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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) 2020/1352 granting temporary support under Regulation (EU) 2020/672 to the Republic of Malta to mitigate unemployment risks in the emergency following the COVID-19 outbreak

COUNCIL IMPLEMENTING DECISION (EU) 2021/...

of ...

**amending Implementing Decision (EU) 2020/1352
granting temporary support under Regulation (EU) 2020/672
to the Republic of Malta to mitigate unemployment risks in the emergency
following the COVID-19 outbreak**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak¹, and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

¹ OJ L 159, 20.5.2020, p. 1.

Whereas:

- (1) Further to a request from Malta on 7 August 2020, on 25 September 2020 the Council granted financial assistance to Malta in the form of a loan amounting to a maximum of EUR 243 632 000 with a maximum average maturity of 15 years, with a view to complementing Malta's national efforts to address the impact of the COVID-19 outbreak and respond to the socio-economic consequences of that outbreak for workers and the self-employed.
- (2) The loan was to be used by Malta to finance the short-time work schemes, similar measures and health-related measures referred to in Article 3 of Council Implementing Decision (EU) 2020/1352¹.
- (3) The COVID-19 outbreak continues to immobilise a substantial part of the labour force in Malta. This has led to a sudden and severe increase in public expenditure in Malta in respect of the measure referred to in Article 3, point (a), of Implementing Decision (EU) 2020/1352.

¹ Council Implementing Decision (EU) 2020/1352 of 25 September 2020 granting temporary support under Regulation (EU) 2020/672 to the Republic of Malta to mitigate unemployment risks in the emergency following the COVID-19 outbreak (OJ L 314, 29.9.2020, p. 42).

- (4) The COVID-19 outbreak and the extraordinary measures implemented by Malta in 2020 and 2021 to contain that outbreak and its socio-economic and health-related impact have had and continue to have a dramatic impact on public finances. According to the Commission's 2020 autumn forecast, Malta was expected to have a general government deficit and debt of 9,4 % and 55,2 % of gross domestic product (GDP) respectively by the end of 2020. In 2021, Malta's general government deficit is forecast to narrow to 6,3 % of GDP while debt is forecast to increase to 60,0 % of GDP. According to the Commission's 2021 winter interim forecast, Malta's GDP is projected to increase by 4,5 % in 2021.
- (5) On 10 March 2021, Malta requested further financial assistance from the Union of EUR 177 185 000, with a view to continuing to complement its national efforts undertaken in 2020 and 2021 to address the impact of the COVID-19 outbreak and respond to the socio-economic consequences of that outbreak for workers and the self-employed. In particular it concerns the measure set out in recital (6).

- (6) 'Malta Enterprise Act (Chap. 463 of the Laws of Malta)'/ 'L-Att dwar il-Korporazzjoni għall-Intrapriża ta' Malta (Kap. 463 tal-Ligijiet ta' Malta)' and 'Government Notice No 389 of 13 April 2020'/ 'Notifikazzjoni tal-Gvern Nru 389 tat-13 ta' April 2020', which are referred to in Article 3, point (a), of Implementing Decision (EU) 2020/1352, introduced a COVID-19 wage supplement, which covers employees and the self-employed, to address the disruption caused by the COVID-19 outbreak. In the period from March to June 2020, full-time employees working in the sectors hardest hit by the crisis, listed in Annex A referred to in Government Notice No 389 were eligible for wage support of EUR 800 per month. In less affected sectors, listed in Annex B referred to in Government Notice No 389, full-time employees were eligible to receive EUR 160 per month. Support was available also to part-time employees for a lower amount. In July 2020 the lists of sectors included in the two annexes were revised. Sectors previously supported under the scheme but not included in the revised Annex A or B were assisted with a wage supplement of EUR 600 for full-time employees. The scheme featuring those conditions was extended until the end of 2020. As of January 2021, the size of the wage supplement reflects a drop in sales over six months between March and October 2020 against turnover declared over six months between March and October 2019. Where no VAT records are available, the wage supplement is disbursed based on the criteria applicable in 2020. The scheme is envisaged to run until the end of 2021.

In the second half of 2021, support will remain in effect for accommodation and catering activities in line with the set parameters. For other eligible activities, support will decline to 66 % in the third quarter of 2021 and further decline to 33 % in the last quarter of the year. The scheme will remain available only for those enterprises who were already eligible for support under the original scheme. Currently the scheme is applied in practice by 'Malta Enterprise' and it will be specified in a forthcoming Government Notice. According to the new rules, the scheme will also cover replacement of employees (i.e. replacement of those who voluntarily terminated their employment after June 2020), as long as the number of employees as at the end of May 2020 is not exceeded. Only the part of the public expenditure related to the employees who were continuously in employment was requested by the authorities, excluding the part for newly-hired employees.

- (7) Malta fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Malta has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 427 961 805 as of 1 February 2020 due to the national measures taken to address the socio-economic effects of the COVID-19 outbreak. This constitutes a sudden and severe increase because it is directly related to the extension of an existing national job measure similar to short-time work that covers a significant proportion of undertakings and of the labour force in Malta. Malta financed EUR 7 144 805 of the increased amount of public expenditure through its own financing.

- (8) The Commission has consulted Malta and verified the sudden and severe increase in the actual and planned public expenditure directly related to a measure similar to short-time work referred to in Malta's request of 10 March 2021, in accordance with Article 6 of Regulation (EU) 2020/672.
- (9) Financial assistance should therefore be provided with a view to helping Malta to address the socio-economic effects of the severe economic disturbance caused by the COVID-19 outbreak. The Commission should take the decisions concerning maturities, size and release of instalments and tranches in close cooperation with national authorities.
- (10) Malta and the Commission should take this Decision into account in the loan agreement referred to in Article 8(2) of Regulation (EU) 2020/672.
- (11) This Decision should be without prejudice to the outcome of any procedures relating to distortions of the operation of the internal market that may be undertaken, in particular pursuant to Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty.

- (12) Malta should inform the Commission on a regular basis of the implementation of the planned public expenditure, in order to enable the Commission to assess the extent to which Malta has implemented that expenditure.
- (13) The decision to provide financial assistance has been reached taking into account existing and expected needs of Malta, as well as requests for financial assistance pursuant to Regulation (EU) 2020/672 already submitted or planned to be submitted by other Member States, while applying the principles of equal treatment, solidarity, proportionality and transparency,

HAS ADOPTED THIS DECISION:

Article 1

Implementing Decision (EU) 2020/1352 is amended as follows:

(1) Article 2 is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. The Union shall make available to Malta a loan amounting to a maximum of EUR 420 817 000. The loan shall have a maximum average maturity of 15 years.';

(b) paragraph 4 is replaced by the following:

'4. The first instalment shall be released subject to the entry into force of the loan agreement provided for in Article 8(2) of Regulation (EU) 2020/672. Any further instalments shall be released in accordance with the terms of that loan agreement or, where relevant, be subject to the entry into force of an addendum thereto, or of an amended loan agreement.';

(2) Article 3 is replaced by the following:

'Article 3

Malta may finance the following measures:

- (a) the COVID-19 wage supplement, as provided for in "Malta Enterprise Act (Chap. 463 of the Laws of Malta)"/"L-Att dwar il-Korporazzjoni għall-Intrapriża ta' Malta (Kap. 463 tal-Liġijiet ta' Malta)" and "Government Notice No 389 of 13 April 2020"/"Notifikazzjoni tal-Gvern Nru 389 tat-13 ta' April 2020", as extended and amended in 2020 and 2021;
- (b) the COVID-19 disability benefit, as provided for in "Government Notice No 331 of 25 March 2020"/"Notifikazzjoni tal-Gvern Nru 331 tal-25 ta' Marzu 2020";
- (c) the COVID-19 parent benefit, as provided for in "Government Notice No 330 of 25 March 2020"/"Notifikazzjoni tal-Gvern Nru 330 tal-25 ta' Marzu 2020";
- (d) the COVID-19 medical benefit, as provided for in "Government Notice No 353 of 30 March 2020"/"Notifikazzjoni tal-Gvern Nru 353 tat-30 ta' Marzu 2020".;

(3) Article 4 is replaced by the following:

'Article 4

1. Malta shall inform the Commission by 30 March 2021, and every six months thereafter, of the implementation of the planned public expenditure until that planned public expenditure has been fully implemented.
2. Where measures referred to in Article 3 are based on planned public expenditure and have been subject to an implementing decision amending Implementing Decision (EU) 2020/1352, Malta shall inform the Commission within six months after the date of adoption of that amending implementing decision, and every six months thereafter, of the implementation of the planned public expenditure until that planned public expenditure has been fully implemented.'

Article 2

This Decision is addressed to the Republic of Malta.

This Decision shall take effect on the date of its notification to the addressee.

Article 3

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the Council

The President
