

For immediate release



MALTA PENSIONS INDUSTRY RESPONDS TO MALTA OCCUPATIONAL PENSIONS INCENTIVES

20/9/2017

Malta Association of Retirement Scheme Practitioners (MARSP) statement on LN 228 of 2017, entitled 'Voluntary Occupational Pension Scheme Rules Impact on Malta Pensions Sector'

Introduction :

After a long wait, disrupted by the election, the Malta Government has published the rules for tax incentives for employers to contribute into pension schemes.

General description of the measure :

This measure provides for tax incentives to promote the take up of pension schemes arranged by employers for their employee workers. This also applies to associations representing self employed people, for example, unions.

The amount of incentives are –

Maximum 150 Euro tax rebate to the employer for each employee they contribute for (or 15% of the contribution). Plus maximum of 2000 euro deduction from taxable profit for the employer per employee. Plus for the employee a maximum of Euro 150 tax rebate (or 15% of the contribution) for any additional contribution that the employee makes over and above the employer contribution.

Once the money is in the pension scheme it can be invested and then withdrawn as an income (30% lump sum tax free and 70% taxable) from 50 at the earliest and must be taken by age 75.

Only regulated and approved pension schemes can be used, provided by Retirement Scheme Administrators licensed and regulated by the MFSA.

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MARSP Statement :

The MARSP view is that although this is a not surprise move, we believe this is positive for Malta and for the local population who have not had occupational pension savings incentives before.

This could lead to a mass take up of savings schemes specifically for retirement and reduce the burden on government spending and taxation for social benefits. It could also lead to an improvement in the quality of life for those that do save.

The amounts of incentive at a maximum 150 euro of tax relief per annum are small but it is important to start pensions savings early, even with a small amount. As the social benefits of pension savings are only felt in the longer term, the government is most likely being cautious not to rob Peter now to pay Paul later. However with a booming economy, MARSP feels that Malta can probably afford greater tax incentives (at least double the existing ones) in coming years to re-energise the initiative.

Indeed the small amounts could be seen as just paying lip service, today, to the problem that has to be addressed while being part of the EU. A token effort will not have the important effects that healthy pension entitlement can have for a country now, and in the future. This desirable result is not just fiscal, but also is represented in earlier retirement, improved personal health and stronger family finances.

A number of regular savings schemes have emerged for personal savings in the last few months, from providers licensed by the MFSA and targeted at individuals. Now that the occupational pensions incentives have been released, some providers will issue pension schemes to cater for employers and their employees. These incentives do add up for the employer, at €2000 employer tax deduction per employee plus a 150 euro tax credit, this could make pensions a must for all sizes of Maltese companies, especially where cash flow is tight or there is a desire to retain quality staff through such an incentive. MARSP therefore welcomes this initiative and hopes that the government, itself, as well as the pensions industry will do more to promote the benefits to the Maltese population and employers. If this is a serious attempt to alter the future savings culture in the Maltese islands the government needs to release a public announcement, at the very least to support its own legislation.

For individuals 150 tax credit is equivalent to the maximum of 15% of their own contributions from their pay– i.e. 1000 euro. As this credit is given in the tax year of contribution, people can expect a return on their investment of 15% through this relief after the completion of the tax return in June of the following year. MARSP urges the government to ensure that such refunds are processed quickly and efficiently to maintain momentum. Most employers' schemes will gain this relief through the FS3 final settlement system.

MARSP believes that for occupational incentives, this is a good step forward, but larger efforts need to be taken to assist all of society to save and to look ahead to the demographic shifts that are already upon us.

MARSP is confident that the highly regulated and monitored pensions industry in Malta remains very much open for business, and its members are confident in the future and the support of the regulator and local and European tax regime. Malta, being in the EU can only be strengthened by this move.

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MARSP Information :

MARSP - the Malta Association of Retirement Scheme Practitioners, is the single organisation combining the experience, practical information and coordination of all Licensed Retirement Scheme Administrators in Malta.

Established in 2010, following the establishment of a number of Pensions Scheme Administrators and Trustees in Malta, initially focusing on the International Pensions market, with an emphasis on British Expatriates, the Association now has over 15 Members whose businesses cover QROPS, International Pensions and now the Local Pensions Market representing substantial assets under management.

MARSP is primarily concerned with regulation, taxation and industry best practice. MARSP meets regularly, on a bi monthly basis.

Discussions are led around the key sub-committees, regularly liaising and lobbying the Maltese Regulators (Malta Financial Services Authority) and the Maltese Inland Revenue. In addition, meetings cover general topics of industry best practice and new local and international legislation.

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NOTES FOR EDITORS

Malta Government Web Page with the new rules:

<http://justiceservices.gov.mt/DownloadDocument.aspx?app=lp&itemid=28641&l=1>

MARSP Website, including list of members and links to their own sites.

<http://marsp.org.mt/>