f_hourly_wage_lindi_9	15.6736	16.4203	16.9782	17.3923	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Education (lindi = 10), units of national currency	\$f_hourly_wage_lindi_10	14.2969	14.978	15.4869	15.8647	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi

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Index	Constant name	Values of the raw indices				Source	Income components updated by the index
		2020	2021	2022	2023		
Average hourly wage, Health and social work (lindi = 11), units of national currency	\$f_hourly_wage_lindi_11	15.0613	15.7788	16.315	16.713	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Average hourly wage, Other (lindi = 12), units of national currency	\$f_hourly_wage_lindi_12	16.2473	17.0213	17.5997	18.0290	Computed from ESTAT tables nama_10_a64 (wages) and nama_10_a64_e (hours worked) up to 2019. The values for 2020-2022 are computed by multiplying the value of the previous year by the yearly increase of nominal compensation per employee, total economy, from AMECO.	lindi
Mean annual old age pension	\$f_poanm	9,679.72	9,913.12	10,388.36	10,657.84	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	poanm
Mean annual disability pensions	\$f_pdi	5,894.23	5,695.07	5,943.22	6,143.27	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	pdi
Mean annual disability pensions (part of pdi)	\$f_pdi00	5638.27	6037.61	6095.78	6237.40	Weighted average of all types of contributory disability pensions; Source: Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	pdi00
Mean annual disability assistance (part of pdi)	\$f_pdimb	6108.36	5508.57	5883.31	6059.97	Weighted average of non-contributory disability assistance; Source: Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	pdimb
Mean annual blind pensions (part of pdi)	\$f_pdibl	5819.52	5136.84	5572.45	5722.28	Weighted average of non-contributory blind pensions; Source: Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	pdibl
Mean annual survivor pension	\$f_psu	8,343.36	8,356.80	8,528.16	8,646.56	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	psu

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Index	Constant name	Values of the raw indices				Source	Income components updated by the index
		2020	2021	2022	2023		
Mean annual contributory unemployment benefit	\$f_bunctnm	870.74	1,278.94	748.36	810.88	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctnm
Mean annual contributory special unemployment benefit (SUB)	\$f_bunctmt	921.06	837.81	799.40	744.94	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctmt
Basic UB daily benefit for single individuals (lower rate)	\$f_bunctnm_index	8.41	8.58	8.66	9.13	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctnm
Basic SUB daily benefit for single individuals (lower rate)	\$f_bunctmt_index	14.25	14.54	14.68	15.47	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctmt
Mean annual sickness benefit	\$f_bhl00	347.66	348.78	267.45	256.33	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bhl00
Mean annual sickness assistance	\$f_bhlmt	1,542.71	1,534.79	1,541.35	1,552.96	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bhlmt
Basic social assistance weekly rate	\$f_bsa	108.26	109.43	111.18	121.08	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bunctmt, bsa, buncmt
Basic age pension weekly rate	\$f_boamt	106.41	110.83	115.25	124.45	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	boamt
Average energy benefit	\$f_bho	318.59	308.27	282.09	302.98	Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bho
Mean annual carers' allowance	\$f_bchnm	942.86	943.47	985.75	1008.16	Weighted average of all types of contributory pensions; Source: Department of Social Security (DSS) Unique Beneficiaries Report; Departmental Accounting System (DAS)	bchnm

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Index	Constant name	Values of the raw indices				Source	Income components updated by the index
		2020	2021	2022	2023		
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	138.66	143.64	152.39	160.98		poanm, pdi, psu
Previous average wage	\$f_yempv	19601	18909	19758	20952	Annual Labour Force Dataset	yivwg
GDP at market prices	\$f_gdp	13,353.80	15,292.60	17,212.50	17,918.21	Eurostat	yiy, afc
CPI (cumulative)	\$f_cpi	1.23	1.25	1.33	1.41	Eurostat	ypp, yds, ydses_o
Mean average wage	\$f_yem_lag	18,909	19,758	20,952	22,074	Annual Labour Force Dataset	yem_lag

Source: EUROMOD I5.99+ and National Statistics Office, Gainfully Occupied Population, Annual Averages

ANNEX 2: POLICY EFFECTS IN 2022-2023

The results presented below are estimated with the EUROMOD Policy Effects Tool (PET), 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. 2022 vs 2023). 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. Measuring policy effects against such a benchmark allows the tool to quantify the effects 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 the 2023 simulated 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 2022. The effect is estimated as a difference between simulated household net income under the 2023 tax-benefit policies (deflating monetary parameters by projected Eurostat's Harmonized Index of Consumer Prices, HICP) and net incomes simulated under 2022 policies.

Inflationary pressures resulting from the COVID-19 pandemic and the Russian-Ukraine war, alongside the change in the non-means-tested benefits, specifically the one-time stimulus bonus granted only in 2022, contributed to a 0.95 per cent decline in the average household disposable income when adjusted for inflation. Even though the benefit rates are adjusted each year to compensate for inflation through COLA, the increase in inflation experienced in 2023 was higher than the increase in the benefits rates, which contributed to this decline in household disposable income. In contrast, the policy effect in nominal terms show an increase in of 0.43 per cent in the average household disposable income (not shown in Table A1 and Figure A1 – calculated with EUROMOD). This confirms that the decline in household disposable is due to significant rise in inflation in 2023.

In real terms, the decrease in average household disposable income was partly offset by the increase in the means-tested benefits, as the component registered an increase of 0.28 per cent due to the introduction of the vulnerable household mechanism and increase in children allowance. In addition, public pension entails a decrease in disposable income of 0.09 per cent. This can also be attributed to the high inflationary pressures of 2023.

The policy effects on disposable income are most beneficial for the lower deciles, with the most substantial rise of 3.03 per cent observed in the first decile. In contrast, all other deciles witnessed a reduction in disposable income. Notably, the fifth decile experienced the most significant decline, with a decrease of 1.61 per cent. Despite this decrease in disposable income, the findings suggest an equal distribution throughout the deciles.

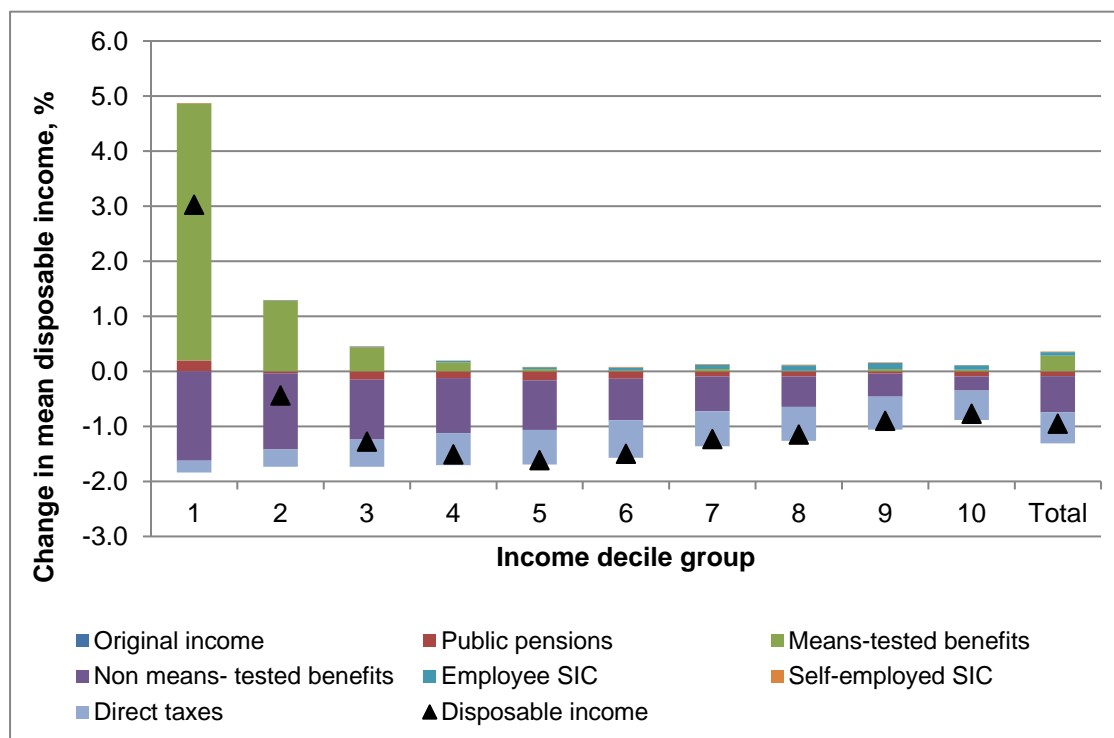
Therefore, the positive contribution of the means-tested benefits and social insurance contribution to the overall change in disposable income for households above the median income was cancelled by public pensions, non-means tested benefits and direct taxes. The negative effect is also correlated to the fact that the parameters are linked to the HICP, and the increase in pensions, the reduction in part-time income tax, and the tax rebate to employees were insufficient to fully offset the increase in inflation.

Table A1: Policy effects for MT in 2022-2023, using the CPI indexation [1.054] on dataset MT_2021_b1, %

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	0.19	4.66	-1.62	0.00	0.01	0.00	-0.22	3.03
2	0.00	-0.04	1.28	-1.38	0.01	0.01	0.00	-0.31	-0.44
3	0.00	-0.15	0.43	-1.09	0.02	0.01	0.00	-0.50	-1.28
4	0.00	-0.13	0.16	-1.00	0.03	0.01	0.00	-0.58	-1.51
5	0.00	-0.17	0.04	-0.90	0.03	0.01	0.00	-0.63	-1.61
6	0.00	-0.14	0.02	-0.75	0.05	0.01	0.00	-0.68	-1.49
7	0.00	-0.10	0.04	-0.63	0.08	0.01	0.00	-0.63	-1.23
8	0.00	-0.09	0.01	-0.55	0.10	0.01	0.00	-0.62	-1.15
9	0.00	-0.04	0.04	-0.42	0.11	0.01	0.00	-0.60	-0.90
10	0.00	-0.10	0.03	-0.25	0.08	0.01	0.00	-0.54	-0.77
Total	0.00	-0.09	0.28	-0.66	0.07	0.01	0.00	-0.56	-0.95

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 2022, using the modified OECD equivalence scale. Each policy system has been applied to the same input data, deflating monetary parameters of 2023 policies by Eurostat’s Harmonized Index of Consumer Prices (HICP).

Figure A1: Policy effects in 2022-2023, using the CPI-indexation, %



ANNEX 3: VALIDATION STATISTICS

Table A3.1. Original income in EUROMOD - Number of recipients (thousands)

	Simulated (Y / N)	EUROMOD				External				Ratio			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Earnings (ils_earns)													
Employment income (yem00)	N	246	246	246	246	225	232	247	NaN	1.09	1.06	1.00	NaN
Self-employment income (yse)	N	46	46	46	46	34	35	36	NaN	1.35	1.33	1.28	NaN
Employee bonuses (yemls)	N	246	246	246	246	225	232	247	NaN	1.09	1.06	1.00	NaN
COVID-19 compenstation paid by firm (additional salary) (yemmc_s)	Y	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
COVID-19 compenstation for self-employed (additional salary) (ysemc_s)	Y	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Other original income (ils_origy - ils_earns)													
Investment income (yiy)	N	314	314	315	315	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Property income (ypr)	N	22	22	22	22	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Private & occupational pensions (ypp)	N	3	3	3	3	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Private transfers (ypt)	N	8	8	8	8	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Income of children under 16 (yot)	N	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Maintenance payments (xmp)	N	9	9	9	9	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Other external statistics (ils_extstat_other) (NOTE: some components are hidden!)													
(yem)	N	246	246	246	246	225	232	247	NaN	1.09	1.06	1.00	NaN

Continued...

	Source	Comments
Earnings (ils_earns)		
Employment income (yem00)	-	Captured in yem
Self-employment income (yse)	NSO - National Accounts - No of Self Employed and Gross Mixed Income	-
Employee bonuses (yemls)	-	Captured in yem
COVID-19 compenstation paid by firm (additional salary) (yemmc_s)	-	Not available
COVID-19 compenstation for self-employed (additional salary) (ysemc_s)	-	Not available

Continued...

	Source	Comments
Other original income (ils_origy - ils_earns)		
Investment income (yiy)	-	Not available
Property income (ypr)	-	Not available
Private & occupational pensions (ypp)	-	Not available
Private transfers (ypt)	-	Not available
Income of children under 16 (yot)	-	Not available
Maintenance payments (xmp)	-	Not available
Other external statistics (ils_extstat_other) (NOTE: some components are hidden!)		
(yem)	NSO - National Accounts - No of Employees and Wages and Salaries	The data shows yem00+yemls aggregated.

Table A3.2. Original income in EUROMOD - Annual amounts (millions)

	Simulated (Y / N)	EUROMOD				External				Ratio			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Earnings (ils_earns)													
Employment income (yem00)	N	5,817	6,085	6,257	6,606	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Self-employment income (yse)	N	809	846	897	945	675	731	808	NaN	1.20	1.16	1.11	NaN
Employee bonuses (yemls)	N	99	99	99	99	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
COVID-19 compenstation paid by firm (additional salary) (yemmc_s)	Y	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
COVID-19 compenstation for self-employed (additional salary) (ysemc_s)	Y	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Other original income (ils_origy - ils_earns)													
Investment income (yiy)	N	126	144	162	169	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Property income (ypr)	N	117	117	117	117	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Private & occupational pensions (ypp)	N	26	26	26	26	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Private transfers (ypt)	N	34	34	36	38	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Income of children under 16 (yot)	N	1	1	1	1	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Maintenance payments (xmp)	N	48	48	51	54	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Other external statistics (ils_extstat_other) (NOTE: some components are hidden!)													
(yem)	N	5,916	6,184	6,357	6,705	5,799	6,223	6,853	NaN	1.02	0.99	0.93	NaN

Table A3.3. Taxes and SIC - Number of payers (thousands)

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Taxes (ils_tax)																					
Personal income tax (tin_s)	Y	250	248	251	253	0	0	0	0	0.00	0.00	0.00	0.00	202	201	NaN	NaN	1.24	1.23	NaN	NaN
Property tax (tpr)	N	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Employee Social Insurance Contributions (ils_sicee)																					
Employee SIC (tscee_s)	Y	244	244	244	244	0	0	0	0	0.00	0.00	0.00	0.00	245	243	NaN	NaN	1.00	1.01	NaN	NaN
Self-employed Social Insurance Contributions (ils_sicse)																					
Self-occupied SICs (tscse_s)	Y	38	39	39	39	0	0	0	0	0.00	0.00	0.00	0.00	25	25	NaN	NaN	1.51	1.54	NaN	NaN
Employer Social Insurance Contributions (ils_sicer)																					
Employer SIC (tscer_s)	Y	246	246	246	246	244	244	244	244	1.01	1.01	1.01	1.01	245	243	NaN	NaN	1.00	1.01	NaN	NaN
Credited Contributions (ils_sicct)																					
Credited social insurance contributions (tscct_s)	Y	79	79	79	79	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Other Contributions (ils_sicot)																					

Continued...

	Source	Comments
Taxes (ils_tax)		
Personal income tax (tin_s)	Commission for Revenue - Personal income tax	Data for 2022 not yet available
Property tax (tpr)	-	Not available
Employee Social Insurance Contributions (ils_sicee)		
Employee SIC (tscee_s)	Commission for Revenue - Employee contribution	Data for 2022 not yet available
Self-employed Social Insurance Contributions (ils_sicse)		
Self-occupied SICs (tscse_s)	Commission for Revenue - Self-employed class 2 contributions	Data for 2022 not yet available
Employer Social Insurance Contributions (ils_sicer)		
Employer SIC (tscer_s)	Commission for Revenue - Employer contribution	Data for 2022b not yet available
Credited Contributions (ils_sicct)		
Credited social insurance contributions (tscct_s)	-	Not available
Other Contributions (ils_sicot)		

Table A3.4. Taxes and SIC - Annual amounts (millions)

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Taxes (ils_tax)																					
Personal income tax (tin_s)	Y	1,044	1,118	1,178	1,284	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	917	960	NaN	NaN	1.14	1.16	NaN	NaN
Property tax (tpr)	N	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Employee Social Insurance Contributions (ils_sicee)																					
Employee SIC (tscee_s)	Y	427	438	451	470	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	341	357	NaN	NaN	1.25	1.23	NaN	NaN
Self-employed Social Insurance Contributions (ils_sicse)																					
Self-occupied SICs (tscse_s)	Y	80	83	86	89	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	49	50	NaN	NaN	1.63	1.66	NaN	NaN
Employer Social Insurance Contributions (ils_sicer)																					
Employer SIC (tscer_s)	Y	432	443	456	475	397	397	397	397	1.09	1.12	1.15	1.20	342	358	NaN	NaN	1.26	1.24	NaN	NaN
Credited Contributions (ils_sicct)																					
Credited social insurance contributions (tsct_s)	Y	222	224	226	239	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Other Contributions (ils_sicot)																					

Table A3.5. Benefits - Number of recipients (thousands)

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Pensions (ils_pen)																					
Disability/Invalidity pensions (pdi)	N	8	8	8	8	8	8	8	8	1.00	1.00	1.00	1.00	8	9	9	NaN	0.96	0.94	0.92	NaN
Survivor pensions (psu)	N	5	5	5	5	5	5	5	5	1.00	1.00	1.00	1.00	18	18	19	NaN	0.26	0.25	0.24	NaN
Contributory pension (poanm)	N	100	100	100	100	100	100	100	100	1.00	1.00	1.00	1.00	70	73	74	NaN	1.43	1.37	1.35	NaN
Senior citizenship grant (boanc_s)	Y	36	36	36	36	83	83	83	83	0.44	0.44	0.44	0.44	36	39	41	NaN	1.01	0.94	0.89	NaN
Residual of the senior citizen grant (boanc)	N	83	83	83	83	83	83	83	83	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Means-tested benefits (ils_benmt)																					
Sickness assistance (bhlmnt)	N	14	14	14	14	14	14	14	14	1.00	1.00	1.00	1.00	12	12	11	NaN	1.19	1.21	1.26	NaN
Bonus and additional bonus (btuls_s)	Y	16	15	13	13	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Rent Subsidisation (bhomt_s)	Y	3	3	3	3	0	0	0	0	0.00	0.00	0.00	0.00	3	4	4	NaN	0.95	0.74	0.70	NaN
In work benefit (bwkmt_s)	Y	17	24	38	35	0	0	0	0	0.00	0.00	0.00	0.00	5	7	25	NaN	3.27	3.34	1.54	NaN
Children Allowance (bch_s)	Y	57	57	57	57	0	0	0	0	0.00	0.00	0.00	0.00	46	45	45	NaN	1.25	1.28	1.28	NaN
Age pension (boamt_s)	Y	7	7	6	6	5	5	5	5	1.23	1.21	1.09	1.08	5	5	4	NaN	1.34	1.39	1.36	NaN
Special unemployment benefit (bunctmt_s)	Y	1	1	1	1	0	0	0	0	5.33	5.14	3.84	4.02	0	NaN	NaN	NaN	4.02	NaN	NaN	NaN
Unemployment assistance (bunnctmt_s)	Y	3	2	2	2	0	0	0	0	12.18	10.28	8.96	9.13	3	3	2	NaN	0.94	0.97	1.09	NaN
Social assistance (bsa_s)	Y	8	7	7	7	91	91	91	91	0.09	0.08	0.07	0.07	7	7	7	NaN	1.08	0.99	1.00	NaN
Supplementary assistance (bmttu_s)	Y	33	32	32	32	0	0	0	0	0.00	0.00	0.00	0.00	23	23	22	NaN	1.41	1.41	1.42	NaN
Energy benefit - Disaggregated from Housing Benefit (bho01)	N	21	21	21	26	26	26	26	26	0.80	0.80	0.80	1.00	18	17	16	NaN	1.14	1.21	1.29	NaN
Vulnerable Household Mechanism (bsamt_s)	Y	NaN	NaN	NaN	52	NaN	NaN	NaN	0	NaN	NaN	NaN	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Non-means-tested benefits (ils_bennt)																					
COVID-19 Parental benefit (bfapl_s)	Y	0	NaN	NaN	NaN	0	NaN	NaN	NaN	0.00	NaN	NaN	NaN	5	NaN	NaN	NaN	0.00	NaN	NaN	NaN
COVID-19 Social benefits (bec_s)	Y	9	NaN	NaN	NaN	0	NaN	NaN	NaN	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Carers Allowance (bca_s)	Y	37	14	14	13	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Unemployment Benefit (bunctnm_s)	Y	10	10	11	11	12	12	12	12	0.89	0.89	0.91	0.91	13	NaN	NaN	NaN	0.79	NaN	NaN	NaN
benefit/pension : health : main/basic (bh100)	N	20	20	20	20	20	20	20	20	1.00	1.00	1.00	1.00	20	21	28	NaN	1.03	0.99	0.73	NaN
Other benefits 01 (bot01)	N	4	4	4	4	4	4	4	4	1.00	1.00	1.00	1.00	5	6	7	NaN	0.76	0.59	0.56	NaN
Other benefits 02 (bot02)	N	24	24	24	24	24	24	24	24	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
maternity leave for employees (bmact_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	1	1	1	NaN	0.00	0.00	0.00	NaN

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
maternity benefit (bmanc_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	2	2	1	NaN	0.00	0.00	0.00	NaN
parental leave benefit (bmacm_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	2	2	2	NaN	0.00	0.00	0.00	NaN
Birth Grant (bchba_s)	Y	3	3	3	3	0	0	0	0	0.00	0.00	0.00	0.00	3	3	3	NaN	1.16	1.07	1.11	NaN
Educational allowances (bed)	N	22	22	22	22	22	22	22	22	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Lump-sum Unemployment Benefit (bunls)	N	4	4	4	4	4	4	4	4	1.00	1.00	1.00	1.00	4	2	2	NaN	0.83	1.62	1.67	NaN
Additional Bonus (bls_s)	Y	209	NaN	NaN	NaN	0	NaN	NaN	NaN	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
COVID-19 compenstation paid by state to firm to pass to employee replacing wage (bwkmcee_s)	Y	0	0	0	NaN	0	0	0	NaN	0.00	0.00	0.00	NaN	72	81	68	NaN	0.00	0.00	0.00	NaN
COVID-19 compenstation paid by state to employer/ self-employed (bwkmcse_s)	Y	0	0	0	NaN	0	0	0	NaN	0.00	0.00	0.00	NaN	12	10	7	NaN	0.00	0.00	0.00	NaN
Onetime bonus (blstm01_s)	Y	NaN	NaN	373	NaN	NaN	NaN	0	NaN	NaN	NaN	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN

Continued...

	Source	Comments
Pensions (ils_pen)		
Disability/Invalidity pensions (pdi)	NSO- Social Security Benefits - Contributory and Non-Contributory benefits	-
Survivor pensions (psu)	NSO- Social Security Benefits - Contributory benefits (early survivors retirement	-
Contributory pension (poanm)	NSO- Social Security Benefits - Contributory benefits (decreased national	-
Senior citizenship grant (boanc_s)	NSO- Public finance department	-
Residual of the senior citizen grant (boanc)	-	Not available
Means-tested benefits (ils_benmt)		
Sickness assistance (bhlmt)	NSO- Social Security Benefits-Non- Contributory benefits (leprosy assistance +	-
Bonus and additional bonus (btuls_s)	NSO- Social Security Benefits - Non- Contributory benefits (bonus)	-
Rent Subsidisation (bhomt_s)	Housing Authority - Schemes department	-
In work benefit (bwkmt_s)	NSO- Social Security Benefits - Non- contributory benefits (in-work benefit)	-
Children Allowance (bch_s)	NSO- Social Security Benefits- Non- Contributory benefits (children allowance +	https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Gov
Age pension (boamt_s)	NSO- Social Security Benefits - Non- Contributory benefits (age pension)	-
Special unemployment benefit (bunctmt_s)	NSO- Social Security Benefits - Contributory benefits (special unemployment benefits)	-
Unemployment assistance (bunnctmt_s)	NSO- Social Security Benefits - Contributory benefits (special unemployment benefits)	-
Social assistance (bsa_s)	NSO- Social Security Benefits - Non- Contributory benefits (social assistance)	-
Supplementary assistance (bmttu_s)	NSO- Social Security Benefits - Non- Contributory benefits (supplementary	-
Energy benefit - Disaggregated from Housing Benefit (bho01)	NSO- Public finance department	-

Continued...

	Source	Comments
Vulnerable Household Mechansim (bsamt_s)	-	-
Non-means-tested benefits (ils_bennt)		
COVID-19 Parental benefit (bfapl_s)	Department of social security	-
COVID-19 Social benefits (bec_s)	-	-
Carers Allowance (bca_s)	-	-
Unemployment Benefit (bunctnm_s)	NSO- Social Security Benefits - Contributory benefits (unemployment benefits)	-
benefit/pension : health : main/basic (bh100)	NSO- Social Security Benefits- Contributory benefits (injury benefit + sickness benefit)	-
Other benefits 01 (bot01)	NSO- Social Security Benefits - Contributory benefits (pension of widows with	-
Other benefits 02 (bot02)	-	Not available
maternity leave for employees (bmact_s)	NSO- Social Security Benefits	-
maternity benefit (bmanc_s)	NSO- Social Security Benefits	-
parental leave benefit (bmacm_s)	NSO- Social Security Benefits	-
Birth Grant (bchba_s)	NSO- Social Security Benefits - Non- contributory benefits	-
Educational allowances (bed)	-	Not available
Lump-sum Unemployment Benefit (bunls)	NSO- Social Security Benefits- Non- Contributory benefits (unemployment assistance + unemployment assistance tapering + subsidiary unemployment	-
Additional Bonus (bls_s)	-	Not available
COVID-19 compenstati on paid by state to Malta Enterprise firm to pass to employee replacing wage (bwkmcee_s)		The expenditure cover both employees and self-employed. The variables need to be aggregated.
COVID-19 compenstati on paid by state to Malta Enterprise employer/ self-employed (bwkmcse_s)		The expenditure for the self-employed is included in bwkmcee_s.
Onetime bonus (blstm01_s)	-	Not available

Table A3.6. Benefits - Annual amounts (million)

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Pensions (ils_pen)																					
Disability/Invalidity pensions (pdi)	N	53	52	56	59	53	53	53	53	1.00	0.98	1.05	1.11	49	49	52	NaN	1.08	1.06	1.07	NaN
Survivor pensions (psu)	N	41	42	44	47	41	41	41	41	1.00	1.04	1.09	1.15	149	154	164	NaN	0.27	0.27	0.27	NaN
Contributory pension (poanm)	N	918	937	956	1,003	918	918	918	918	1.00	1.02	1.04	1.09	680	727	770	NaN	1.35	1.29	1.24	NaN
Senior citizenship grant (boanc_s)	Y	12	12	13	13	67	67	67	67	0.18	0.18	0.19	0.19	11	11	13	NaN	1.03	1.03	0.98	NaN
Residual of the senior citizen grant (boanc)	N	67	67	67	67	67	67	67	67	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Means-tested benefits (ils_benmt)																					
Sickness assistance (bhlmt)	N	22	22	22	22	22	22	22	22	1.00	0.99	1.00	1.01	18	18	18	NaN	1.19	1.20	1.25	NaN
Bonus and additional bonus (btuls_s)	Y	7	7	6	6	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	10	10	9	NaN	0.73	0.65	0.66	NaN
Rent Subsidisation (bhomt_s)	Y	5	4	4	4	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	6	8	8	NaN	0.79	0.58	0.52	NaN
In work benefit (bwkmt_s)	Y	12	12	19	17	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	6	6	14	NaN	2.13	1.90	1.41	NaN
Children Allowance (bch_s)	Y	43	46	46	52	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	41	40	39	NaN	1.04	1.16	1.19	NaN
Age pension (boamt_s)	Y	33	33	31	32	26	26	26	26	1.27	1.28	1.19	1.24	25	22	22	NaN	1.32	1.51	1.42	NaN
Special unemployment benefit (bunctmt_s)	Y	2	2	2	2	0	0	0	0	5.00	5.08	3.71	3.93	0	NaN	NaN	NaN	7.92	NaN	NaN	NaN
Unemployment assistance (bunncmt_s)	Y	8	6	5	6	2	2	2	2	3.83	3.15	2.60	2.83	8	6	5	NaN	1.01	1.05	1.08	NaN
Social assistance (bsa_s)	Y	33	31	31	34	94	94	94	94	0.35	0.33	0.33	0.36	34	33	32	NaN	0.99	0.95	0.98	NaN
Supplementary assistance (bmttu_s)	Y	11	14	22	26	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	9	13	17	NaN	1.21	1.07	1.25	NaN
Energy benefit - Disaggregated from Housing Benefit (bho01)	N	5	5	4	4	5	5	5	5	1.00	0.97	0.89	0.95	6	5	5	NaN	0.82	0.87	0.93	NaN
Vulnerable Household Mechansim (bsamt_s)	Y	NaN	NaN	NaN	19	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Non-means-tested benefits (ils_bennt)																					
COVID-19 Parental benefit (bfapl_s)	Y	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	9	1	NaN	NaN	0.00	NaN	NaN	NaN
COVID-19 Social benefits (bec_s)	Y	9	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Carers Allowance (bca_s)	Y	19	19	19	19	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Unemployment Benefit (bunctnm_s)	Y	10	10	10	11	19	19	19	19	0.52	0.53	0.56	0.59	18	NaN	NaN	NaN	0.54	NaN	NaN	NaN
benefit/pension : health : main/basic (bhl00)	N	7	7	5	5	7	7	7	7	1.00	1.00	0.77	0.74	7	7	8	NaN	0.99	0.96	0.70	NaN
Other benefits 01 (bot01)	N	3	3	3	4	3	3	3	3	1.00	1.01	1.07	1.13	4	4	4	NaN	0.84	0.77	0.84	NaN
Other benefits 02 (bot02)	N	48	48	51	54	48	48	48	48	1.00	1.01	1.07	1.13	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
maternity leave for employees (bmacm_s)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	2	2	1	NaN	0.00	0.00	0.00	NaN
maternity benefit (bmanc_s)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	2	2	1	NaN	0.00	0.00	0.00	NaN
parental leave benefit (bmacm_s)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	2	2	2	NaN	0.00	0.00	0.00	NaN

Table A3.7. Distribution of equivalised disposable income

	EUROMOD				External				Ratio			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Decile 1	3.38	3.34	3.40	3.53	2.80	3.40	NaN	NaN	1.21	0.98	NaN	NaN
Decile 2	4.98	4.93	4.98	5.00	5.00	5.00	NaN	NaN	1.00	0.99	NaN	NaN
Decile 3	6.04	6.03	6.05	6.01	6.00	6.00	NaN	NaN	1.01	1.01	NaN	NaN
Decile 4	7.09	7.00	7.11	7.03	7.10	6.90	NaN	NaN	1.00	1.01	NaN	NaN
Decile 5	8.02	7.96	7.90	7.90	8.10	8.00	NaN	NaN	0.99	1.00	NaN	NaN
Decile 6	9.12	9.07	9.05	9.05	9.20	9.00	NaN	NaN	0.99	1.01	NaN	NaN
Decile 7	10.39	10.47	10.44	10.35	10.60	10.30	NaN	NaN	0.98	1.02	NaN	NaN
Decile 8	12.15	12.18	12.12	12.12	12.10	11.80	NaN	NaN	1.00	1.03	NaN	NaN
Decile 9	14.55	14.62	14.63	14.67	14.80	14.50	NaN	NaN	0.98	1.01	NaN	NaN
Decile 10	24.28	24.41	24.32	24.35	24.40	25.20	NaN	NaN	0.99	0.97	NaN	NaN
Median	17,107	17,736	18,287	18,925	17,036	18,155	NaN	NaN	1.00	0.98	NaN	NaN
Mean	19,376	20,053	20,773	21,668	19,882	21,349	NaN	NaN	0.97	0.94	NaN	NaN
Gini	30.39	30.69	30.48	30.40	31.20	31.10	NaN	NaN	0.97	0.99	NaN	NaN
S80/20	4.64	4.72	4.65	4.57	5.03	4.75	NaN	NaN	0.92	0.99	NaN	NaN

Table A3.8. At-risk-of-poverty rates (%) by gender and age

	EUROMOD				External				Ratio			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
40% median HDI by gender												
Total	3.39	3.76	3.43	2.64	4.60	3.60	NaN	NaN	0.74	1.04	NaN	NaN
Males	3.37	3.65	3.34	2.51	4.60	3.50	NaN	NaN	0.73	1.04	NaN	NaN
Females	3.42	3.87	3.52	2.78	4.60	3.90	NaN	NaN	0.74	0.99	NaN	NaN
50% median HDI by gender												
Total	8.15	8.51	7.86	6.86	8.90	8.40	NaN	NaN	0.92	1.01	NaN	NaN
Males	7.73	7.95	7.36	6.53	8.40	7.90	NaN	NaN	0.92	1.01	NaN	NaN
Females	8.60	9.13	8.40	7.22	9.30	8.80	NaN	NaN	0.92	1.04	NaN	NaN
60% median HDI by gender												
Total	16.19	16.79	15.90	15.43	16.90	16.70	NaN	NaN	0.96	1.01	NaN	NaN
Males	15.05	15.49	14.83	14.36	15.80	15.80	NaN	NaN	0.95	0.98	NaN	NaN
Females	17.43	18.20	17.07	16.58	18.00	17.80	NaN	NaN	0.97	1.02	NaN	NaN
70% median HDI by gender												
Total	23.86	24.38	23.99	23.77	24.50	24.80	NaN	NaN	0.97	0.98	NaN	NaN
Males	22.32	22.86	22.48	22.37	23.00	23.70	NaN	NaN	0.97	0.96	NaN	NaN
Females	25.53	26.03	25.63	25.29	26.20	26.10	NaN	NaN	0.97	1.00	NaN	NaN
60% median HDI by age group												
0-15 years	14.64	15.49	14.72	14.08	19.50	18.80	NaN	NaN	0.75	0.82	NaN	NaN
16-24 years	12.12	12.44	11.31	11.07	13.80	13.80	NaN	NaN	0.88	0.90	NaN	NaN
25-49 years	11.19	11.43	10.96	10.71	12.30	11.30	NaN	NaN	0.91	1.01	NaN	NaN
50-64 years	16.66	17.44	16.49	15.29	16.00	15.40	NaN	NaN	1.04	1.13	NaN	NaN
65+ years	30.12	31.29	29.56	29.28	28.10	30.00	NaN	NaN	1.07	1.04	NaN	NaN