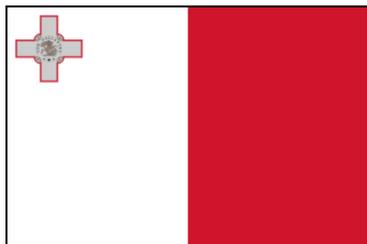


THE OECD TAX-BENEFIT MODEL FOR MALTA

Description of policy rules for 2018



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OECD team: Marion Bachelet (lead author), Olga Rastrigina, James Browne, Herwig Immervoll, Dirk Neumann, Daniele Pacifico

National team: Joslyn Magro Cuschieri (National Statistics Office); Mark Galea (National Statistics Office); Shawn Sammut (National Statistics Office)

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Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2018**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for Malta: Policy rules in 2018

1. Reference wages

The 2018 average wage **[AW]** is EUR 23331.

The minimum wage **[MIN]** in 2018 is EUR 172.51 per week. The annual minimum wage is computed by multiplying the minimum weekly wage (as of January 1, 2018) by 52, i.e. EUR 172.51*52 = EUR 8970.52.

2. Unemployment benefits

2.1. *Unemployment benefit (Beneficcju tal- qaghad) and Special unemployment benefit (Beneficcju specjali tal- qaghad)*

Variable names: **[UI_p; UI_s]**

The **Unemployment benefit** is an unemployment insurance benefit. It is contributory, not means-tested and taxable. 

The **Special unemployment benefit** is a hybrid of both the contributory benefit and the non-contributory assistance. It is means-tested and taxable.  If the means-test is satisfied, the Unemployment Benefit is increased and converted to a Special Unemployment Benefit (SUB).

2.1.1. *Eligibility conditions*

Age: over 16 but below 63 years old.

Contribution/employment history: Unemployment benefit is granted to an unemployed person, who has at least 50 weekly Class 1 social security contributions of which 20 should have been contributed in the last two consecutive complete contribution years before the beginning of the benefit year.

Behavioural requirements and related eligibility conditions:  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.¹ The benefit claimant is:

1. not working;
2. involuntarily unemployed;

¹ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), [Langenbucher \(2015\)](#) and [Venn \(2011\)](#).

3. registered for work with the ETC – this implies regular registration at the district office;
4. attending interviews for potential jobs indicated by ETC and not declining any offer for employment;
5. attending any training which the ETC deems suitable for increasing the unemployed person chances of finding a job;
6. participating in the Youth Guarantee Scheme under the supervision of the Ministry of Education and Employment if under the age of 23.

2.1.2. *Benefit amount*

Calculation base: Flat-rate allowance that depends solely on the composition of the household.

Benefit amount: Persons receiving Unemployment Benefit are paid 8.13 Euros per day (if single head of household²) (max 219.51 Euros per month) and 12.44 Euros per day (if married head of household, maintaining a spouse who is not in full-time employment or a single parent) (max 335.88 Euros per month, calculated as for single rate).

Persons receiving the Special Unemployment Benefit are paid 13.78 Euros per day (if single head of household) (max 372.06 Euros for 1 month) and 20.89 Euros per day (if married head of household, maintaining a spouse who is not in full-time employment or a single parent) (max 564.03 Euros for 1 month).

Payment is based on each day of unemployment, excluding Sundays.

2.1.3. *Benefit duration*

The maximum unemployment benefit payment period is 156 days.

On exhaustion of special unemployment benefit, a client becomes normally entitled to unemployment assistance on re-assessment.

2.1.4. *Means test*

The Unemployment benefit is not means-tested.

The Special unemployment benefit is income and asset tested.

In case of a single person, capital should not exceed 14,000 Euros per annum. In case of a household of two or more adult persons, the capital should not exceed 23,300 Euros per annum. TaxBEN assumes that all conditions related to assets are satisfied.

The income should not exceed the lowest rate of assistance payable for Special Unemployment Benefit. Total income from wife's or partner's is included in the calculation of the income.

If the means test is not satisfied, beneficiary will be entitled to Unemployment Benefit (i.e. entitlement to a lower rate of benefit).

² 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.

2.1.5. Tax treatment

The benefit is taxable.

2.1.6. Interactions with other components of the tax-benefit system

One cannot receive the parental benefit and unemployment benefit at the same time. Payment of the parental benefit is suspended for the duration of the unemployment benefit. Payment of the unemployment benefit is suspended for the duration of the sickness benefit.

2.1.7. Combining benefit receipt and employment/starting a new job

The payment of unemployment benefit is fully withdrawn if working.

2.2. Unemployment assistance (Ghajnuna Socjali)

Variable names: [UA_p; UA_s]

This is an unemployment assistance. It is non contributory, means-tested and non taxable.



2.2.1. Eligibility conditions

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. 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.

In case of beneficiaries who are part of a family where one member is employed, unemployment assistance is only given if the employed household member is engaged on a part time basis. In this regard, the employed person must provide the Social Security Department with a declaration from his/her employer whereby the type of employment contract is declared (i.e. whether working full time or part time).

In cases where a household member where the beneficiary lives works on a full time basis no Unemployment assistance is given. In cases where a household member in which a beneficiary lives works on a part time basis, UA is provided for one beneficiary only, since there are no dependants (this assumes a case of a couple where one spouse works and the other spouse is unemployed).

In cases where there are dependents (ex couple with two children where a spouse is employed and another spouse is unemployed), unemployment assistance is calculated on three persons (1 beneficiary and 2 dependents).

Behavioural requirements and related eligibility conditions:  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment assistance. The benefit claimant is:

1. not working;
2. involuntarily unemployed;
3. registering for employment with the public employment agency under Part 1 of unemployment register;

4. participating in the Youth Guarantee Scheme under the supervision of the Ministry of Education and Employment if under the age of 23.

2.2.2. *Benefit amount*

Calculation base: Flat-rate allowance that depends solely on the composition of the household.

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

1 person (i.e. beneficiary only) – 104.38 Euros per week / 452.36 Euros per month

2 persons (i.e. beneficiary and 1 dependant) – 112.53 Euros per week / 487.68 Euros per month

3 persons (i.e. beneficiary and 2 dependants) – 120.68 Euros per week / 523.00 Euros per month

4 persons (i.e. beneficiary and 3 dependants) – 128.83 Euros per week / 558.32 Euros per month

5 persons (i.e. beneficiary and 4 dependants) – 136.98 Euros per week / 593.64 Euros per month

For each additional dependant – 8.15 Euros per week / 35.32 Euros per month

Additional Bonus

This is a non-means tested benefit given to all persons receiving Unemployment Assistance. The amount is that of 3.12 Euros per week (13.42 Euros per month). 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 135.10 Euros two times a year (22.52 Euros per month). This payment is constant irrespective of the number of dependants that may be living with the beneficiary.

2.2.3. *Benefit duration*

No limitation.

2.2.4. *Means test*

The benefit is income and asset tested.

In case of a single person, capital should not exceed 14,000 Euros per annum. In case of a household of two or more adult persons, the capital should not exceed 23,300 Euros per annum. TaxBEN assumes that all conditions related to assets are satisfied.

The income test is calculated on the income earned as well as on maintenance, interests and rents receivable. Total income from wife's or partner's is included in the calculation of the income.

The income shall not exceed the Unemployment Assistance rate due to claimant and the income receivable shall be deducted from the rate due (eg. if a person receives 20 Euro as rent from third party this amount is deducted from the rate due).

If one of the spouses is employed, the other spouse is registering for work under Part 1 and the income does not exceed the Unemployment Assistance rate due (rate is paid in accordance with the number of persons in household), the difference in Unemployment Assistance is paid. However, if the income exceeds the Unemployment Assistance due rate, no assistance is payable from the Department.

2.2.5. Tax treatment

The benefit is not taxable.

3. Social assistance and housing benefits

3.1. Social assistance (*Ghajnuna Socjali*)

Variable name: **[SA]**

This is a non-contributory benefit, means-tested and taxable.

3.1.1. Eligibility conditions

Entitlement to social assistance depends on whether the applicant satisfies a means test.

In case of beneficiaries who are part of a family where one member is employed, Social assistance is only given if the employed household member is engaged on a part time basis. In this regard, the employed person must provide the Social Security Department with a declaration from his/her employer whereby the type of employment contract is declared (ie. whether working full time or part time).

In cases where a household member where the beneficiary lives works on a full time basis no Unemployment assistance is given. In cases where a household member in which a beneficiary lives works on a part time basis, SA is provided for one beneficiary only, since there are no dependants (this assumes a case of a couple where one spouse works and the other spouse is unemployed). In cases where there are dependents (ex couple with two children where a spouse is employed and another spouse is unemployed), SA is calculated on three persons (1 beneficiary and 2 dependents).

3.1.2. Benefit amount

Calculation base: Flat-rate allowance that depends solely on the composition of the household.

Benefit amount: 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 (i.e. beneficiary only) – 104.38 Euros per week / 452.36 Euros per month

2 persons (i.e. beneficiary and 1 dependant) – 112.53 Euros per week / 487.68 Euros per month

3 persons (i.e. beneficiary and 2 dependants) – 120.68 Euros per week / 523.00 Euros per month

4 persons (i.e. beneficiary and 3 dependants) – 128.83 Euros per week / 558.32 Euros per month

5 persons (i.e. beneficiary and 4 dependants) – 136.98 Euros per week / 593.64 Euros per month

For each additional dependant – 8.15 Euros per week / 35.32 Euros per month

Additional Bonus

This is a non-means tested benefit given to all persons receiving Social Assistance. The amount is that of 3.12 Euros per week (13.42 Euros per month). 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 135.10 Euros two times a year (22.52 Euros per month). This payment is constant irrespective of the number of dependants that may be living with the beneficiary.

Supplementary allowance

This is an allowance for which the beneficiary has to apply once every year.

There are four categories into which persons eligible for this Assistance can be categorised. Each category has its own conditions and income ceiling. The income ceiling for employed persons is based on income and emoluments for basic year 2015 and for pensioners and social assistance beneficiaries, it is based on the pension or assistance income for 2017. The categories for this benefit are as follows:

For single persons:

Supplementary allowance is given to single persons whose income does not exceed 9,103 Euros, excluding Social Security contributions paid.

- For single person who is head of household and is currently in receipt of Social Assistance or Unemployment Assistance or any type of pension or disability assistance: when the income is less than 6,410 Euros, the assessment is based on 4.57 Euros per week (19.82 Euros per month). When the income is higher than 6,410 Euros, the assessment is based on 1.7 % of the difference between 20,477 Euros and total income declared. The maximum supplementary allowance payment for this case is 237.64 Euros yearly.
- For single employed persons living on their own, earning less than the National Minimum Wage of 172.51 Euros and who have a net income not exceeding 9,103 Euros when the income is less than 6,410 Euros, the assessment is based on 7 Euros per week (30.36 Euros per month). When the income is higher than 6,410 Euros, the assessment is based on 2.751% of the difference between 20,477 Euros and the total income declared. The maximum payment for persons in this category is 364.00 Euros yearly.
- For single employed persons who are not heads of household and who have an annual net income not exceeding 9,103 Euros, a flat rate of 2.43 Euros per week (126.36 Euros per year) is paid.

For married persons:

- Married persons in receipt of Social Assistance or Unemployment Assistance whose income does not exceed 13,091 Euros, excluding Social Security contributions are also entitled to this allowance. When the income is less than 6,410 Euros, the assessment is based on 12.54 Euros per week (54.32 Euros per month). If the applicant's annual income is not more than 11,180 Euros, the assessment is based on 3.5% of the difference between 25,137 Euros and total income declared. On the other hand, if the applicant's income is between 11,181 Euros and 13,091 Euros the assessment is then based on 1% of the difference between 25,137 Euros and the declared income. The maximum supplementary allowance payment for couples is 652.08 Euros yearly.

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

3.1.3. *Benefit duration*

No limitation.

3.1.4. *Means test*

The benefit is income and asset tested.

In case of a single person, capital should not exceed 14,000 Euros per annum. In case of a household of two or more adult persons, the capital should not exceed 23,300 Euros per annum. TaxBEN assumes that all conditions related to assets are satisfied.

The income test is calculated on the income earned as well as on maintenance, interests and rents receivable. 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.

The income shall not exceed the Social Assistance rate due to claimant and the income receivable shall be deducted from the rate due (eg. if a person receives 20Euro as rent from third party this amount is deducted from the rate due).

If one of the spouses is employed, the other spouse is registering for work under Part 1 and the income (as mentioned in income test) does not exceed the Social Assistance rate due (rate is paid in accordance with the number of persons in household), the difference in Social Assistance is paid.

However if the income exceeds the Social Assistance due rate, no assistance is payable from the Department.

3.1.5. *Tax treatment*

Tax rates are applied if the annual amount of Social Assistance exceeds 9,100.00 Euros (for single tax computation), 12,700.00 Euros (for married tax computation) or 10,500.00 Euros (for parent tax computation).

3.1.6. *Interaction with other components of the tax-benefit system*

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

3.2. *Housing benefit (Beneficcju tad-Djar)*

Variable name: **[HB]**

The **rent subsidy scheme** is a non-contributory benefit, means-tested and not taxable.

The **rent element** is a non-contributory benefit, not means-tested and not taxable.

3.2.1. *Eligibility conditions*

The **rent subsidy scheme** is based on the income level of the beneficiary and is paid to individuals living in rented properties provided by the private sector that are being used as ordinary houses of residences by the applicant and his/her family.

TaxBEN assumes that the following compulsory conditions are satisfied when simulating housing benefits:

1. Be a Maltese citizen or an EU citizen. In case of married couples, one member of the couple must be a Maltese or an EU citizen;
2. Applicant and his wife/her husband have lived continually in Malta for at least 18 months preceding the date of application;
3. Must be married, single, widow/er, separated or single parent or a single person between 18-21 years leaving institutional care;
4. The applicant must have entered into an agreement with the landlord;
5. The applicant must be the recognised tenant of the property;
6. Applicant's capital assets must not exceed 23,300 Euros (during the 12 months prior date of application). Applicants are exempt from the above means test if they are in receipt of any of the following social security benefits:
 - a. Social Assistance
 - b. Social Assistance for Single Parents
 - c. Unemployment Assistance
 - d. Age Pension
 - e. National Minimum Invalidity Pension

The **rent element** provides assistance to persons who are in receipt of non contributory benefits.

3.2.2. *Benefit amount*

The **rent subsidy scheme** is calculated as follows:

Table A – Maximum annual rent payable €203.14

	Maximum subsidy	Minimum annual rent to be paid by applicant
SINGLE PERSON		
€ 0 - € 6,611.00	€ 80	€ 105
2 ADULTS		
€ 0 - € 8,106.00	€ 100	€ 85
3 OR MORE PERSON (FAMILY WITH CHILDREN)		
€ 0 - € 9,611.00	€ 120	€ 65

Table B – Annual rent payable exceeding €203.15

			Maximum subsidy	Minimum annual rent to be paid by applicant
SINGLE PERSON				
	Persons under age 65	Persons aged 65+		
A	€ 0 - € 12,000.00	€ 0 - € 14,000.00	€ 1,600	€ 203.14
B	€ 12,001.00 - € 13,000.00	€ 14,001.00 - € 15,000.00	€ 1,300	€ 300
C	€ 13,001.00 - € 14,000.00	€ 15,001.00 - € 16,000.00	€ 1,100	€ 350
2 ADULTS				
	Persons under age 65	Persons aged 65+		
A	€ 0 - € 18,000.00	€ 0 - € 20,000.00	€ 1,900	€ 203.14
B	€ 18,001.00 - € 20,000.00	€ 20,001.00 - € 22,000.00	€ 1,700	€ 250
C	€ 20,001.00 - € 22,000.00	€ 22,001.00 - € 24,000.00	€ 1,500	€ 300
3 OR MORE PERSON (FAMILY WITH CHILDREN)				
	Persons under age 65	Persons aged 65+		
A	€ 0 - € 20,000.00	€ 0 - € 22,000.00	€ 2000	€ 203.14
B	€ 20,001.00 - € 21,000.00	€ 22,001.00 - € 23,000.00	€ 1,800	€ 250
C	€ 21,001.00 - € 22,000.00	€ 23,001.00 - € 24,000.00	€ 1,600	€ 300
D	€ 22,001.00 - € 23,000.00	€ 24,001.00 - € 25,000.00	€ 1,400	€ 350
E	€ 23,001.00 - € 24,000.00	€ 25,001.00 - € 26,000.00	€ 1,200	€ 400

Taxben assumes that the annual rent payable exceeds €203.14 (Table B).

Taxben doesn't simulate rules for persons aged 65 and above.

For disabled persons living on their own or within a household, the annual income should not exceed 30,000 Euros.

Members of a family include the applicant and his/her spouse and his/her children living with the applicant, including fostered children, grandchildren, 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.

For people eligible in receiving a subsidy under Table B, an additional 125.00 Euros per annum will be granted to families having a disabled member and an additional 125.00 Euros per annum will also be granted to families having 6 or more members and an additional 300.00 Euros per annum to households who have fostered children living with them.

Furthermore, single people who:

- 1) lived in care; or
- 2) were for a period of time fostered; or
- 3) left Corradino Correctional Facility; or
- 4) who have successfully completed a rehabilitation/therapeutic programme;

can benefit from the subsidy amounting to a maximum of 3,200.00 Euros per annum until the age of twenty eight (28).

The amount of the **Rent Element** is 1.16 Euro per week.

3.2.3. *Benefit duration*

No limitation.

3.2.4. *Means test*

The applicant(s) gross income received during the preceding year from any occupation, pay and/or salary, overtime, pension and/or other social benefits (excluding Children's Allowance) is included in the calculation of the housing benefits. If the application is made by two or more applicants, the gross income of both applicants is included in the calculation. Members of the household who are over 18 years are not considered for the housing benefit assistance unless they are disabled. Persons who are 18 years and over (who is not the applicant or his/ her spouse) are also not considered in terms of the number of members residing in the household. For separated persons, any alimony paid by the applicant to his/her former spouse will be deducted from the person's gross annual income in the calculation for housing benefits.

3.2.5. *Tax treatment*

This benefit is non-taxable.

3.2.6. *Interaction with other components of the tax-benefit system*

It is possible to receive the housing benefit together with other benefits.

3.2.7. *Combining benefit receipt and employment/starting a new job*

The rent subsidy scheme can be combined with employment if the means-test and other eligibility conditions are satisfied. There are no special rules for those who find employment during receipt of housing benefit.

4. Family benefits

4.1. Children's allowance (*Allowance tat-Tfal*)

Variable name: **[FB]**

This is a non-contributory benefit, means-tested and not taxable.

4.1.1. Eligibility conditions

All households having a child whose age is 16 or less is entitled to this benefit. 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 for the first time and are living in households where the total income does not exceed 24,924.00 Euros are also entitled to Children's Allowance.

4.1.2. Benefit amount

Eligibility to Children's Allowance depends on the income of the family and the number of children below 21 years of age in that family.

Families with a household income exceeding 24,924.00 Euros are entitled to the Fixed Children's Allowance of 450.00 Euros per child per annum.

In the case of families with three or less children and with a household income of 24,924.00 Euros or less, the eligibility to Children's Allowance is calculated on the difference between the declared income of the family for the previous year and the established threshold of 24,924.00 Euros. The answer is then multiplied by 6% for each child below 16 years of age, or on 2% for each eligible child over 16 but under 21 who satisfies the conditions outlined in section 4.1.1, living in the family and the result determines the amount of children's allowance which will be given. Should the answer to this computation be less than the fixed children's allowance (ie less than 450.00 Euros), the fixed rate is given for each child.

For families with four or more children, the maximum income of the parents taken into account for the computation of children's allowance is 30,911.00 Euros. In such cases if the parents earn more than 30,911.00 Euros they will be paid 450.00 Euros per annum per child under 16 years of age.

If income of parents is below 5,477.00 Euros this is considered as 5,477.00 Euros.

4.1.3. Benefit duration

As long as the eligibility conditions hold.

4.1.4. Means test

The benefit is means-tested.

The amount of social security contributions paid for the previous year is deducted from the declared income before the children's allowance amount is worked out.

4.1.5. Tax treatment

The benefit is not taxable.

4.1.6. Interaction with other components of the tax-benefit system

The benefit is universal and can be received together in any other benefit.

4.1.7. Combining benefit receipt and employment/starting a new job

The benefit is universal; employment doesn't affect benefit receipt.

4.2. Social assistance for lone parents (*Applikazzjoni għall-Ghajjnuna Soċjali*)

Variable name: **[LPB]**

This is a non-contributory benefit, means-tested and not taxable.

4.2.1. Eligibility conditions

A single parent who does not earn more than the National Minimum Wage of 172.51 Euros 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.

4.2.2. Benefit amount

The maximum rate of Assistance is 104.38 Euros per week (452.36 Euros per month) for a parent with one child. This is increased by a further 8.15 Euros per week (35.32 Euros per month) for each additional child. A weekly additional bonus of 3.12 Euros and a six monthly bonus of 135.10 Euros is payable to beneficiaries of Social Assistance. If rent is paid for the house of residence, an allowance of 1.16 Euros per week is added to the entitlement.

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. 112.53 Euros per week or 487.68 Euros per month) does not exceed the National Minimum wage of 172.51 Euros. This means that a single parent may earn up to 59.98 Euros per week and still receive the full entitlement of Social Assistance.

4.2.3. 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.

4.2.4. Means test

A single parent who does not earn more than the National Minimum Wage of 172.51 Euros per week is eligible for this benefit.

4.2.5. Tax treatment

The benefit is not taxable.

4.2.6. *Interaction with other components of the tax-benefit system*

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.

4.2.7. *Combining benefit receipt and employment/starting a new job*

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.

5. Childcare for pre-school children

The **reference date** for the policy rules described in this section is **July 1, 2018**.³

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.

During 2014, government introduced free childcare to parents when these are either both working or studying. The take up of this scheme is estimated to be 21.3 per cent of children born between 2013 and 2016. A further 5.9 per cent of children born during the same years were attending childcare services (NSO news release 150/2016).

5.1. *Out-of-pocket childcare fees paid by parents*

Variable name: [\[MTcc_cost\]](#)

Full-time childcare

The majority of 3 to 4 year olds attend pre-primary schools. State pre-primary schools are free of charge.

5.2. *Child-care benefits for formal centre-based care*

Variable name: [\[cc_benefit\]](#)

Since 2014 government introduced free childcare to working or studying parents.

5.3. *Child care allowance for children not using child care centers*

There is no child care allowance for children not using child care centers, i.e. if care is home-based no benefit is provided.

5.4. *Tax concessions for childcare expenditures*

Parents who paid fees for child-care services in respect of their children who are below the age of 12, to centres, which are registered or otherwise approved by the Department for Social Welfare Standards or the Directorate for Quality and Standards in Education or

³ The childcare module of the tax-benefit model is updated every three year (next update: 2018).

is a service provided by the Foundation for Educational Services in respect of their children are eligible for a deduction equal to the lower of €2,000 for every child or the amount of fees paid during 2017.

6. Employment-conditional benefits

6.1. In-Work Benefit (*Beneficcju ta' Waqt l-Impjieg*)

Variable name: [\[IW_fam\]](#)

This is a non-contributory benefit, means-tested and taxable.

6.1.1. Eligibility conditions

Introduced in 2015, this benefit is paid to families where both parents are in employment, have children under the age of 23 years living with them and whose combined annual income/net profit from a gainful occupation is between 10,000.00 Euros and 24,000.00 Euros. The annual earnings/net profit for one parent working part-time must not be less than 3,000.00 Euros. Such families are eligible to receive a maximum In-Work Benefit of 1,200.00 Euros per child per annum.

Single parents in employment with children under the age of 23 living with them and whose annual earnings/net profit from a gainful occupation is between 6,600.00 Euros and 16,500.00 Euros are also eligible to receive the In-Work Benefit. These persons will be paid a maximum In-Work Benefit of 1,250.00 Euros per child per annum.

Finally, in 2016 this benefit also became payable to families where only one parent is in employment, have children under the age of 23 years living with them and whose annual earnings/net profit from a gainful occupation is between 6,600.00 Euros and 16,500.00 Euros. Such families shall be paid a maximum In-Work Benefit of 450.00 Euros per child per annum.

6.1.2. Benefit amount

The benefit amount depends on household composition and income:

SINGLE PERSON		MARRIED BOTH PERSONS IN EMPLOYMENT		MARRIED WITH ONE PERSON IN EMPLOYMENT	
Annual earnings limit intervals	Daily amount per child	Annual earnings limit intervals	Daily amount per child	Annual earnings limit intervals	Daily amount per child
€6600.00 - €6699.99	€16.35	€10000.00 - €10399.99	€7.69	€6600.00 - €9499.99	€8.65
€6700.00 - €6799.99	€16.83	€10400.00 - €10499.99	€8.65	€9500.00 - €11999.99	€7.69
€6800.00 - €6899.99	€17.31	€10500.00 - €10599.99	€9.62	€12000.00 - €12999.99	€6.73
€6900.00 - €6999.99	€17.79	€10600.00 - €10699.99	€10.58	€13000.00 - €13999.99	€3.85
€7000.00 - €7099.99	€18.27	€10700.00 - €10799.99	€11.54	€14000.00 - €14999.99	€2.69
€7100.00 - €7199.99	€18.75	€10800.00 - €10899.99	€12.50	€15000.00 - €16500.00	€1.44
€7200.00 - €7299.99	€19.23	€10900.00 - €10999.99	€13.46		
€7300.00 - €7399.99	€19.71	€11000.00 - €11099.99	€14.42		
€7400.00 - €7499.99	€20.19	€11100.00 - €11199.99	€15.38		
€7500.00 - €7599.99	€20.67	€11200.00 - €11299.99	€16.35		
€7600.00 - €7699.99	€21.15	€11300.00 - €11399.99	€17.31		
€7700.00 - €7799.99	€21.63	€11400.00 - €11499.99	€18.27		
€7800.00 - €7899.99	€22.12	€11500.00 - €11599.99	€19.23		
€7900.00 - €7999.99	€22.60	€11600.00 - €11699.99	€20.19		
€8000.00 - €8099.99	€23.08	€11700.00 - €11799.99	€21.15		
€8100.00 - €8199.99	€23.56	€11800.00 - €11899.99	€22.12		
€8200.00 - €9099.99	€24.04	€11900.00 - €17099.99	€23.08		
€9100.00 - €9199.99	€23.65	€17100.00 - €17199.99	€22.50		
€9200.00 - €9299.99	€23.27	€17200.00 - €17299.99	€21.92		
€9300.00 - €9399.99	€22.88	€17300.00 - €17399.99	€21.35		
€9400.00 - €9499.99	€22.50	€17400.00 - €17499.99	€20.77		
€9500.00 - €9599.99	€22.12	€17500.00 - €17599.99	€20.19		
€9600.00 - €9699.99	€21.73	€17600.00 - €17699.99	€19.62		
€9700.00 - €9799.99	€21.35	€17700.00 - €17799.99	€19.04		
€9800.00 - €9899.99	€20.96	€17800.00 - €17899.99	€18.46		
€9900.00 - €9999.99	€20.58	€17900.00 - €17999.99	€17.88		
€10000.00 - €10099.99	€20.19	€18000.00 - €18199.99	€17.31		
€10100.00 - €10199.99	€19.81	€18200.00 - €18399.99	€16.15		
€10200.00 - €10299.99	€19.42	€18400.00 - €18599.99	€15.00		
€10300.00 - €10399.99	€19.04	€18600.00 - €18799.99	€13.85		
€10400.00 - €10499.99	€18.65	€18800.00 - €18999.99	€12.69		
€10500.00 - €10599.99	€18.27	€19000.00 - €19299.99	€11.54		
€10600.00 - €10699.99	€17.88	€19300.00 - €19599.99	€9.81		
€10700.00 - €10799.99	€17.50	€19600.00 - €19899.99	€8.08		
€10800.00 - €10899.99	€17.12	€19900.00 - €20199.99	€7.50		
€10900.00 - €10999.99	€16.73	€20200.00 - €20499.99	€6.92		
€11000.00 - €11099.99	€16.35	€20500.00 - €20799.99	€3.27		
€11100.00 - €11249.99	€15.96	€20800.00 - €21099.99	€3.08		
€11250.00 - €11399.99	€15.19	€21100.00 - €21399.99	€2.88		
€11400.00 - €11549.99	€14.81	€21400.00 - €21699.99	€2.69		

€11550.00- €11699.99	€14.04	€21700.00 - €21999.99	€2.50		
€11700.00- €11849.99	€13.65	€22000.00 - €22299.99	€2.31		
€11850.00 - €11999.99	€12.88	€22300.00 - €22599.99	€2.12		
€12000.00- €12149.99	€12.50	€22600.00 - €22899.99	€1.92		
€12150.00 - €12299.99	€11.73	€22900.00 - €23199.99	€1.92		
€12300.00 - €12449.99	€11.35	€23200.00 - €23499.99	€1.92		
€12450.00 - €12599.99	€10.58	€23500.00 - €24000.00	€1.92		
€12600.00 - €12749.99	€10.19				
€12750.00 - €12899.99	€9.42				
€12900.00 - €13049.99	€9.04				
€13050.00 - €13199.99	€8.27				
€13200.00 - €13349.99	€7.88				
€13350.00 - €13499.99	€7.12				
€13500.00 - €13649.99	€6.73				
€13650.00 - €13799.99	€5.96				
€13800.00 - €13949.99	€5.58				
€13950.00 - €14099.99	€4.81				
€14100.00 - €14249.99	€4.42				
€14250.00 - €14399.99	€3.65				
€14400.00 - €14549.99	€3.27				
€14550.00 - €14699.99	€3.27				
€14700.00 - €14849.99	€3.27				
€14850.00 - €14999.99	€3.27				
€15000.00 - €15149.99	€0.96				
€15150.00 - €15299.99	€0.96				
€15300.00 - €15449.99	€0.96				
€15450.00 - €15599.99	€0.96				
€15600.00 - €15749.99	€0.96				
€15750.00 - €15899.99	€0.96				
€15900.00 - €16049.99	€0.96				
€16050.00 - €16199.99	€0.96				
€16200.00 - €16349.99	€0.96				
€16350.00 - €16500.00	€0.96				

6.1.3. Benefit duration

No limitation

6.1.4. Means test

The benefit is means-tested.

The income taken into account to assess eligibility is the gross income minus employee social security contributions.

6.1.5. Tax treatment

The benefit is taxable.

6.1.6. Interaction with other components of the tax-benefit system

7. Social security contributions and payroll taxes

7.1. Social security contributions

Variable names: [\[SOCSEC_p; SOCSEC_s; SSCR_p; SSCR_s\]](#)

SSC rates are based on the SSC contributions on total earnings.

Below is table showing earnings statistics from the 2012 Labour Cost Survey (survey is conducted every four years).

Earnings breakdown	€	% distribution of earnings
Basic wages and salaries	2,011,754,176.66	85.70
Of which Social Security Contributions	168,267,421.07	7.20
Overtime	98,554,382.51	4.20
Irregular bonuses	94,149,824.67	4.00
Regular bonuses	142,501,485.56	6.10
Total earnings (excl social security contributions)	2,346,959,869.40	100.00

Employers and employees social security contributions are assessed on employee's basic weekly wage. The amount of contribution varies according to the employee's earnings. The lowest rate is €17.25 per week and the highest rate is €45.58 per week for persons born in 1962 or after. The basic weekly wage is calculated on the basis of the gross wage that is payable to an employed person.

8. Taxes

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

8.1. Personal income tax

Variable name: [\[IT_p; IT_s\]](#)

8.1.1. Tax base

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. All types of income are to be included in the tax computation, except unemployment assistance, housing benefit, children's allowance and social assistance for lone parents

8.1.2. Income tax schedule

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.

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.

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.

Parent rate computation – these rates may be used by persons who are parents irrespective of whether they are legally married or not. All parents supporting children (up to 18 years) who are not in employment will be eligible for this rate. If children are still in tertiary education, the age limit is extended to 21 years. This rate may only be used when both parents work.

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.

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

Single computation tax rates

Chargeable income (€)	Tax rate	Subtract
0 - 9,100	0	0
9,101 - 14,500	0.15	1,365
14,501 - 19,500	0.25	2,815
19,501 - 60,000	0.25	2,725
60,001 & over	0.35	8,725

Married computation tax rates

Chargeable income (€)	Tax rate	Subtract
0 -12,700	0	0
12,701 - 21,200	0.15	1,905
21,201 - 28,700	0.25	4,025
28,701 - 60,000	0.25	3,905
60,001 & over	0.35	9,905

Parent computation tax rates

Chargeable income (€)	Tax rate	Subtract
0 - 10,500	0	0
10,501 - 15,800	0.15	1,575
15,801 - 21,200	0.25	3,155
21,201 - 60,000	0.25	3,050
60,001 & over	0.35	9,050

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Malta that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Subsidiary Unemployment Assistance

This benefit is paid to registered immigrants who enjoy Subsidiary Protection and who are unemployed. The rate varies according to the composition of the household and is means tested. A single person living on his own receives 104.38 Euros per week (452.36 Euros per month), with an additional 8.15 Euros paid for each additional person if living as a family. In households containing more than one eligible person, those who qualify will be entitled to 75% of the abovementioned amount (i.e. 78.29 Euros per week or 339.27 Euros per month).

Unemployment Assistance Tapering

Unemployed persons who commence employment, and earn at least the national minimum wage, will continue to receive 65% of their unemployment benefits in the first year of employment. Such rate will be further reduced to 45% in the beneficiaries' second year of employment and then to 25% in the third year. After three years of employment, the assistance will stop being paid.

Supplementary allowance for older worker

Supplementary allowance is given to single persons who have reached the age of 65, are living on their own, at risk of poverty and whose annual income does not exceed 9,103.00 Euros, excluding Social Security contributions paid. When the income is less than 6,592.00 Euros, the assessment is based on 6.49 Euros per week (28.13 Euros per month). When the income is higher than 6,592.00 Euros, the assessment is based on 1.7 % of the difference between 20,568.00 Euros and total income declared plus 100.00 Euros. The maximum supplementary allowance payment for the latter case is 337.61 Euros yearly.

Married persons who have reached the age of 65, are at risk of poverty and whose annual income does not exceed 11,272.00 Euros, excluding Social Security contributions are also entitled to this allowance. When the income is less than 6,592.00 Euros, the assessment is based on 10.05 Euros per week (43.56 Euros per month). When the income is higher than 6,592.00 Euros, the assessment is based on 3.5% of the difference between 25,228.00 Euros and total income declared plus 100.00 Euros. The maximum supplementary allowance payment for the latter case is 752.26 Euros yearly. This form of supplementary allowance is also payable to single parents with income not exceeding 11,272.00 Euros and who are not eligible to receive Children's Allowance.

Furthermore, married persons who have reached the age of 65, are at risk of poverty and whose annual income is between 11,272.00 Euros and 13,091.00 Euros, excluding Social Security contributions, are eligible to receive an allowance equivalent to 1% of the difference between 25,228.00 Euros and the total income declared plus 100.00 Euros. Such persons are eligible to receive a maximum supplementary allowance of 239.56 Euros. This form of supplementary allowance is also payable to single parents within the same income bracket and who are not eligible to receive Children's Allowance.

Carers Allowance

The Carers Allowance is payable to single persons over the age of 18 and under retirement age who are taking care of a relative (parent or brother; sister; grandparent; uncle; aunt; father or mother-in-law or brother or sister-in-law) on a full-time basis and who is living in the same household.

The benefit is means-tested where applicants' capital assets must not exceed 14,000 Euros in order to be eligible to receive the allowance. Furthermore, a Weekly Income Test, computing the weekly income obtained from rents, interests and dividends, is also carried out. Any additional weekly income declared by the claimant will be then deducted from the maximum payable Carers Allowance of 91.17 Euros per week.

Finally, if the applicant was employed prior to applying for the Carers Allowance he/she will be entitled to credited Social Security Contributions if: (i) not less than 156 contributions have been paid by the applicant and (ii) the applicant, for each year since the age of 18, has paid or been credited with an average of at least 20 contributions.

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 40.00 Euros weekly (173.33 Euros per month). No bonuses are paid as part of this benefit.

Increased Carers Allowance

Replacing the Carer's Pension in 2017, the Increased Carers Allowance is payable to single or married persons over the age of 18 and under retirement age who are taking care of a relative (spouse or parent; brother; sister; grandparent; uncle; aunt; father or mother-in-law or brother or sister-in-law) on a full-time basis and who is living in the same household.

The benefit is non-means tested. If the applicant was employed prior to applying for the Increased Carers Allowance he/she will be entitled to credited Social Security Contributions if: (i) not less than 156 contributions have been paid by the applicant and

(ii) the applicant, for each year since the age of 18, has paid or been credited with an average of at least 20 contributions.

The allowance is paid at a maximum rate of 140.00 Euros per week.

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 4. 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. As from 2008, this allowance is no longer means tested and the rate is of 20.00 Euros per week (86.67 Euros per month).

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 92.02 Euros per week, or 172.51 Euros per week for self-occupied women, for a maximum of 14 weeks.

Maternity Leave Benefit

The Maternity Leave Benefit is payable to employed women who have recently given birth and have availed themselves of their full maternity leave entitlement. This benefit is also available to self-occupied women who have recently given birth and are eligible to receive a Maternity Benefit. The Maternity Leave Benefit is paid for a maximum of four weeks at a rate of 172.51 Euros per week.

Adoption Benefit

The benefit is payable for a maximum of 14 weeks to any person who adopts a child. The applicant must not have already availed themselves of paid adoption leave and is paid at the same rate as the Maternity Benefit (92.02 Euros per week). Self-occupied persons are also eligible to receive the Adoption Benefit.

Adoption Leave Benefit

The Adoption Leave Benefit is payable to persons who have recently adopted a child and have availed themselves of more than 14 weeks of adoption leave. This benefit is also available to self-occupied persons. The Adoption Leave Benefit is paid for a maximum of four weeks at a rate of 172.51 Euros per week.

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 100.00 Euros per week (303.33 Euros per month) for each child.