



# New social measure initiatives in Malta's 2019 Budget

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*In line with tradition, Malta's budget for 2019, presented in October 2018, is a widely expected event when government proposes new social policy measures. No major social policy shifts were launched, except for a more focused effort to address the rent problem that has recently become acute. This report seeks to summarise innovative aspects contained in the budget and to indicate the most important measures.*

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## Description

The Budget for 2019 was primarily conceived as an instrument whereby the surplus generated by a fast economic growth experienced in 2018 would be distributed, mostly along traditional lines. Important increases in monetary benefits will affect beneficiaries of supplementary assistance, unemployed self-employed persons, pensioners, and parents of school-age children. The most innovative measures announced are those affecting pensions and housing. The proposed measures can be summarised as follows:

### Measures affecting pensions

1. All state pensions are to increase, over-and-above the increase resulting from Cost of Living Allowance (COLA) mechanism;
2. tax credit will be given in respect of pensions, improvements in service pensions were announced, and tax exemptions for third pillar pensions will be increased;
3. the possibility to postpone retirement and benefit from an increased pension (hitherto open only private sector employees) is being extended also to public service employees;
4. persons caring for somebody over 85 will be eligible for a carer's allowance; no medical assessment will be needed and means testing for carers will be abolished.

### Measures primarily affecting the elderly in the community

5. Home equity release facilities will be announced to help pensioners improve their quality of life and stay in their home while receiving either a one-time payment or monthly instalments from a financial institution, in exchange for the assignment of the right over the property or a portion of this right to that institution.

### Measures affecting social security

6. Self-employed will be entitled to receive unemployment benefit based on the contributions paid;
7. benefits will be granted to members of Government's security forces in cases of fatal accidents or permanent disability;
8. the bonus awarded to people who do not have the statutory number of social security contributions, and therefore do not qualify for a pension, will be increased;

### Measures related to housing and property

9. A tax reduction in the sale of property for landlords who lease out property at an affordable rent for 7 years will be introduced;
10. means testing for rental subsidies will be scrapped; rent assistance will be extended to between €3,000 and €5,000 per annum;
11. Government will pay interest payments on payments on the home

loans granted by a bank in the case of persons over the age of 40 who purchase their own property, subject to the individual paying at least 50% of the cost of the property;

12. social housing will be bolstered, with the conversion of dilapidated properties into social housing.

### Measures relating to employment

13. All workers will enjoy an additional day of vacation leave, to compensate for public holidays falling on weekends.

### Measures affecting voluntary organisations

14. Registered voluntary organisations whose annual income does not exceed €10,000 will be exempted from income tax.

There will also be measures affecting students (e.g. extension of free public transport to youths extended to full-time students aged 20 or over) and measures for Gozo in view of its double insularity (e.g. affordable housing offered in Malta to Gozitan students and increased allowance for carers accompanying patients for medical treatment in Malta's main hospital), etc.

## Outlook & commentary

Like last year, most of the measures above seek to continue to improve the financial conditions of various categories. The only really new initiatives are few.

The Maltese traditionally like their heirs to keep the family home themselves and it is therefore not sure that many pensioners will make use of the novelty of home equity release for pensioners in the short or medium term. Only time will tell whether this will be popular or not.

Hitherto self-employed did not have any right to benefits if they had to close shop even though they were paying higher rates of social security contributions than employees. Therefore, the award of unemployment benefits to self-employed is a substantial and very positive innovation, and one that has been in demand for a long time.

The wave of immigrants in search of jobs created by a fast expanding economy has, on the one hand increased the demand for housing, and on the other, pushed prices upwards because foreigners employed in certain sectors (especially financial services) earn higher wages than the Maltese. As such, the measures related to housing will alleviate the current shortage of rental properties that are affordable to the Maltese who are increasingly finding it difficult to compete with these foreign workers.

None of the social measures announced in the 2019 Budget have been controversial. Implementation requires legislation and most measures will become effective in 2019.

## Further reading

Deloitte (2018), Malta Budget 2019: the game plan:

<https://www2.deloitte.com/mt/en/pages/tax/articles/budget/2019/malta-budget-2019-summary.html>

KPMG Malta Budget 2019:

<https://home.kpmg.com/mt/en/home/insights/2018/10/malta-budget-2019.html>

The Malta Independent (22 October 2018), Budget 2019: Focus on social issues, no increase in taxes:

<http://www.independent.com.mt/articles/2018-10-22/local-news/Live-Finance-Minister-presents-budget-for-2019-6736198197>

Malta Government: Ministry of Finance (2018), Malta: Nghixu s-Success:

[https://mfin.gov.mt/en/The-Budget/Documents/The\\_Budget\\_2019/Budget\\_speech\\_English\\_2019.PDF](https://mfin.gov.mt/en/The-Budget/Documents/The_Budget_2019/Budget_speech_English_2019.PDF)

Malta Government, PWC (2018), Social and other measures:

<https://www.pwc.com/mt/en/publications/malta-budget/malta-budget-2018/malta-budget-2018-measures.html>

Newsbook (22 October 2018), Budget 2019 in Brief:

<https://www.newsbook.com.mt/artikli/2018/10/22/budget-2019-in-brief/?lang=en>

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