

Agile

Perspectives on Malta's economy
post **COVID-19**.

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Strategy | Regulatory | Tax | Advisory

Executive summary

COVID-19 is a stark reminder on the fragility of life and of economic systems.

Seed embarked on a research study to evaluate the impacts of COVID-19 on Malta's economy.

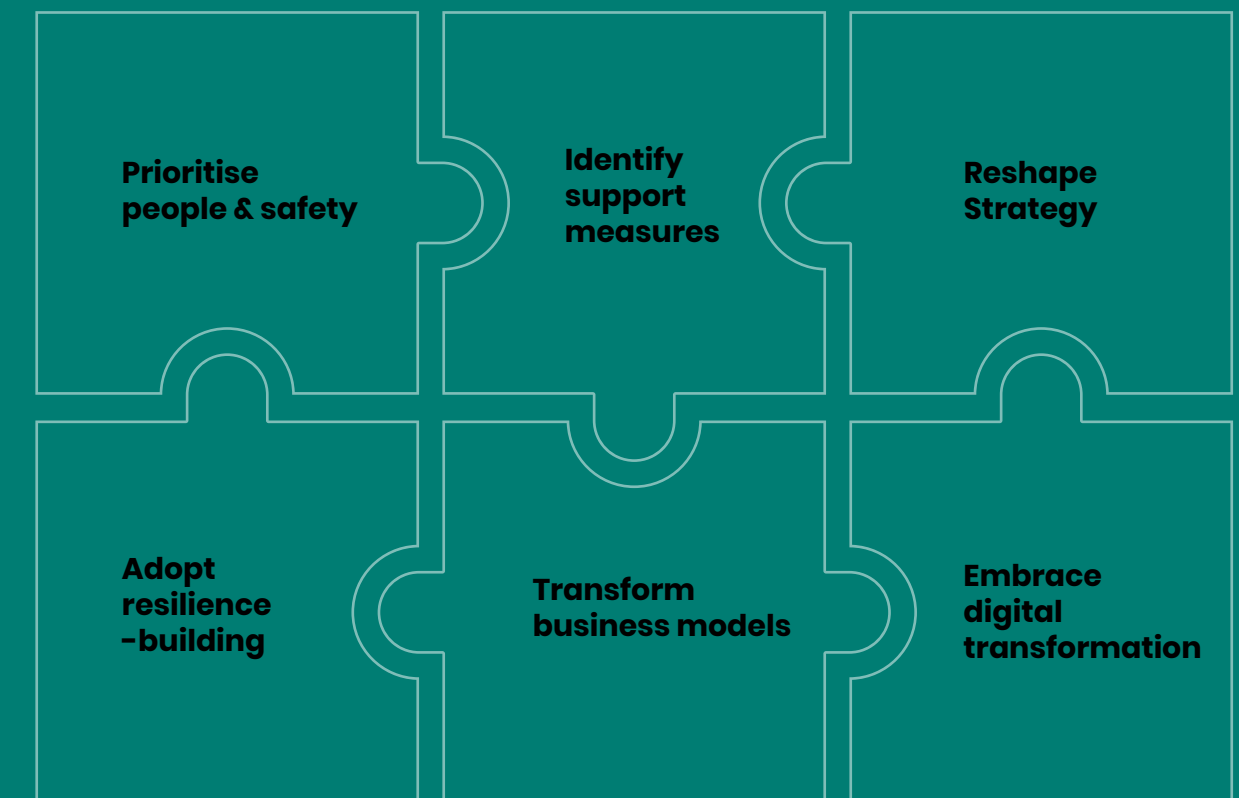
The report presents a number of recommendations and are anchored around a long-run vision for Malta.

Agility is key. It will determine the winners in a post COVID-19 world.

This is a summarized presentation of the full report *Agile. Perspectives on Malta's economy post COVID-19*.

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Actions that business leaders can take



Report Includes...

Our team has compiled a broad-ranging publication that presents a multi-disciplinary analysis of COVID-19.

Apart from looking at the economic effects of the crisis, it draws from beyond economics to show the deep and structural changes this pandemic will bring about.

The report presents numerous recommendations, anchored around a long-term national vision.

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Consultation with

18

social partners

Interviews with

20

business leaders

Survey with

385

individuals

15

expert contributions

A framework for
business leaders
to navigate
the COVID-19 crisis

A long-term vision
for Malta



The Context

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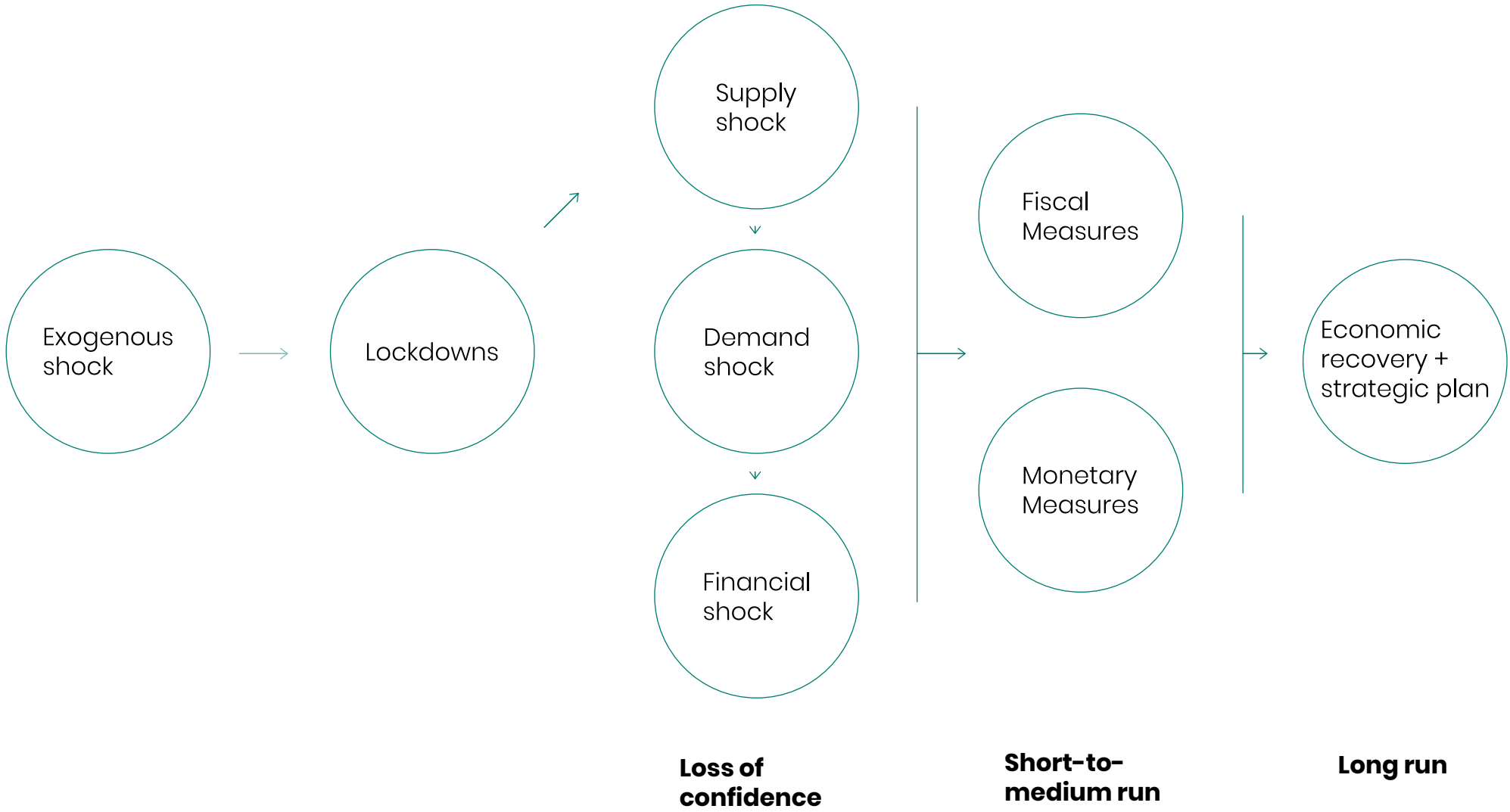
COVID-19 and the **economy**

A 'black swan' event and its economic effects.

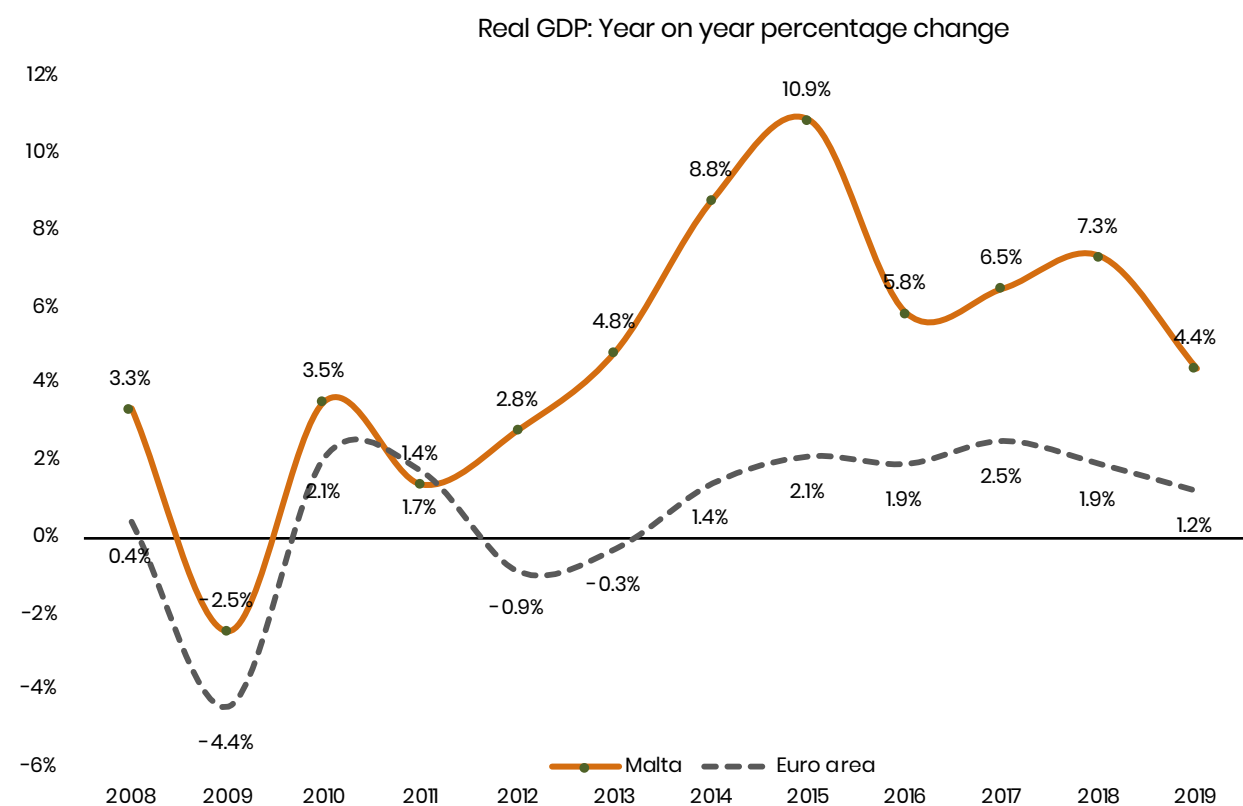
The exogenous shock provided by COVID-19 triggered a number of economic effects affecting both the supply and demand side.
The possibility of contagion to the financial system remains.

The effects are of significant magnitude forcing governments to respond in an unprecedented manner.

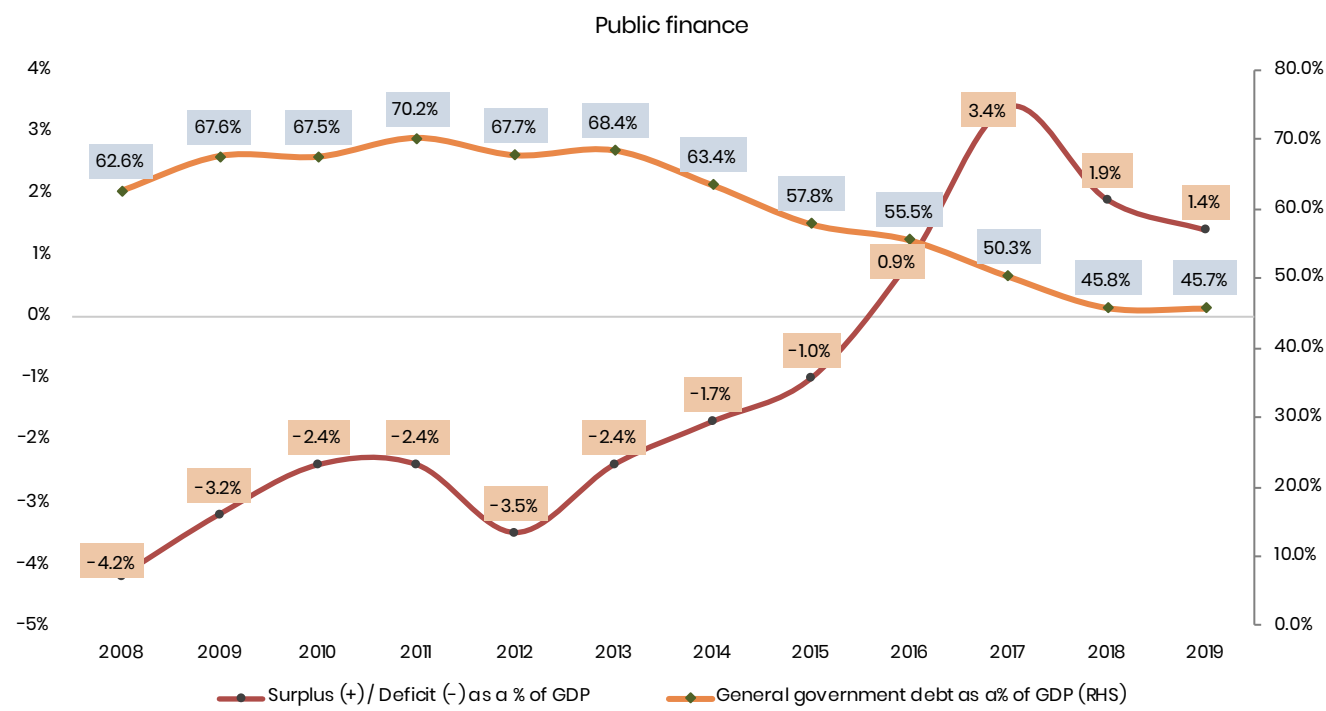
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Malta’s recent **economic performance** gives the **Government room to manoeuvre and intervene**.



Malta has experienced economic growth over the last few years at a relentless yet sustained pace, giving rise to long-term sustainability concerns which led to a moderating economic activity. Recently, economic sentiment was dampened and will be exacerbated by the pandemic. Malta’s public finances have gone through a significant change with a sustained deficit turning into a surplus over the past couple of years and a decline in public debt. However, challenges still remain.



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Economic sentiment

Seed, in conjunction with Onest, developed an economic sentiment survey that looked at the perception towards the general economic, employment, foreign workers and market confidence.

385 people participated in the survey.

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41%

expect their
financial position
to be worse off

17%

will save more
post COVID-19

27%

already had
salary reductions

36%

expect working days
to be reduced

65%

of employees
ready to be flexible

62%

of foreigners
struggling to pay rent

60%

of foreigners will
remain in Malta

68%

will not return
to pre COVID-19
routine immediately

70%

will postpone
travelling

Looking ahead

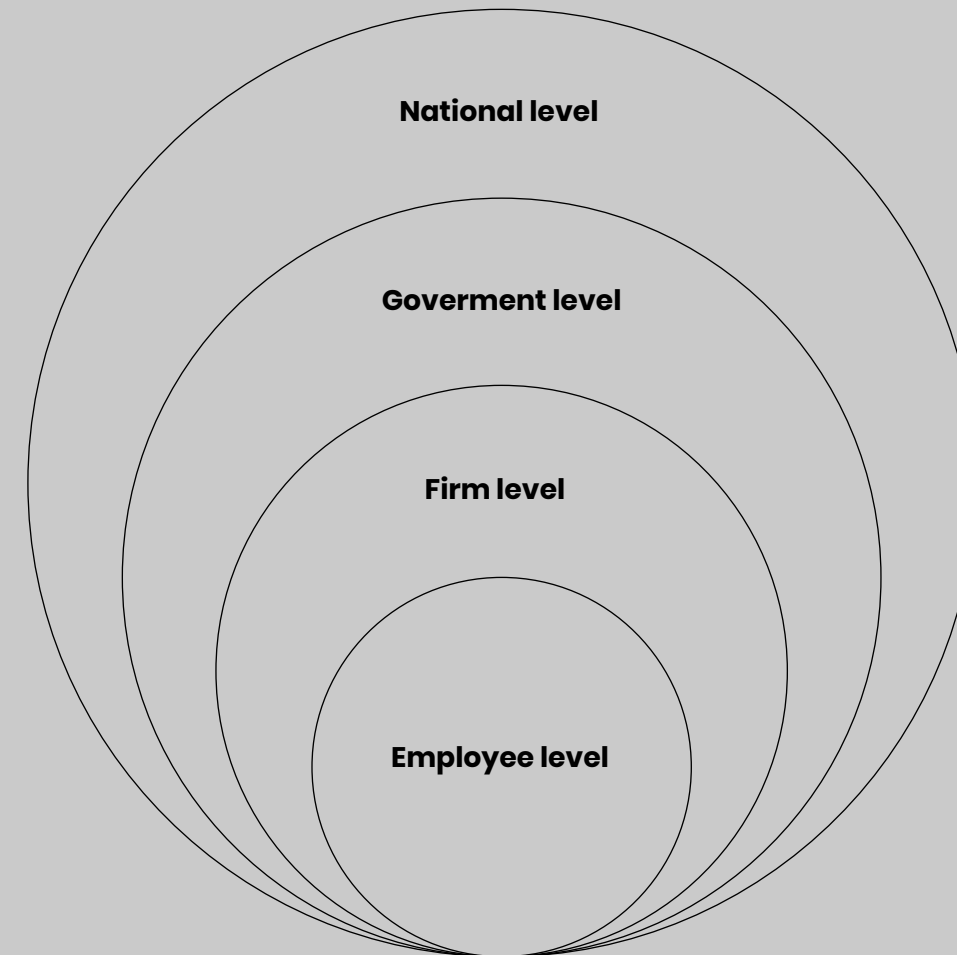
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We're in it **together...**

We believe that the crisis requires a collective effort and it is only by coming together as a nation from employee to Government will we manage to rebound and emerge stronger.

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Employees too
have a role to play
during the **crisis**.



Be flexible



**Improve
knowledge
& skill-set**



**Retain
work ethic**

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Firms require
a **phased approach...**



The diagram consists of three circles arranged horizontally. The first circle on the left is teal and contains the word 'Survive'. The second circle in the middle is light gray and contains the word 'Stabilise'. The third circle on the right is white and contains the word 'Succeed'. The background is divided into three vertical sections: teal on the left, light gray in the middle, and white on the right.

Survive

Stabilise

Succeed

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...to **succeed** in the long-run.
We built a **toolkit** to support business leaders
navigate the challenges.

1.
**Prioritise people
& safety**

2.
**Identify
support measures**

3.
**Reshape
Strategy**

4.
**Adopt
resilience-building**

5.
**Transform
business models**

6.
**Embrace
digital transformation**

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Government has to continue playing a key role through **policy initiatives.**

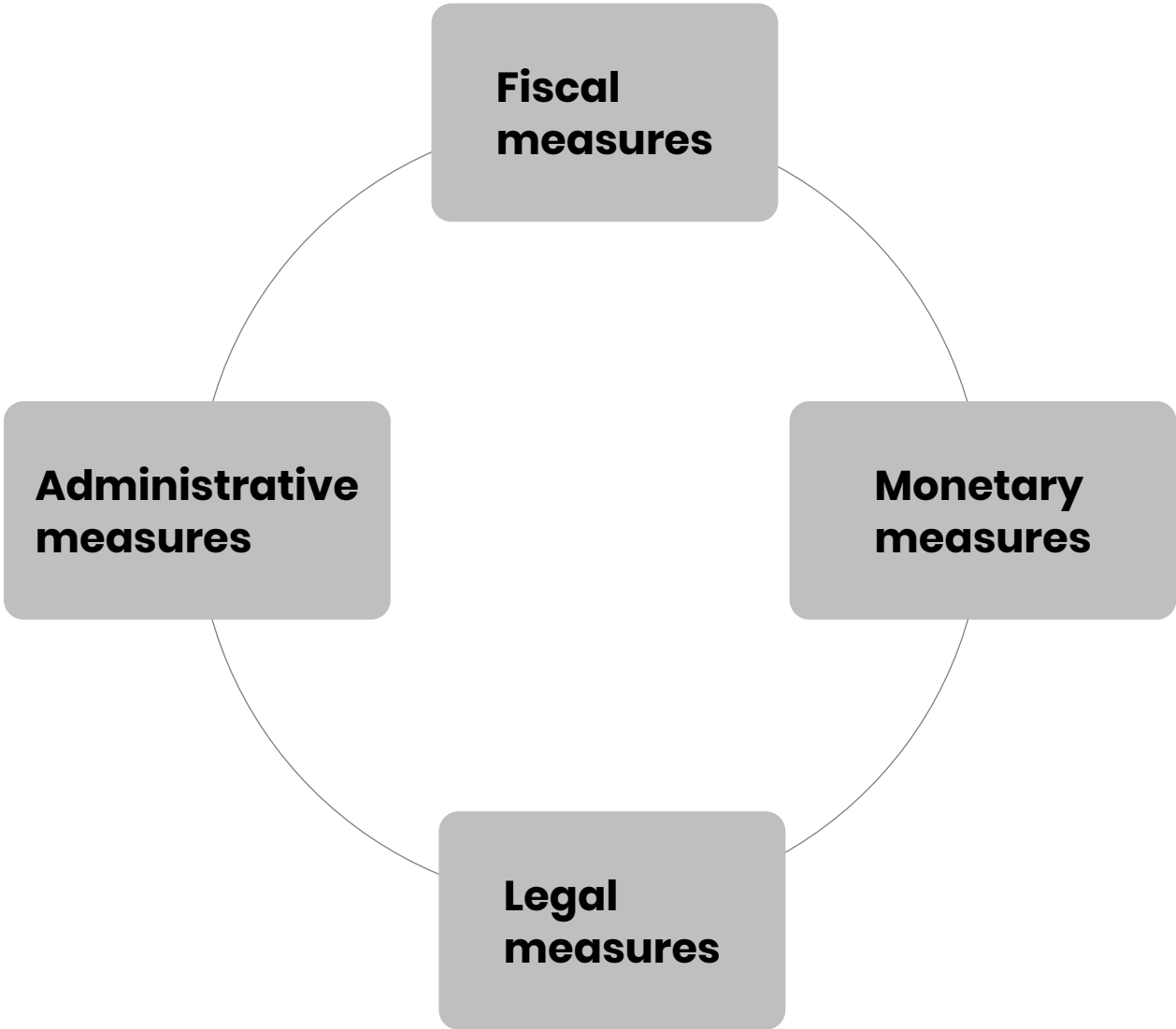
Administrative measures:

- Facilitate applications
- Redeployment of resources
- Remove bottlenecks
- Supply-side concerns

Legal measures:

- Review taskforce
 - Capital markets
 - Company law
 - Employment law
- Financial crime review

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Fiscal measures:

- Additional taxation measures
- Increase eligibility of aid
- Government licenses & rent
- Start-up assistance
- Support on rents
- Conditionality

Monetary measures:

- Transparent pricing
- Separate schemes for start-ups
- Support digitlisation

Taxation measures to support **economic revival**

Income Tax – Company Specific Measures

- Postponement of the payment of settlement tax for basis year 2019 for all companies to allow the utilisation of trading losses
- Waiver of provisional tax for the basis year 2020
- Postponement of the payment of tax on rental income for 2019
- A reduction in tax on rental income earned in 2020
- An eventual reduction in the corporate tax rate, over a 5 year period

Measure specific to **start-ups**

- Waiver of employers' share of social security contribution for start-ups

Income Tax – People specific

- Postponement of the payment of tax for basis year 2019 for all individuals under the 'Self-Assessment' system
- Tax break for healthcare workers
- Tax credits to companies which avoid employee lay-offs
- Malta Enterprise related
- Extension of the term in which a MicroInvest tax credit
- Introduction of Tax credits for having a business continuity plan in place
- Other taxes
- Deferral of payment of VAT & FSS
- Other proposals
- Tax on plastic packaging
- Landfill tax
- Excise tax on sweetened products
- Increased registration tax on the importation of vehicles which are not electric

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A long-run national vision

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Guiding principles

In building the report, Seed not only conducted an economic analysis and collected a sentiment survey but interviewed:

- **18** social partners
- **17** business leaders
- **14** experts contributed to the discussion on the impact beyond the economy

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Need for a vision

Institutional quality

Quality not quantity

Digital transformation

Focus on the environment

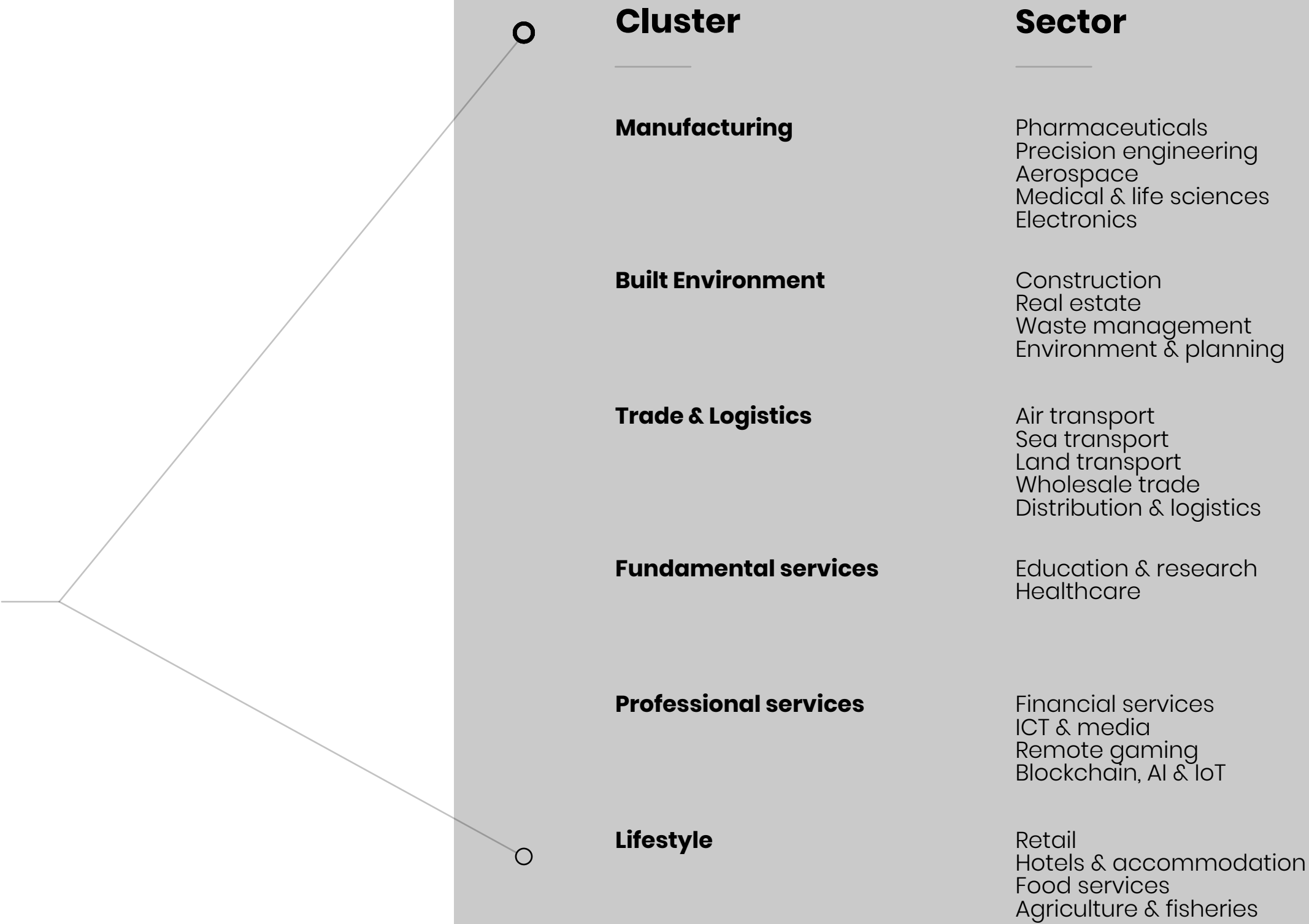
Education & skills

Building the vision...

**Convene think-tank
on the future
of the economy**

**Clustered
working groups**

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Framing the vision

**Strategic
pillars**

Further
internationalise
the Maltese
economy

Improve
skill-base
of the
work-force

Enable
companies to
innovate

Lead a digital
transformation

**Key
enablers**

Ensure
a broad
stakeholder approach

Launch & implement
Industry Transformation
Maps

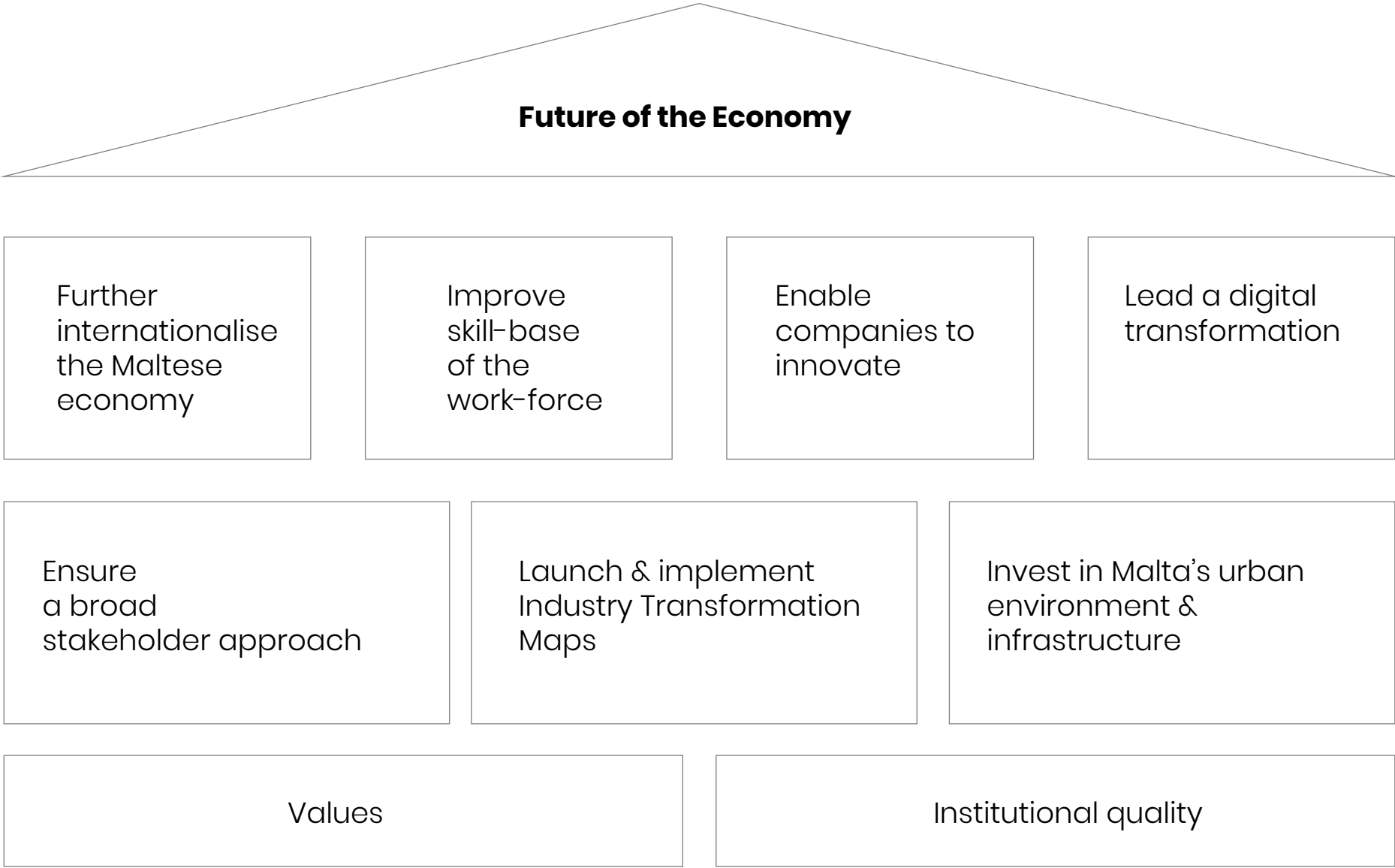
Invest in Malta’s urban
environment &
infrastructure

**Foundational
elements**

Values

Institutional quality

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In conclusion

As companies are striving to navigate through these challenges, it is our responsibility to come together and discuss our collective future as a business community and as a country.

Agility in collective action is going to be critical in ensuring that the recovery happens.

The future is ours to shape. Now is the time to start shaping it.

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About Seed

We set up Seed wanting to do things differently. Powered by tech, our business attracts the best people, whilst creating meaningful work. Our principles and vision define us. We care about making a difference; for our employees, for our clients and the wider community. Our clients enjoy objective advice, clearly expressed. With our help, they make better decisions and get better results. No matter what sector, size of business or scope of work, we bring together rigour, knowledge and experience.

Seed is big enough to deliver yet small enough to care.

[Seedconsultancy.com](https://seedconsultancy.com)

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Key contacts



JP Fabri

Partner

jp@seedconsultancy.com



Nicky Gouder

Partner

nicky@seedconsultancy.com

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