

2024 Pre-Budget Document Proposals by

The Malta Chamber of Commerce, Enterprise and Industry on:

LABOUR MARKET

LABOUR MARKET & WORK INCENTIVES

1. Provide **tax exemptions for the first 5 years to entice highly qualified Maltese people who are working and residing overseas to return to Malta.**
2. **Extend the reduced tax rate on overtime hours for full-time employees** to all overtime hours not just the first 100 hours.
3. **Eliminate the disincentive for the second spouse (often the female) from taking up gainful employment** by revising income tax categories such that working parents benefit from married tax rates irrespective of whether their spouse is in gainful employment or not.
4. **Broader on-the-job and offsite, in person and online training opportunities, incentive schemes** to ensure that learning is accessible to all including those who have family responsibilities. The process for grants and incentive programmes to be paid out needs to be **quicker**, and **pro-rata payments should be linked to specific deliverables and/or milestones**, as appropriate.
5. **Improve public transport to and from industrial estates** to (a) cater for all key routes; (b) cover all shifts; and (c) ensure better access to factory locations, particularly at night.

PENSIONS REFORM

1. **Allow those who turn 61 and are eligible for a reduced pension to transition from employment to retirement gradually until they reach retirement age** by taking an increasing portion of the pension they are eligible for each year after that while gradually reducing their working hours.
2. **Allow those who retire early from full-time employment, to work part-time, even if they are eligible to a pension before retirement age and have actually taken it.** Currently these people are prohibited from working in any capacity until they attain the statutory retirement age. The current system also makes it impossible for younger retirees to earn a genuine second income to supplement their pension.
3. **Exempt all statutory pensions from taxation.** Fiscal incentives were established in Budget 2022 and sustained in Budget 2023, offering a tax-exempt pensionable income over the following five years at an incremental rate of 20% per year to encourage people above retirement age to remain in the labour market or return to it. Although this is commendable, **a quicker switch to tax-exempt pensions would have a more pronounced effect on encouraging employment after retirement.**
4. The sufficiency of pensions is becoming a thorny issue. Since salaries have been rising for many years while the cap on pensionable income has remained unchanged, it is high time to **update the cap on pensionable income.**

5. To encourage the uptake of supplementary pensions, particularly by younger employees, the government should move forward with the **implementation of an auto-enrolment with opt-out mechanism for employees**. Employer contributions to such plans would be entirely voluntary, and those who opt to contribute should be granted attractive tax incentives (better than the current).

TCNS & SKILLS-BASED MIGRATION

1. **Transform the Key Employee Initiative¹ into a Maltese Blue Card for skilled professionals** whose criteria would be based on (a) a minimum salary requirement of €40,000 with an exceptional provision of €35,000 for specific STEM professionals where there is a proven shortage; (b) a specified maximum residency duration which can be renewed after application for a permanent settlement; (c) facilitation of relocation of family members; (d) possibility to change employer within the country within the same profession; and (e) a less cumbersome application process.
2. **Adopt a Skills Forecasting Policy** to be able to determine which specialised skills are to be prioritised in the processing of applications for TCNs. A thorough analysis of the medium-to long-term projections for the national labour market should follow the recent NSO Skills Survey². Jobs that lend themselves well to automation should be identified to reduce the need for further importation of low-skilled TCNs.
3. **Cap the percentage of TCNs out of the total number of employees that a business can employ at any point**, unless it is operating in healthcare or the provision of essential services such as waste management and public transport. Temping agencies, which should be properly and adequately regulated, can fulfil the **seasonal staff requirements** of the hospitality sector; however, their role should be limited to providing seasonal staff which is by its nature temporary. Permanent positions cannot be filled indefinitely by workers provided by temping agencies.
4. A **monthly quota per company for TCNs applications** proportional to the number of employees registered with Jobsplus should be imposed. Exemptions to this quota, to allow for large-scale business expansions, should only be granted on a case-by-case basis. This will discourage duplicate and superfluous applications which are clogging the system.
5. Identity Malta should eliminate the possibility of multiple applications for the same individual to **wipe out duplicates**.
6. The **procedure requiring employers to submit a rental agreement at an early stage of the process** means that the employer will often need to incur months of rental expenses before the employee has even arrived in Malta. This needs to be rectified. A **3-month temporary work permit should be issued together with Identity Malta's approval in principle**. This would provide TCNs with the right to work for the first 3 months following their arrival in Malta while the rest of the process for the granting of an employment licence is completed. The employer would be required to see that the employee goes through the health screening process and submits a rental agreement within this 3-month grace period.
7. The **review period of TCN applications cannot restart again upon submission of all additional documentation that may be requested**. Reasoned proportionality needs to be applied when determining which missing documentation justifies a restart of the review period and which does not.

¹ https://www.identitymalta.com/services_3/key-employee-initiative/

² The review should: (a) track current and projected trends in population; (b) take into account the education levels of Maltese citizens entering the labour force; (c) calculate the average salary of skilled professionals working in Malta; (d) follow migration patterns of EU citizens moving to Malta on a semi-permanent or permanent basis; and (e) incorporate the seasonal influxes of tourists who also put a strain on the island's resources. The review will assist in identifying the quantified professions with typical salaries (as in Bellevue and San Jose, United States) tied to the needs of our economy.

8. **TCNs should be allowed to change employer freely** once given permission to work in Malta to prevent abuses and improve retention within the local labour market.
9. Business owners who abuse their employees should be **barred from receiving any financial aid or competing for public tenders**.
10. **Temping agents need to be fully regulated and action should be taken against unauthorised recruitment brokers**. To maintain fair competition and prevent exploitation, **DIER must strictly supervise all businesses offering recruitment services, including temping agents**. To guarantee that this industry is effectively controlled, Government should make sure that license requirements are strictly enforced.
11. When a temporary employee has been **employed by the same company for more than a year, employment should shift to the company providing the job**.
12. **Employment licenses should be extended for an additional 3 years after the first year of successful employment with the same permanent employer** (as opposed to a temping agency), provided that the TCN meets certain educational requirements, has specialised skills that are in demand and has a good track record of adhering to the law and integrating into society.
13. The **processing time of family relocation administrative approvals** should be reduced.
14. There should be a single, open, and well communicated policy for **student visas longer than 90 days tied to Jobsplus**.
15. Questions should be answered openly and consistently by additional specialised desk officers at Identity Malta who are trained to **answer and address all incoming inquiries**. The digitalisation of processes at Identity Malta will contribute positively to the resolution of administrative issues and will be **beneficial in bringing together ID Malta, DIER and Jobsplus to track individual application process**, rendering it more just and transparent.

