

EU PolicyWatch

Database of national-level policy measures

Eurofound's EU PolicyWatch collates information on the responses of government and social partners to the COVID-19 crisis, the war in Ukraine, rising inflation, as well as gathering examples of company practices aimed at mitigating the social and economic impacts.

Factsheet for measure MT-2020-12/278 – **Updated** – measures in Malta

Deferral of payment of taxes

Overview

War in Ukraine

Country [Malta](#), applies nationwide

Countries ▼

Time period Temporary, 18 March 2020 – 31 December 2021

Types ▼

Context COVID-19

Categories ▼

Type [Legislations or other statutory regulations](#)

Target groups ▼

Category [Supporting businesses to stay afloat](#)
– Deferral of payments or liabilities

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Related content

Measure added 04 April 2020 (updated 11 May 2021)

[Eurofound website](#)

[Topic: Stand with Ukraine](#)

[Topic: COVID-19](#)

Background information

In order to improve liquidity following the impact of COVID-19 on enterprise, the government announced a 2-month deferral to enterprises and the self-employed to pay provisional tax, employee taxes, maternity fund payments, VAT and National Insurance Contributions on salaries. No interest or penalties are to be charged with regards to the eligible taxes. The scheme is targeted at those who have suffered a significant downturn in turnover due to COVID-19.

Content of measure

This measure originally applied to taxes owed until the end of April; tax forms were still expected to be submitted according to normal deadlines. The incentive was primarily aimed at companies and self-employed who suffer a significant downturn in their turnover. A sum of a reduction in 25% is quoted and it aims to target the following sectors but is not limited to them: tourism and hospitality, entertainment, transport, and manufacturing sectors. Enterprises will still collect National Insurance on their employees' wages, but will keep these dues for the duration of the deferral.

The eligible taxes to be deferred are those due in March and April 2020 and include: provisional tax, employee taxes, maternity fund payments and social security contributions, social security contributions of self-employed persons and VAT.

Eligible taxes, other than VAT, are to be settled in 4 equal monthly installments between May and August 2020. VAT is to be settled in 2 equal installments with the 2 quarterly returns that follow the deferred quarter.

Excluded from this initiative are companies and self-employed persons who failed to comply with their tax obligations by 31 December 2019. Applications were to be entered by 15th April 2020

It was later announced that the period covered by this measure was extended by a further two months, to cover up until the end of June. After this period some contributions will no longer be deferred. National Insurance, income tax and maternity contributions will need to be paid from 1 July. However, other taxes due by organisation have been deferred to the end of August. Companies can pay the deferred tax by May next year, with no interest charged.

Updates

The following updates to this measure have been made after it came into effect.

24 March 2021 The Minister of Finance and Employment announced that this scheme is to be extended. All income tax, social security contributions and VAT payments between August 2020 and December 2021 may be deferred until May 2022. These can then be paid in instalments. The Minister also highlighted that no amnesty will be provided, and that these taxes will need to be paid.

08 June 2020 The period covered by this measure was extended by a further two months, to cover up until the end of June. After this period some contributions will no longer be deferred. National Insurance, income tax and maternity contributions will need to be paid from 1 July. However, other taxes due by organisation have been deferred to the end of August. Companies can pay the deferred tax by May next year, with no interest charged.

Use of measure

Up until the end of May 2020, 3,324 businesses had their application for tax deferral approved amounting to an estimated total of around €60 million being deferred.

The Ministry for Finance and Financial Services by means of their October 2020 Economic Survey stated that during the first eight months of 2020, tax revenue decreased by 22.1%, reaching €2,216.6 million as direct tax revenues fell by €308.1 million, indirect taxes declined by €321.6 million and non-tax revenues declined by €35.6 million. The proceeds from income tax decreased by 22.0 per cent while social security contributions declined by 11.3%. These declines were in-part due to Government measures related to the COVID-19 pandemic including the deferral of provisional tax, employee taxes, maternity fund payments and social security contributions, social security contributions for self-employed persons and Value Added Tax (VAT) between March and June 2020. National insurance, income tax and maternity contributions have started to be paid from 1 July 2020. Other taxes due by companies have been deferred to the end of August 2020. Companies may pay the deferred tax by May 2021, with no interest charged.

In 2020, a total of €230 million in taxes were deferred, by March 2021 just under €100 million had been settled.

Target groups

Workers	Businesses	Citizens
Self-employed	Applies to all businesses	Does not apply to citizens

Actors and funding

Actors	Funding
National government	National funds

Social partners

Social partners' role in **designing the measure** and form of involvement:

	Trade unions	Employers' organisations
Role	Consulted	Consulted
Form	Direct consultation outside a formal body	Direct consultation outside a formal body

Social partners' role in the **implementation, monitoring and assessment phase**:

- Unknown

- Main level of involvement: Unknown

Involvement

The measure emerged at the very beginning of COVID-19 following calls from employers' associations for support. Much of this occurred via direct consultation and also via public calls for support. The measure was ultimately developed, implemented and monitored by the government. Social partner involvement was therefore limited.

Views and reactions

Employer organisations and other social partners initially consulted the government individually. Employers were not initially pleased when this measure was announced as it was felt to be insufficient. The measure was one of the first to be announced, whilst wage supplements were what social partners were pushing for. Wage supplements were later announced by the government (covered in a separate case).

In November 2020, the President of the Republic Street Business Community Association (Employer's Association representing the main shopping street of Valletta, Malta's Capital) stated that whilst deferral (and other government initiatives) aided their enterprises, taxes would still need to be paid despite organisations having no return during this period, whilst still having to pay other costs such as salaries and rent. He noted that many organisations were only just breaking even.

Sources

- 27 March 2020: Tax deferral scheme
- 08 June 2020: Tax Deferral Scheme Update (covid19.maltaenterprise.com).
- 19 October 2020: Ministry of finance - Economic survey 2020 (finance.gov.mt).
- 24 March 2021: Malta Chamber - Finance Minister Announces Raft Of New Measures To Support Business Liquidity (www.maltachamber.org.mt).

Citation

Eurofound (2020), *Deferral of payment of taxes, measure MT-2020-12/278 (measures in Malta)*, EU PolicyWatch, Dublin,
https://static.eurofound.europa.eu/covid19db/cases/MT-2020-12_278.html

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