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## MALTA 2005

### 1. Overview of the tax-benefit system

The national social security system is divided into two categories – the contributory and the non-contributory. The former is made up of a number of benefits which are given to individuals who pay social security contributions whereas the latter is based on a means test basis. When a person becomes unemployed and starts to register for work with the national employment agency (Employment and Training Corporation), the first matter which is checked is to what extent is this person eligible to a contributory or a non-contributory benefit.

#### *1.1. Average Worker wage (AW)<sup>1</sup>*

**The 2005 AW is Lm 6284 (the amount of APW 2005 is 5681: person working on a full-time basis in manufacturing and occupation between ISCO 7 to 9). This includes the Government Statutory Bonus and Income Supplement:**

##### Government Statutory Bonus

This bonus is payable in two equal installments. Periods on no pay will be reflected proportionately in the payment of the installments. The amount paid every six months is of Lm 58.

##### Income Supplement

This bonus is calculated as a weekly allowance at a rate of Lm 2.00 for every week or proportionately for any part of a week during which an employee is in employment. Payment is effected in March and September.

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<sup>1</sup> AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration ([www.oecd.org/ctp](http://www.oecd.org/ctp)). For more information on methodology see Taxing Wages 2004-2005, OECD, 2005, part 5, sections 2 and 3.

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## **2. Unemployment insurance**

### ***2.1 Conditions for receipt***

A number of criteria must be fulfilled in order for a person to be able to receive the unemployment benefit (a contributory short-term benefit). These criteria are outlined below:

- a) the person must be registering for work with the ETC – this implies regular registration at the district office
- b) the person must be over 16 but under 61 years old.

If the criteria for social assistance are satisfied the Unemployment Benefit is increased and converted to, a Special Unemployment Benefit (SUB). Should the SUB not be sufficient for the unemployed person, this is complemented by additional social assistance. The criteria which are considered for eligibility to SUB are related to whether the beneficiary is the head of household and the access to capital:

In case of a single person capital is not to exceed Lm 6000 per annum. In case of a married person Lm10,000 per annum

The income should not exceed the lowest rate of assistance payable for Special Unemployment Benefit

The request for Special Unemployment Benefit should be raised by the unemployed person at the district office and this application is then forwarded to the head office of the Social Security Department for subsequent assessment.

#### ***2.1.1 Employment conditions***

Eligibility is based on the social security contributions made by the individual as 2.1.2 outlines. A person may be deprived of the Unemployment Benefit or the Special Unemployment Benefit, should s/he fail to:

- a) attend interviews for potential jobs indicated by ETC and/or decline any offer for employment
- b) attend any training which the ETC deems suitable for increasing the unemployed's chances of finding a job
- c) is found working whilst registering for work

#### ***2.1.2 Contribution conditions***

In order to be eligible for the contributory Unemployment Benefit or the Special Unemployment Benefit, a person must have at least 52 monthly social security contributions of which 20 should have been contributed in the benefit year. The UB or SUB is given for a maximum of 156 days to employees only and depends on the number of contributions made. Self-employed persons who become unemployed are not entitled to UB or SUB but may qualify for Unemployment Assistance if they satisfy the means test criteria.

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## **2.2 Calculation of benefit amount**

### **2.2.1 Calculation of gross benefit**

Persons receiving Unemployment Benefit are paid Lm 2.59 per day (if single head of household<sup>2</sup>) and Lm 3.97 per day (if married head of household, maintaining a spouse who is unemployed or a single parent). Persons receiving the Special Unemployment Benefit are paid Lm 4.34 per day (if single if single head of household) and Lm 6.65 per day (if married if married head of household, maintaining a spouse who is unemployed or a single parent). Payment is based on each day of unemployment, excluding Sundays.

If the beneficiary's or his/ her family's gross income is above the maximum income which can be received from SUB, the benefit is not paid. Income calculations are based on the items identified in 2.2.2 below.

### **2.2.2 Income and earnings disregards**

A person's private residence and garage, summer residence, personal car and jewellery are not considered to be part of the income calculations that are made for eligibility to SUB.

Access to the following assets is included in the calculations:

- a) money deposited in banks or lent to individuals
- b) half the money deposited in banks on children's name (children who are living in the household and not working)
- c) income from shares
- d) value of life insurance policy
- e) other vacant property owned by the individual
- f) land which can be developed
- g) additional cars owned by the individual

Access to the following income sources is included in the calculation:

- a) interests
- b) income from rented property

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<sup>2</sup> A head of household is defined as a person who in the opinion of the Director of Social Security is the head of a household consisting of 2 or more persons. A household is defined as one or 2 or more persons who in the opinion of the Director of Social Security are living together as a family.

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c) income from the sale of property or other goods

d) a ratio of 0.178 on any benefit or pension paid in respect of children who are inactive (usually this is a retirement pension or invalidity pension)

e) interests from bank accounts on children residing in the household and below 16 years

f) the alimony received by the head of household and 0.171 of the maintenance paid for children

g) total income from wife's or partner's gainful occupation

Income disregards are outlined below:

a) personal residence

b) garage which is for personal use

c) summer residence

d) private car

e) personal jewellery and belongings

### ***2.3 Tax treatment of benefit and interaction with other benefits***

Income from unemployment benefit should be declared for tax purposes. Tax is global income received during the reference year exceeds Lm 3100 (for single tax computation) or Lm 4300 (for married tax computation).

### ***2.4 Benefit duration***

The Unemployment Benefit or Special Unemployment Benefit is given for a maximum of 156 days to employees only and depends on the number of contributions made. On exhaustion of special unemployment benefit, a client becomes normally entitled to unemployment assistance on re-assessment.

### ***2.5 Treatment of particular groups***

#### ***2.5.1 Young persons***

#### ***2.5.2 Older workers***

##### **Training and Employment Exposure Scheme**

This scheme was a project which was carried out during 2005 and is expected to conclude during 2006. It is aimed at all persons who are over 40 years and who have been registering for work with the public employment agency. Beneficiaries were provided with training on basic skills and life skills as well as on the job training (total duration was of 22 weeks). During this training beneficiaries received Lm57

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per week. For another 27 weeks the beneficiaries were employed with the company and employers participating in this scheme were given a flat rate of Lm60 per week per employee. For this scheme the public employment agency tried to match the skills and job requirements of the unemployed with the vacancies which employers had. Persons benefiting from this scheme stop receiving unemployment assistance or unemployment benefits.

### 2.5.3 *Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

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**3. Unemployment assistance**

***3.1 Conditions for receipt***

Unemployment assistance is given to those persons who are unemployed and who have their application reassessed following 6 months from the receipt of Unemployment Benefit or Special Unemployment Benefit. In order to qualify for the receipt of such benefit, the applicant must satisfy a means test. Other eligible persons are applicants (employees) who have not enough social security contributions to qualify for UB or SUB as well self-employed persons who become unemployed.

***3.1.1 Employment conditions***

Unemployment assistance is given to employees when the 156 days of unemployment benefit or special unemployment benefit have elapsed. Another way of getting unemployment assistance is when an employee who has become unemployed has not enough social security contributions to qualify for UB or SUB. Unemployment assistance can also be availed of by the self-employed.

***3.1.2 Contribution conditions***

In order to qualify for unemployment assistance, the beneficiary must be registering for employment with the public employment agency.

***3.2 Calculation of benefit amount***

***3.2.1 Calculation of gross benefit***

The calculation of unemployment assistance is based on the number of persons who are living in the household and who are directly dependant on the beneficiary:

- 1 person (ie beneficiary only) – Lm 32.64 per week
- 2 persons (ie beneficiary and 1 dependant) – Lm 36.14 per week
- 3 persons (ie beneficiary and 2 dependants) – Lm 39.64 per week
- 4 persons (ie beneficiary and 3 dependants) – Lm 43.14 per week
- 5 persons (ie beneficiary and 4 dependants) – Lm 46.64 per week

***3.2.2 Income and earnings disregards***

The income and earnings disregards for unemployment assistance are identical to those of unemployment benefit (refer to paragraph 2.2.2 above).

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**3.3 Tax treatment of benefit and interaction with other benefits**

Unemployment Assistance is non taxable.

**3.4 Benefit duration**

Unemployment Assistance is given for an indeterminate period or until the head of household stops registering for work with the public employment office or when capital and income means test is exceeded through changes in the family's financial situation.

**Treatment of particular groups**

**Additional Bonus**

This is a non-means tested benefit given to all persons receiving Unemployment Assistance. The amount is that of Lm1.34 per week. This payment is constant irrespective of the number of dependants that may be living with the beneficiary.

**Half yearly bonus**

*This is a non-means tested benefit given to all persons receiving Unemployment Assistance. The amount is that of Lm58 two times a year. This payment is constant irrespective of the number of dependants that may be living with the beneficiary.*

**3.5.1 Young persons**

**Job experience scheme**

This scheme is aimed at school leavers (16 years and over) who are about to engage in their first working experience. The objective is to improve the employability of this segment of the unemployed. Persons who benefit from this scheme undergo training and work experience. The duration of the programme is 13 consecutive weeks based on 20 hour week.

**3.5.2 Older workers**

**3.5.3 Others if applicable**

**Lone parents with dependent children**

Lone parents with dependent children can work and earn a maximum of Lm 19.50 per week without having any deductions in their unemployment assistance.

**Work Start Scheme**

This scheme is aimed at adult jobseekers who have been inactive for 5 years and registered unemployed with academic qualifications who have never worked in the line of their course. The objective is to improve the employability of this segment. Persons who benefit from this scheme are given training and 20 hours work per week (by the employer who is the sponsor) for 13 weeks.

**Employment Training Placement Scheme**

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This scheme is to assist employers provide the necessary training to newly recruited persons at the start of their probationary period. It also aims to help new employees to upgrade their skills. Persons eligible to apply for this scheme must be either:

- a) registering for work for more than one year, or
- b) are between 25-39 years and registering for work for at least 6 months, or
- c) are registered unemployed persons who are at a disadvantage in the labour market such as persons with disabilities, ex-convicts, etc, or
- d) registered unemployed persons who are single parents with children below 18 years and have custodial care of their children

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

#### **4. Social assistance**

Entitlement to social assistance depends on whether the applicant satisfies a means test. No account is taken of social security contributions since this benefit is not considered to be a contributory benefit.

##### ***4.1 Conditions for receipt***

Social assistance is given to those persons who are eligible after a means test is carried out. In order to qualify for social assistance, a person must carry out a means test of capital and income means.

A person's income, property and privilege is taken into account for assessing eligibility to social assistance. In addition account is taken of any social assistance and/ or pension which the applicant or wife/ husband might be receiving at the time when such assistance is requested.

##### ***4.2 Calculation of benefit amount***

###### ***4.2.1 Calculation of gross benefit***

The calculation of Social Assistance is identical to that of Unemployment Assistance and is based on the number of persons who are living in the household and who are directly dependant on the beneficiary:

1 person (ie beneficiary only) – Lm 32.64 per week

2 persons (ie beneficiary and 1 dependant) – Lm 36.14 per week

3 persons (ie beneficiary and 2 dependants) – Lm 39.64 per week

4 persons (ie beneficiary and 3 dependants) – Lm 43.14 per week

5 persons (ie beneficiary and 4 dependants) – Lm 46.64 per week

###### ***4.2.2 Income and earnings disregards***

The income and earnings disregards for social assistance are identical to those of unemployment benefit (refer to paragraph 2.2.2 above).

##### ***4.3 Tax treatment of benefit and interaction with other benefits***

If the annual amount of Social Assistance does not exceed Lm 3100 per annum for single tax rate computations and Social Assistance does not exceed Lm 4300 per annum for married tax rate computations.

##### ***4.4 Benefit duration***

Social Assistance is given for an indeterminate period or until the head of household stops registering for work with the public employment office or when capital/income means test is exceeded through changes in the family's financial situation.

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***Treatment of particular group***

**Additional Bonus**

This is a non-means tested benefit given to all persons receiving Social Assistance. The amount is that of Lm1.34 per week. This payment is constant irrespective of the number of dependants that may be living with the beneficiary.

**Half yearly bonus**

This is a non-means tested benefit given to all persons receiving Social Assistance. The amount is that of Lm58 two times a year. This payment is constant irrespective of the number of dependants that may be living with the beneficiary.

**Supplementary allowance**

This is a one time allowance.

Supplementary allowance given to the single persons whose income does not exceed Lm3270, excluding Social Security contributions paid. The assessment is based on 1.25% of the difference between Lm8270 and total income declared. The maximum supplementary allowance payment is Lm75 yearly.

Married persons whose income does not exceed Lm4200, excluding Social Security contributions are also entitled to this allowance. The assessment is based on 1.75% of the difference between Lm10270 and total income declared. The maximum supplementary allowance payment is Lm140 yearly.

As a general rule persons who receive children's allowance do not qualify for the supplementary allowance.

**4.5.1 *Young persons***

**4.5.2 *Older workers***

**4.5.3 *Others if applicable***

**Benefit: Social Assistance for Females taking care of a sick or elderly relative**

A single or widowed female, whether registered or not as an unemployed person, and who is taking care of a sick or elderly relative all by herself and on a fulltime basis, may become eligible to Social Assistance for Females. A condition of eligibility to such benefit is based on the fact that there is no other female member in the household who is unemployed.

In order to qualify for the receipt of such benefit, the applicant must fill the relevant application and return it to the Social Security District Office. The sick or elderly relative who will be taken care of by the female is examined by a Medical Panel who provides feedback to the Director of Social Security on the genuity of the case. In order to qualify as a sick or elderly relative the person must be a parent, grandparent, brother/ sister, uncle/ aunt, brother/sister-in-law or father/mother-in-law of the applicant.

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The weekly rate is of Lm24.48 plus an additional bonus of Lm1.34 weekly and a six monthly bonus of Lm58.00

**Benefit: Social Assistance for Drug Addicts**

Such allowance may be given to any person following a drug or alcohol rehabilitation therapeutic programme. The only exception is when the applicant is sent to the therapeutic community as a result of a court sentence.

In order to qualify for the Social Assistance for Drug Addicts, the applicant must fill the relevant form and return it to the Social Security District Office. Documentary evidence showing that the claimant is following a therapeutic programme for substance abuse must be provided. All incoming claims are verified and income tests are carried out in order to establish whether the applicant is entitled to the benefit or not.

The receipt of the benefit is stopped whenever the person leaves the therapeutic programme before finishing the entire programme.

The rate is that of Lm10 weekly. No bonuses are paid as part of this benefit.

## 5. Housing benefits

A number of schemes related to housing are available, however only the rent subsidy scheme is paid regularly and in cash following the presentation of relevant documents. Other schemes related to repairs of property are not availed of on a regular basis by the same applicant since once a repair or maintenance is carried out no additional repairs are required. In this regard such schemes are being excluded.

The Department of Social Security also provides assistance to persons who are in receipt of non contributory benefits. This assistance is known as Rent Element and the amount of such benefit is Lm 0.50 per week.

### 5.1 Conditions for receipt

#### Rent Subsidy Scheme

Housing benefit is based on the income level of the beneficiary and is paid to individuals living in a rented accommodation provided by the private sector.

In order to qualify for Housing Benefits, the applicant must satisfy the following criteria:

Maltese citizen

Married, single, widow/er, separated or single parent or a single person between 18-21 years leaving institutional care

The applicant must have entered into an agreement with the landlord

The applicant must be the recognised tenant of the property

Applicant's capital assets must not exceed Lm 4000 and the annual aggregate income does not exceed Lm 5429

### 5.2 Calculation of benefit amount

#### 5.2.1 Calculation of gross benefit

The Rent Subsidy Scheme is calculated as follows:

Category	Gross Annual Income* Lm	Max. Annual subsidy Lm	Min. Annual Rent payable Lm
Single person household			
A	0,000 – 2,246	320	70
B	2,247 – 3,546	280	100
C	3,547 – 4,546	230	140

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Households with 2 member and more (adults)			
A	0,000 – 2,546	400	50
B	2,547 – 4,046	360	70
C	4,047 – 4,546	310	90
Households with 3 member and more (families with children)			
A	0,000 – 2,746	415	40
B	2,747 – 4,046	375	60
C	4,047 – 4,546	325	80
D	4,547 – 5,046	275	100
E	5,047 – 5,546	225	120

\*Gross annual income increased each year according to the high cost of living.

Members of a family include the applicant and his/her spouse and his/her children living with the applicant, including fostered children, nephews/nieces, and stepchildren. Children must be under 18 years of age, dependent on the applicant, unmarried, and unemployed. Age is not taken into account for persons with disabilities.

An additional Lm 50 per annum will be granted to families having a disabled member and an additional Lm 50 per annum will also be granted to families having more than 5 members.

#### 5.2.2 *Income and earnings disregards*

***In order to qualify for this scheme of Housing Benefits, the applicant's earnings must not exceed Lm 5429 per annum and total assets should not exceed Lm 4000.5.3***

#### 5.3 *Tax treatment of benefit and interaction with other benefits*

This benefit is non-taxable.

#### 5.4 *Treatment of particular groups*

##### 5.4.1 *Young persons*

##### 5.4.2 *Older workers*

##### 5.4.3 *Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

## **6. Family benefits**

Benefit: Children's Allowance

Parents who have children under the age of 16 years may be eligible to this benefit should they satisfy the conditions of receipt. In a number of cases Children's allowance may be extended until the child is 21 years old if conditions outlined in section 6.1 are fulfilled. The application for children's allowance must be filed within six months from the birth of the child.

### ***6.1 Conditions for receipt***

For persons to qualify for Children's Allowance, the total income in the previous year must not exceed Lm10,270 (after deducting any social security contributions). For families composed of four or more children the total income is not to exceed Lm13,270.

In order to continue to receive the Children's Allowance, the beneficiary must submit an annual income declaration.

On a general level, Children's Allowance is provided to those eligible households whose children are below 16 years old. In addition, households with children between 16 and 21 years and attending full-time education and receiving no remuneration might be eligible for Children's Allowance. Children within the same age bracket who are registering for work and are living in households where the total income does not exceed Lm10,270 or Lm13,270 (families with four or more children) are also entitled to Children's Allowance.

### ***6.2 Calculation of benefit amount***

The allowance paid is calculated on a percentage on the difference between LM 10,270 and the income declared in the previous year. The social security contributions paid for the previous year are deducted from the income declared. When the amount is less than LM 2,770, the amount is considered to be LM 2,770. No allowance payable is to be less than LM 52 yearly.

The percentages used for calculating the benefit amount are based on the number of children in household under 16 years of age. The percentage rate payable when there is 1 child in the household is 6%, 2 children 9%, 3 children 12%, 4 children 15%, 5th and other subsequent child 3% for each such child.

#### ***6.2.1 Calculation of gross benefit***

Explained in 6.2 above.

#### ***6.2.2 Income and earnings disregards***

Entitlement to Children's allowance is based on a means test of the household income. In this regard total income should not exceed Lm 10270 per annum or Lm 13270 (for families with 4 or more children).

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**6.3 Tax treatment of benefit and interaction with other benefits**

This benefit is non-taxable.

**6.4 Treatment of particular groups**

**6.4.1 Young persons**

**6.4.2 Older workers**

*Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

**Benefit: Carer's Pension**

A person is entitled to the Carer's Pension if s/he is either single or widowed or who is taking care on his/her own on a full-time basis of a sick and bedridden relative or a relative who is confined to a wheelchair living in the same household. In order to qualify as a sick relative the person must be a parent, grandparent, brother/ sister, uncle/ aunt, brother/sister-in-law or father/mother-in-law of the applicant. In addition, the applicant's Capital Resources must not exceed Lm6,000 and s/he must satisfy a Means Test.

The weekly rate is of Lm34.27, together with an additional bonus of Lm1.34 per week. A six-monthly bonus of Lm58 is also paid.

**Benefit: Disabled Child Allowance**

The Disabled Child Allowance is given to children who are certified to be suffering from a physical and/or mental disability. This benefit is over and above the Children's Allowance which has been referred to in section 6. This allowance is paid for each child with a disability residing within the same household.

The application for such benefit must reach the Department of Social Security within six months from the birth of the child. In addition a medical report by a doctor certifying the disability of the child must be included in the application. This allowance is means tested and in this regard the income of the father or mother is considered (which ever is higher).

Where the annual reckonable income does not exceed Lm9,270 the rate payable is Lm5 per week. When the annual reckonable income exceeds Lm9,270 but does not exceed Lm13,270 the weekly rate of Lm5 is deducted by 6.5% of the difference obtained between the reckonable income and Lm13,270.

**Benefit: Maternity Benefit**

In order to be eligible to such benefit the claimant must be in her eighth month of pregnancy or has given birth to a child in the six month prior to the date of claim. In addition, the applicant must not be availing herself of maternity leave. The payment is of Lm 20 per week for a maximum of 13 weeks.

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Benefit: Foster Care

This benefit is paid for fostered children who are up to 18 years and not in gainful employment or in receipt of a stipend. The payment is of Lm 12 per week for each child.

Benefit: Disability pension or Severely disabled pension

Both benefits are given to those persons suffering from a physical or mental disability. A medical specialist must certify that the claimant truly suffers from a disability. In assessing eligibility to this pension no account is taken of capital belonging to the claimant. The rates paid for this benefit are Lm 32.16 + Lm 1.34 bonus per week for single persons and Lm 41.29 + Lm 1.34 bonus per week for married persons where one of the partners is disabled. Should both partners be disabled they are each given a pension of Lm 32.16 + Lm 1.34 bonus per week. Beneficiaries are also given an additional bonus of Lm 58 every 6 months. Persons receiving this benefit can work and still be entitled to the pension as long as the income received from employment does not exceed the national minimum wage ie Lm 55.63 per week.

## **7. Childcare for pre-school children**

Compulsory school starts at 5 years, however the majority of children are sent to pre-primary schools at the age of 3 to 4 years despite the fact that this is not compulsory.

No data on children in childcare is available. Information on the number of children attending pre-school is being provided for 2004:

Children attending state run pre-primary schools: 5566

Children attending private run pre-primary schools: 3575

At a national level it is estimated that there are 50 centres which provide childcare services. There are no national standards on childcare facilities and childcare centre operators are not obliged to license themselves in order to operate. A number of standards are currently being drafted and these are being used as an administrative document. Prospective and current service-providers are being guided in line with these standards and new applications are being assessed accordingly.

### ***7.1 Out-of-pocket childcare fees paid by parents***

As explained above, the majority of 3 to 4 year olds attend pre-primary schools. State pre-primary schools are free of charge.

The state also runs a child care centre and this is free for those who are on social assistance and/ or live on the national minimum wage (Lm 55.63). Other persons who avail themselves of the state run child care centre who have higher incomes are means tested.

There are no official statistics on the typical or average fees paid for child care, but from information gathered informally from existing providers the average is around Lm 0.60 per hour. On a general level it is the prevailing market forces which determine the prices being paid except for the state run child care centre which is means tested.

At a national level a European Social Fund project is being run on the matter. In all a total of 5 childcare centres are participating in this project. They are being given assistance to upgrade, buy or replace equipment or furniture. In addition assistance in the form of payment of half the cost of the a child carer's salary is being provided to the child care centres participating in the project, whereas the fees which are to be charged to parents availing themselves of these centres have been capped to a maximum of 100 Euros per month for each child in full-time care.

Childcare fees are not exempted from tax and there is no average or standard amount which is set by law since the sector is still not regularized at a national level. In addition the fact that a person pays for child care services, does not preclude eligibility to social assistance.

### ***7.2 Child-care benefits***

No cash benefits are received by parents who use child care.

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7.2.1 *Conditions for receipt*

7.2.2 *Calculation of benefit amount*

7.2.2.1 Calculation of gross benefit

7.2.2.2 Income and earnings disregards

7.2.3 *Tax treatment of benefit and interaction with other benefits*

*Childcare fees are not exempted from tax.*

7.2.4 *Treatment of particular groups*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

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## **8. Employment-conditional benefits**

### ***8.1 Conditions for receipt***

### ***8.2 Calculation of benefit amount***

#### ***8.2.1 Calculation of gross benefit***

### ***8.3 Tax treatment of benefit and interaction with other benefits***

### ***8.4 Benefit duration***

### ***8.5 Treatment of particular group***

#### ***8.5.1 Young persons***

#### ***8.5.2 Older workers***

#### ***8.5.3 Others if applicable***

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

## **9. Lone-parent benefits**

### ***9.1 Conditions for receipt***

A single parent who does not earn more than the National Minimum Wage of Lm55.63 per week is eligible for this benefit. In order to qualify for the Social Assistance for Single Parents, the applicant must fill the relevant form and return it to the Social Security District Office. Documentary evidence showing that the claimant is a single parent must be provided. All incoming claims are verified and income tests are carried out in order to establish whether the applicant is entitled to the benefit or not.

Lone parent benefits are given to those beneficiaries who are not already in receipt of other benefits such as unemployment or social assistance. In fact persons availing themselves of lone parent benefits are usually not registering for work and therefore do not fulfill the criteria for receiving unemployment assistance. Lone parents can however be receiving lone parent benefits whilst at the same time have also family benefits.

The above social assistance is reduced by 25% whenever the single unmarried parent and his/her children are residing with another family. In addition single parents may work as part-timers without losing their entitlement to Social Assistance as long as the income received does not exceed the National Minimum Wage.

### ***9.2 Calculation of benefit amount***

The maximum rate of Assistance is LM36.13 per week for a parent with one child. This is increased by a further LM3.50 per week for each additional child. A weekly additional bonus of LM1.34 and a six monthly bonus of LM58 is payable to beneficiaries of Social Assistance.

Single parents may work as part-timers without losing the right to the full Assistance, as long as their total income together with the Social Assistance entitlement for 2 persons (i.e. LM36.13 per week) does not exceed the National Minimum wage of LM55.63. In other words, a single parent may earn up to LM 19.50 per week and still receive the full entitlement of Social Assistance.

#### ***9.2.1 Calculation of gross benefit***

Explained in 9.2 above.

#### ***9.2.2 Income and earnings disregards***

***The income and earnings disregards for lone parent benefits are identical to those of unemployment benefit (refer to paragraph 2.2.2 above).***

### ***9.3 Tax treatment of benefit and interaction with other benefits***

This benefit is non-taxable.

### ***9.4 Benefit duration***

The duration of such benefit is indefinite until the capital/income means test is exceeded through changes in the family's financial situation.

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## ***9.5 Treatment of particular group***

*9.5.1 Young persons*

*9.5.2 Older workers*

*9.5.3 Others if applicable*

[e.g. immigrants, part-time employees, self-employed, disabled]

## 10. Tax system

All persons having income arising in Malta together with those persons who are ordinarily resident and domiciled in Malta are liable to pay tax as per tax rates indicated below. The following income from employment are included in the tax computation: salary and wages, bonuses, overtime payments, director's fees, annual value of any free board or lodgings and other payments and allowances including commissions. In addition all types of income arising from other sources are to be included in the tax computation.

### 10.1 *Income tax*

#### 10.1.1 *Tax allowances and credits*

Tax rebates are given if a person fulfils any of the conditions below:

Children attending independent schools

Parents or legal guardians of children who are paying a fee for having their children attend a private school, are eligible to a deduction equal to:

the lower of Lm200 or the amount of school fees paid during 2005 for every child attending a private primary school

the lower of Lm300 or the amount of school fees paid during 2005 for every child attending a private secondary school

Documentary evidence stating that a child is attending a private school must be presented in order to be eligible for such a rebate.

Alimony payments

Rebates on alimony payments are given if such payment is established by a Maltese court or as agreed by a public deed of personal separation under the authority of the Courts of Malta. If such evidence is presented, the amount of alimony payment is deducted from the husband's income and included with the estranged wife income.

Rebate on disability facilitators

Parents whose children suffering from a disability attend a private school and are assisted by a facilitator are provided with a rebate on the cost of the facilitator. At a national level, parents choosing to send their disabled children to private schools have to pay for the full salary of the facilitator who is assigned to assist their child, since the state does not provide such a service in private schools. A rebate of a maximum Lm 4000 is given to such circumstances. One is to note that in the majority of cases, persons whose children require the assistance of a facilitator at school, opt to send their children to state or church schools where such a service is provided free of charge.

Additional exemptions are provided for income arising from any of the following:

Disability pension

Social assistance

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Marriage grants or benefits

Children's allowance or disabled child allowance

10.1.1.1 Standard allowances

As explained in 10.1.1

10.1.1.2 Standard tax credits

As explained in 10.1.1

10.1.2 *Income tax schedule*

Income tax is worked out depending on whether a person would like to have a single rate computation or a married rate computation.

Married rate computation – couples who are married and living together may opt to have their income taxed using the married rates. Single parents may also opt to use these rates. In this regard, unmarried individuals, widowed or separated persons who maintain a child may compute their tax by applying the married tax rates instead of the single rates.

Single rate computation – these rates apply to all single persons and also to married persons who consider the single rate computations as more advantageous to their situation.

Below are tables showing rates for the two types of computation:

Single computation tax rates		
Chargeable income	Tax rate	Subtract
0 – 3100	0	0
3101 – 4100	0.15	465
4101 – 5000	0.2	670
5001 – 6000	0.25	920
6001 – 6750	0.3	1220
6751 and over	0.35	1557.5

Married computation tax rates		
Chargeable income	Tax rate	Subtract
0 – 4300	0	0

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4301 – 6100	0.15	645
6101 – 7250	0.2	945
7251 – 8500	0.25	1307.5
8501 – 10000	0.3	1732.5
10001 and over	0.35	2232.5

#### Method of computation

When the person decides which rates to use, one must identify the wage bracket of his/her income, multiply the income by the identified tax rate and subtract the answer by the amount indicated in the ‘Subtract’ column. The final answer is the amount of tax which is due by the person.

#### 10.1.3 State and local income taxes

#### 10.2 Treatment of family income

Each person is considered individually for tax purposes unless the person is married and living together with his/her partner and opting for a married rate tax computation. There are no tax deductions or allowances for partners or spouses. At a national level, unmarried partners cannot avail themselves of the married tax computation rates. In addition unused portions of tax deductions or allowances are not transferable between partners or spouses.

#### 10.3 Social security contributions and payroll taxes

The national social security contribution is based on two classes, namely, Class One contribution which is payable in respect of employed persons and Class Two contribution which is paid in respect of self-employed persons. Contributions are payable by all persons between the age of 16 and 65 years or the age until the person decides to give up employment in terms of the Social Security Act (currently the retirement age is of 61 years for men and 60 for women).

No social security contributions are payable on earnings from overtime or earnings from income from a second job.

In the workings it is assumed that social security is to be worked out on the total AW (which includes all earnings), however in a local context, there are no social security contributions on earning related to overtime, bonuses and allowances. When estimating the amount of social security contributions from total employee earnings using the 2004 Labour Cost Survey, we have come up with an estimate of 10% on the approximate ratio for the basic earnings/total earnings.

Below is table showing earnings statistics from the 2004 Labour Cost Survey (survey comes out only every four years).

Earnings breakdown	Lm	% distribution of earnings
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Basic wages and salaries	489,408,943	83.53
of which Social Security Contributions	44,299,474	7.56
Overtime	38,264,871	6.53
Irregular bonuses	28,691,063	4.90
Regular bonuses	29,551,156	5.04
Total earnings	585,916,032	100.00

All information stated below relates to compulsory contributions. There are no compulsory private health insurance payments.

#### *Contributions paid by employees*

For the purpose of this section only Class One contributions are applicable.

**Class One Contributions :** - For every person who is considered to be in insurable employment, there are three different contributions which are to be paid: one by the employed person, one by his/ her employer and one by the State. Class one is made up of 6 categories:

**Category A** – Persons under 18 years of age earning not more than Lm55.63 per week

**Category B** – Persons aged 18 and over, earning not more than Lm 55.63 per week

**Category C** – All persons whose basic weekly wage falls between Lm55.64 and Lm131.55 per week

**Category D** – All persons whose basic weekly wage is equal to or exceeds Lm131.56 per week

**Category E** – Students under 18 years of age

**Category F** – Students 18 years and over

For Category A, ie for persons under 18 years of age a juvenile rate of contribution of Lm2.84c is paid if the basic wage does not exceed the minimum wage (Lm55.63c). Where the basic salary of these persons exceeds the minimum wage the current payable rate is that of 10% of the basic salary. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

For Category B ie persons who are 18 years and over and earning not more than Lm 55.63 per week, the minimum weekly contribution to be paid by the employee is of Lm 5.56. Where the basic salary of these persons exceeds the minimum wage the current payable rate is that of 10% of the basic salary. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

For Category C, the rate of contribution of the employee is equivalent to 10% of the basic pay. The minimum contribution to be paid is of Lm5.56c per week and the maximum contribution of Lm13.16c per week. Such payment is to be paid based on the income of the employee. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

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For Category D, the rate of contribution of the employee is equivalent to Lm13.16 per week. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

Category E applies to students who are under 18 years of age and are doing apprentice work as part of their studies. The rate of contribution of the employee is 10% of the basic weekly wage with a maximum weekly contribution of Lm1.88. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

Category F applies to students who are 18 years or more and are doing apprentice work as part of their studies. The rate of contribution of the employee is 10% of the basic weekly wage with a maximum weekly contribution of Lm3.41. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

Employed persons between the ages of 16 years and 61 years (if males) 60 years (if females) pay social security contributions. Persons over 65 years of age are not liable to pay a contribution even if they are employed. In addition, persons between pension age (61 years for men, 60 for women) and age 65, whose earnings, if any, do not exceed the minimum wage are automatically exempt from the payment of any contribution.

#### *Contributions paid by employers*

For the purpose of this section both Class One and Class Two contributions are applicable.

**Class One Contributions :** - For every person who is considered to be in insurable employment, there are three different contributions which are to be paid: one by the employed person, one by his/ her employer and one by the State. Class one is made up of 6 categories:

**Category A** – Persons under 18 years of age earning not more than Lm55.63 per week

**Category B** – Persons aged 18 and over, earning not more than Lm 55.63 per week

**Category C** – All persons whose basic weekly wage falls between Lm55.64 and Lm131.55 per week

**Category D** – All persons whose basic weekly wage is equal to or exceeds Lm131.56 per week

**Category E** – Students under 18 years of age

**Category F** – Students 18 years and over

For Category A, ie persons under 18 years of age a juvenile rate of contribution of Lm2.84c is paid by the employer if the basic wage does not exceed the minimum wage (Lm55.63c). Where the basic salary of these persons exceeds the minimum wage the current payable rate is that of 10% of the basic salary. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

For Category B ie persons who are 18 years and over and earning not more than Lm 55.63 per week, the minimum weekly contribution to be paid by the employer is of Lm 5.56. Where the basic salary of these persons exceeds the minimum wage the current payable rate is that of 10% of the basic salary. The

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state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

For Category C, the rate of contribution of the employer is equivalent to 10% of the basic pay. The minimum contribution to be paid is of Lm5.56c per week and the maximum contribution of is Lm13.16c per week are to be paid based on the income of the employee. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

For Category D, the rate of contribution of the employer is equivalent to Lm13.16 per week. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

Category E applies to students who are under 18 years of age and are doing apprentice work as part of their studies. The rate of contribution of the employer of this category is 10% of the basic weekly wage with a maximum weekly contribution of Lm1.88. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

Category F applies to students who are 18 years or more and are doing apprentice work as part of their studies. The rate of contribution of the employer of this category is 10% of the basic weekly wage with a maximum weekly contribution of Lm3.41. The state contribution is equivalent to 50% of the amount paid by the employer and that of the employee added together.

Employed persons between the ages of 16 years and 61 years (if males) 60 years (if females) pay social security contributions. Persons over 65 years of age are not liable to pay a contribution even if they are employed. In addition, persons between pension age (61 years for men, 60 for women) and age 65, whose earnings, if any, do not exceed the minimum wage are automatically exempt from the payment of any contribution.

**Class Two Contributions:** - These contributions are payable by persons between the age of 16 and 65 who are occupied in a self-employed capacity. Persons, who are neither employed nor 'gainfully occupied' are also considered to fall under the Class two category of contributions. There are various rates of the Class Two contribution: the full (or highest rate) and a number of lower rates depending on the total net income of the self-employed person concerned. The table below illustrates the rates which were applicable for this category during 2005:

	Annual net income		Weekly rate
	From (Lm)	To (Lm)	Lm
SA	0	3418	9.61
SB	3419	6840	15 %
SC	6841+		19.73
SP*	431	2791	8.05

\*The 'SP' rate applies to self employed persons only whose total net income in the previous year exceeds Lm430 (if single person) or Lm630 (if married person).

Exemption from the payment of contributions for Class Two category: -

The following categories of persons are statutorily exempt from the payment of a Class Two contribution: -  
(a) Persons in receipt of full-time education or training (ie these persons are not carrying out any apprentice work as part of their studies).

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- (b) Non-gainfully occupied married persons.
- (c) Persons in receipt of a pension in respect of widowhood, invalidity or retirement or persons in receipt of a Parent's Pension;
- (d) Persons in receipt of non-contributory Social Assistance or a non-contributory pension.

### *Payroll taxes*

Payroll taxes which are applied at a national level are identical to Income Taxes which are described in section 10.1 above. The payment of such taxes depends on the income which a person declares. For employed persons there is a distinction in the percentage of tax which is paid if a job is considered to be the main occupation or if it is considered to be a second job.

Main jobs are taxed using the rates highlighted in section 10.1 (either single or married tax rate computation depending on the case) whereas payment of tax on income derived from part time earnings second jobs is of 15 per cent (for employees).

### **10.4 Treatment of particular group**

[for both income taxes and social contributions]

#### *10.4.1 Young persons*

#### *10.4.2 Older workers*

#### *10.4.3 Others if applicable*

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## **11. Part-time work**

### ***11.1 Special benefit rules for part-time work***

Persons having a part-time job are entitled to social assistance and family benefits as long as they satisfy all the criteria highlighted for the various benefits indicated in sections 4, 5, 6 and 9 above. In addition they are also entitled to employment-conditional benefits as described as section 8 above as long as the part-time work is the main job of the person.

### ***11.2 Special tax and social security contribution rules for part-time work***

At a national level a distinction is made between part-time work as a main job and part-time work as a second job.

Persons having a part-time work as a main job have to pay social security contributions just like any other worker. This is 10 per cent of the basic weekly wage just like any other worker. For tax purposes income from part-time employment must be declared and payments made according to the details specified in section 10 above. Persons who are under 18 years engaged in a part-time job have a minimum social security payment of Lm 2.84 per week if their weekly wage does not exceed Lm 55.63 per week. Should the salary exceed Lm 55.63 per week, the standard 10 per cent is to be paid irrespective of the employee's age.

Persons having a part-time work as a second job do not have to pay any social security contributions since they would be already paying their share in their primary occupation. For tax purposes income from part-time employment must be declared. A flat rate of 15 per cent is paid in respect of income derived from part-time employment as a second job.

## **12. Policy developments**

### ***12.1 Policy changes introduced during 2005***

#### **Tax rebate for women returners**

In an effort to encourage more women to enter the labour market, government has introduced a scheme for women returners. Women who are eligible to apply for this scheme must have been employed and should have stopped for a minimum of 5 years. Those who opt to return in the world of work may benefit from a tax rebate of a maximum of Lm700. The amount may be availed of over a period of two years.

### ***12.2 Future policy changes announced in 2005***

Government intends to enhance existing policies and schemes. Government is intent on increasing the employment rate of women and on widening the skills base of the existing labour force especially workers who are 40 years and over. In this regard, assistance is being sought from the European Social Fund. Additional assistance from the same fund is being sought for creating schemes which favour persons with special needs to enter the labour market and projects related to childcare at the place of work. In this regard, Government's intention is to assist existing child care centres to improve on their standards and it is also aiming at regularising this sector.

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## ANNEX DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD Revenue Statistics.

### **Social security contributions to general government**

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

### **Social security contributions paid to institutions outside general government**

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

### **Payroll taxes**

This heading covers taxes paid by employers, employees [...] either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.