

# BUDGET PROPOSALS 2023

**Malta Cooperative  
Federation**



[www.mcf.coop](http://www.mcf.coop)

## **Introduction**

The co-operative model, based on democratic member participation, is an essential tool to achieving a fairer economy; where Malta can achieve a fairer distribution of wealth, and where citizens are not merely hired hands contributing to wealth, but become protagonists in the direct creation and benefit of that wealth.

The co-operative model of business is sustainable and is proven to be resilient, especially in challenging times. Co-operatives offer decent, fairly paid jobs to workers, with many ending up being owners of their own workplace. They thrive on seven internationally-recognised principles, including voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education and training; co-operation among co-operatives; and concern for the community. These are based on the values of self-help, ethical and honest business.

## **About the Malta Cooperative Federation**

MCF seeks to aid, advance, expand, increase and unite co-operative societies. The federation consists of a network of new-wave and successful co-operative businesses seeking to promote, strengthen and improve the co-operative model in Malta.

MCF represents over 20 cooperatives which work in varied economic sectors including maritime, consultancy, land and sea transport, media, arts, tourism, sports, social, entertainment, restoration and education.

## **Proposals for Budget 2023**

The Malta Cooperative Federation encourages the Maltese Government to utilise the National Budget 2023 as an opportunity to foster the creation of more cooperatives in Malta and Gozo and to make the Maltese economy more collaborative.

For this reason, the MCF is proposing the following for consideration of government for their inclusion in the Budget 2023.

### **Proposal 1: Acknowledge the co-operative potential at a Political Level**

On a political level, the co-operative model of business needs to be concretely acknowledged as an important pillar of the Maltese economy, forming an essential part of policy decisions. This is in the light of a commitment towards building an economy that is fairer, that promotes a more equitable distribution of wealth and that creates a better sense of ownership of the prosperity being created.

A strong political commitment needs to be instilled at the highest levels of government to ensure that everyone is a winner while ensuring that wealth does not end up exclusively in the pockets of the few. Government's commitment to being business friendly also includes being proactive to cooperative enterprise. This policy needs to permeate across all levels of government and will provide the necessary impetus for co-operatives to develop further.

### **Proposal 2: Fiscal incentives for a level playing field**

Government should introduce cash grants for co-operatives which would compensate for the fact that co-operatives are not entitled to apply for tax credits. This would ensure that co-operatives are treated on a level playing field with other businesses when considering access to funding.

For this reason the MCF proposes that all government entities responsible for assisting enterprises and businesses, in particular Malta Enterprise and JobsPlus, initiate an exercise where all measures available to enterprises are effectively also available to cooperative enterprises.

### **Proposal 3: Tax incentives to business owners who sell their businesses to community-led co-operatives and/or to their workers**

Worker buyouts tax incentives should be available to encourage business owners, who wish to sell their going concern, to consider the option of selling their business to community-led co-operatives and/or worker-co-operatives (especially employees of their business).

### **Proposal 4: Strengthening the Cooperative Legislative Framework**

Together with stakeholders, the government needs to enact legislation that builds on the Cooperative Societies Act, 2001, and that allows for new realities taking place in the sector. The Malta Co-operative Federation believes that the success of this new legislation rests upon a collective and proactive effort between all stakeholders, including government and representatives of co-operative movement, as was done way back in the year 2000. The main changes should include:

- *Strengthen the One-Member One-Vote Principle:* The “one member one vote” aspect is an international principle that is central to how co-operatives work. The current Co-operative Societies Act, 2001, includes contradictory elements on this fundamental aspect. On the one hand Article 21(2) enshrines this principle in the Act. On the other hand Article 56 of the Act gives the opportunity for co-operatives to do away with this principle. MCF strongly recommends that this contradiction is resolved in favour of the “one member-one vote” principle.
- *Create more opportunities for different types of entities to form cooperatives together:* Current legislation allows for only individuals and limited liability companies to be members of co-operative societies and restricts any other type of entity (partnerships, associations, etc.) from forming part of a co-operative society. Another restriction is that co-operative societies need to have a majority of individuals as members. In practice this is making it difficult for various entities including social enterprises, NGOs, private companies and associations from forming a co-operative together. MCF proposes that the definition of ‘societies’ in the Cooperative Societies Act is amended accordingly in order to open the cooperative space further.
- *Reduce the minimum number of members required to form a co-operative:* The required minimum number of members to form a co-operative in Malta should go down from 5 to 3. This will encourage more people to come forward to form a co-operative. It is worth pointing out that countries such as Germany, France and Spain, who have much larger markets have changed their legislation to reduce the minimum number of members within co-operatives, to three.
- *Identify ways of how the registration of new co-operatives can be facilitated:* Government needs to factor in new developments in co-operative membership possibilities and ways of working that, within the co-operative framework, can render co-operatives proactive to market needs.
- *Facilitate conversion from company to co-operative status:* While the co-operative societies legislation contemplates for the possibility of limited liability companies to be converted to co-operatives and vice-versa, without the need to go through a process of liquidation, in 20 years since the Act was enacted, the regulations for this process have never been published.

- *Protect the privacy of cooperative members:* Current legislation allows the public to access the list of members of any co-operative. Together with the Data Protection Commissioner, MBR and other authorities, the government should identify instances where it would be permissible that the Co-operatives Board could make exceptions to this rule by not divulging this information, while keeping in mind the obligations of the Beneficial Ownership registers.
- *Create regulations for the creation of European Co-operative Societies (SCE) to be registered in Malta:* Notwithstanding that the Council of the European Union adopted regulations for the setting up of SCEs way back in 2003, government is as yet to establish the necessary regulations for this to become a reality in Malta. This is having a direct negative impact on the internationalisation of co-operatives and needs to be addressed.
- *Continuation of a foreign co-operative in Malta:* A co-operative formed and incorporated or registered under the laws of an approved foreign country, which is similar in nature to a co-operative as known under the Maltese co-operative legislation, should have the possibility to request the Co-operatives Board to be registered as continued in Malta, provided the laws of the foreign country so permit, and provided the co-operative is authorised to do so by its statute. The government is to enact the necessary legislation and regulations for this to occur, such that Malta stops losing co-operative business to other countries that allow for this conversion.

#### **Proposal 5: Strengthen other legislations that impact Cooperatives**

- *Initiate an exercise to identify any legislations that discriminate against co-operatives:* A number of legislations currently impede co-operatives from working freely in particular sectors: the Banking and the Broadcasting Act are a case in point. MCF proposes that an inter-ministerial effort is initiated to identify any legislations, regulations and policies which are preventing co-operatives to be set up in their respective sector, and make the necessary amendments for the inclusion of the co-operative business model.
- *Include co-operative representation within the organs of the Small Business Act:* The Malta Co-operative Federation, the co-operative movement and the related government bodies regulating the co-operative sector should be represented by competent individuals within the organs of the Small Business Act. This includes the Enterprise Consultative Council, the Small Business Advisory Committee and the College of Regulators.

#### **Proposal 6: Social and community-led cooperatives**

Government should provide effective support to community-based and/or social co-operatives, whose objective is to invest all or most surpluses generated into a specific social cause or into the community. Services provided by such cooperatives should become the preferred option for the procurement of services at the national, regional and local level.

For this reason, the MCF encourages Government to initiate discussions with the Department of Contracts to see how this can be achieved and whether changes to national legislation need to be made.

It is worth noting that the European Court of Justice in 2011 recognized the specific regime and structure of the co-operative enterprises.

### **Proposal 7: Renewable energy co-operatives**

Government is to actively support the setting up of community co-operatives in the field of alternative energy and the environment. These will provide the opportunity for community members to partake in investments that they can afford and that the benefits accruing from such investments will directly benefit them and their families.

Government should provide the necessary space, including rooftops of government and school buildings, for this purpose. The generation of renewable energy fits perfectly into the cooperative model, as this enables any surpluses to benefit the member community, and can be re-invested in similar projects that make renewable energy accessible to even more people and families.

### **Proposal 8: Housing Co-operatives.**

Access to shelter and a home is a basic human right which cannot be left solely at the mercy of free market forces. Current property prices, both for purchase as well as rental, are making housing inaccessible to more and more people. Those who manage are having to toil till retirement to pay hefty loans.

The MCF believes that home co-ops provide a viable solution, and that Government can facilitate the setting up of home and housing co-operatives in Malta. Housing and home cooperatives are jointly-owned, democratically-controlled enterprises designed to keep housing affordable and to give residents an active role in their own communities.

Housing cooperatives around the world are leading the way with sustainability initiatives. In Malta, Home cooperatives could prioritise the interests of the community over that of purely speculative businesses, including the provision of open spaces in their neighbourhoods, environmentally friendly measures such as the provision of renewable energy and the use of appropriate planning and architecture that respects the surrounding area.

This model of housing can provide for mixed housing set-ups, and will decrease the possibility of people being burdened with crippling debts until retirement age. These co-ops can benefit first-time buyer couples, the elderly, students, single parents, separated couples and persons who would face lifelong hardship with current market rates. Home cooperatives can form a viable and sustainable part of Malta's housing stock.

Government should commit to materially support the setting up of a first Housing Cooperative in Malta.

### **Proposal 9: Modernise the Co-operatives Board**

Opportunities exist for the Co-operative Board to provide a more efficient and effective process of registration and regulation for co-operative societies. This can include digitised processes which will bring its processes in line with those used to register companies. This is also in line with Government's commitment to provide effective online services across board.