



Malta's financial package in response to COVID-19

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EU Commission adopts State aid Temporary Framework

On March 19, 2020, the European Commission adopted a [Temporary Framework](#) to support the economy in the context of the COVID-19 outbreak. The Commission noted that the main fiscal response to the Coronavirus will come from Member States' national budgets and that the Commission will enable Member States to use the full flexibility foreseen under EU State aid rules to tackle the impact of the Coronavirus on EU economies.

The Temporary Framework will enable Member States to:

- establish and provide schemes of direct grants (or tax advantages or advance payments) of up to €800,000 to a company to address urgent liquidity needs;
- give state guarantees on bank loans;
- enable loans to businesses at subsidized interest rates; and
- enable short-term export credit insurance.

In addition, the new Framework will also seek to support the banking sector, allowing banks to channel aid to final customers, in particular small and medium-sized enterprises (SMEs).

Eurogroup statement on COVID-19

On March 16, 2020, the Eurogroup, which comprises the nineteen EU Member States that have adopted the Euro as their official currency, held a discussion with non-Euro Member Areas. The Eurogroup released a [statement](#) on the outcome of the discussions and highlighted the following proposed coordinated response measures:

1. All national authorities will implement necessary measures to ensure that the economic consequences of COVID-19 are tackled, including by implementing temporary measures such as:
 - Immediate fiscal spending targeted at containment and treatment of the disease.
 - Liquidity support for firms facing severe disruption and liquidity shortages: this can include tax measures, public guarantees to help companies to borrow, export guarantees and the waiving of delay penalties in public procurement contracts.
 - Support for affected workers to avoid employment and income losses, including short-term work support, extension of sick pay and unemployment benefits and deferral of income tax payments.
2. The Eurogroup discussed the need to introduce measures to help economies recover once the Coronavirus has receded. In particular, the Eurogroup re-committed to continue work to further strengthen the architecture and resilience to shocks of the Economic and Monetary Union.

Launch of a Financial Package by the Maltese Government

Within the context of EU measures being adopted, during a press conference held on 18 March 2020, the Prime Minister together with the Minister for Finance and Financial Services and the Minister for the Economy, Investment and Small Businesses, announced a financial package to help the Maltese economy during the COVID-19 outbreak.

The Prime Minister explained that this financial package is intended to protect the liquidity of businesses and also to protect the Maltese families during this challenging period.

The main measures can be summarised as follows:

Measures aimed towards the Economy in general

Deferral of payments of Income tax, Value Added Tax, Maternity Fund and National Insurance Contributions of up to €700 million. It appears that such tax deferrals have now been extended to all employers and self-employed irrespective of industry. The application form can be accessed from Malta Enterprise's website [here](#).

Worth noting are the current terms and conditions for applying for such tax deferrals

1. Objective	To improve business liquidity by easing pressures on their cash flow arising from the economic impact of the coronavirus pandemic and encourage the retention of employees
2. Eligible Taxes	Provisional tax, employee taxes, maternity fund payments and social security contributions, social security contributions of self-employed persons and Value Added Tax
3. Period covered	Eligible taxes which fall due in March and April 2020
4. Settlement period	Eligible taxes (excluding VAT) to be settled in four equal monthly instalments in the four month period between May and August 2020. VAT dues to be settled in two equal instalments with the two quarterly returns immediately following the quarter whose dues would have been deferred
5. Benefit	No interest or penalties to be charged in respect of eligible taxes that would have been deferred in terms of this scheme
6. Beneficiaries	Companies and self-employed persons that suffer a significant downturn in their turnover as a result of the economic constraints arising from the coronavirus pandemic and, as a result face substantial cash flow difficulties as identified in the online application form. Companies and self-employed persons not adversely hit are advised and encouraged not to avail themselves of this scheme. Ideally, eligible taxes should continue to be paid every month and on time because that would make for good business management
7. Specifically excluded	Companies and self-employed persons which have failed to comply with their tax obligations (submission of documents / returns and payments) falling due by the 31st December 2019
8. Forfeiture of benefit	The benefit granted under this scheme shall be forfeited if the beneficiary is found to be in breach of any of its terms and conditions making use of this scheme under false pretences. In case of forfeiture, beneficiaries will have to settle their dues as demanded by the Commissioner for Revenue and such payments shall be subject to interest or penalties as stipulated by law
9. Submissions	The benefit granted under this scheme shall not remove the obligation of beneficiaries to submit documents and returns by the due date as required by law
10. How to apply	Submission of the online Tax Deferral Scheme application form by not later than the 15 th April 2020

- €150 million worth of bank guarantees to be provided.
- €750 million to be made available to businesses in the form of soft loans.
- 3-month moratorium can be requested from banks in relation to both personal and business loans.
- An additional €35 million to be made available to health authorities to cover any expenses necessary to fight COVID-19. This amount may be increased if necessary.

Measures aimed towards Employment

- €350 grant will be awarded to employers for each employee required to be on mandatory quarantine leave.
- Government will cover the equivalent of two days' salary per week (based on a salary of €800 per month) in relation to employees of enterprises, including self-employed, which suffered from a complete suspension of operations (such as hospitality and entertainment and language schools). Self-employed persons in these sectors who employ people will get coverage for an additional day.
- Government will also cover the equivalent of one day's salary per week (based on a salary of €800 per month) in relation to employees of enterprises, including self-employed, which suffered at least 25% reduction in operations. Self-employed persons who suffer such a reduction and who employ people will get coverage for an additional day.
- Workers who lost or will lose their job with effect from 9 March 2020 will be entitled to a new temporary benefit of €800 per month.
- Similarly, persons with disabilities who have to stay at home due to health concerns that may arise as a consequence of Covid-19 and cannot telework will be entitled to a benefit of €800 per month for a specified period.

Additional Social Measures

- Additional leave for two months to be paid at the rate of €800 per month to families with children where both parents/guardians work in the private sector and neither is able to telework. This measure is intended to ensure that parents/guardians can take care of children while schools remain closed.
- Employees who will lose their job and have rent to pay will be entitled to a rent subsidy including those not previously entitled to such subsidy.
- Furthermore, government will increase the rent subsidy for those families where one dependent had his/her employment terminated.

Other measures aimed at Third Country Nationals

- Enterprises which will terminate the employment of an employee will be denied the possibility to offer such employment to a Third Country National.
- Work permit applications in relation to new Third Country Nationals will no longer be accepted except for highly skilled workers.
- Assistance will be provided to Third Country Nationals to find alternative employment in case of job termination.
- Jobsplus will be helping to find alternative employment to those who lose their jobs and to employers seeking recruits.

Most of these measures along with the application processes will be administered by Malta Enterprise. We expect that guidelines clarifying how the different measures will work in practice will be issued soon. Once we have further clarifications, we will issue FAQ responses on our website. If you have any questions that you would like to be addressed in the FAQ responses please contact Brenda Williams Caffari on the email address set out below.

Keep updated with Malta's response to COVID19 on [our website](#).

Keep updated with the EU's response to COVID19 with our [EU Tax Centre](#) website.

For further information, please do not hesitate to contact us:

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