

12th January 2024

Media Release

COLA should be Tax Exempt - MEA

The Malta Employers' Association stated that while employers are obliged to compensate for inflationary increases through the Cost of Living Adjustment (COLA), these increments are not fully reaching their intended beneficiaries, the employees.

It is estimated that as much as €40 million that are due to employees as compensation for inflation is actually diverted to Government through income tax and social security contributions, rather than to the intended beneficiaries. This practice is deemed unfair to both employers and employees and goes against the spirit of the COLA agreement.

In their proposals to the national budget, both unions and employers urged government to exempt COLA from deductions, but this consensus went unheeded. Consequently, out of the record €12.81 cost of living increase per employee, government is set to reclaim approximately €3.50 per week. Employers also have an added cost of social security contributions.

The Association said that exempting COLA from taxation would be more effective in mitigating the impact of inflation than compelling retail outlets to reduce the prices of selected supermarket items, as the additional purchasing power will be immediate and direct. The deficit between the net amount received by employees and the full COLA – which is meant to solve for inflation, could in itself cause further wage inflation with the consequent impact on the general price level.