



WE ARE NOT IMMUNE

Economic Measures for Professionals

Following the impact of COVID-19



Who we are

A group of professional bodies has come together in the light of the COVID-19 situation, and its economic impact:

- Chamber of Advocates
 - Dental Association of Malta
 - Kamra tal-Periti
 - Malta Institute of Accountants
 - Kunsill Notarili ta' Malta (Notarial Council)
- Together we represent *circa* 10,000 professionals and support staff.
 - We act as advisors or carers to the rest of the local community – we depend for our livelihood on our clients who are also facing significant economic hardship.
 - We feel that we owe the society we live and practice in a duty to put our heads together in coming up with proposals for a national strategy that can address the most pressing issues.
 - In this respect we have come up with a National Strategy Document that we are putting forward to the Government of Malta for consideration.
 - **Within that strategy there are certain immediate measures that need to be taken for the survival of businesses and professional practices.**



Current Situation

- Our practices are pretty much at a standstill.
- Our clients have been hit hard and the outlook for recovery of their business is bleak.
- We depend on our clients generating work and paying our fees – we understand that this is a critical time when our clients will require our assistance, and as professionals we will provide it – but they will have difficulty paying for our fees, and we need to be able to support them even in this respect.
- The full extent of the impact going forward is yet unknown, but the immediate impact has been severe:
 - **Lawyers:** court closed and transactional work almost at a standstill given the global impact of COVID-19; social distancing measures prevent us from meeting clients; significant issues recovering already billed amounts.
 - **Notaries:** all legal times have been suspended; the publication of deeds has decreased drastically and new promise of sale agreements are not being signed;
 - **Architects & Civil Engineers:** severe slowdown in activity due to uncertainty in the market and closure of certain sectors such as tourism and retail; cash flow issues due to increasing unpaid dues; issues related to site security
 - **Dentists:** Health hazard of continued operation; operating only urgent cases; increased costs for protective gear
 - **Accountants:** Immediate significant drop in recovery of cash from billed amounts; work reduced drastically in view of market sentiment; pressure on fees for work already carried out; sizable part of employee base already unutilised
- Each of us has conducted a survey to gauge the position and sentiment in our respective professions.
- A summary of the results is set out in the next slides.

Survey Results

IMPACT	Architects	Lawyers	Notaries	Dentists	Accountants
	%	%	%	%	%
No Impact/not concerned	8	0	10		3
Slight Impact/slight concern	32	2	10		12
Moderate impact		14	19		33
High Impact	21	47	16	100	29
Extremely High Impact	39	36	45		23

Anticipated Impact on professional practices

- The questions asked of each profession were not exactly the same. There seems however to be consensus in the results that in each profession the outlook is that the impact will be significant and ranging from high to extremely high.
- In the case of dentists, given that for medical reasons they are only treating urgent cases, it is also evident that all respondents would have considered that the impact would be high to extremely high.
- In the case of lawyers around 86% consider the impact to be high-extremely high, whilst amongst notaries that figure is 61%.
- 52% of accountants perceive a high/extremely high impact on their profession in terms of overall effects

Loss of Revenue

- The surveys focussed on loss of revenue going forward but each profession established its own thresholds to deal with this issue.
- Notaries and Lawyers used the same thresholds and the results are shown in the table below:

Loss of Revenue	Lawyers	Notaries
	%	%
<20%	7.81	5.94
21%-40%	29.69	8.91
41%-60%	23.44	19.8
61%-80%	18.75	17.33
>80%	20.31	48.02

- Amongst Architects & Civil Engineers the outlook for revenue is not dissimilar with 50% taking the view that revenue will take a hit of 30% or more and only 22% forecast that revenues will decrease by 20% or less.
- 52% of Accountants are experiencing a Critical/Very High impact on Revenues, 35% a Moderate impact and 13% a Low impact
- Amongst Dentists the forecast seems more severe with 85% forecasting that revenues will take a hit greater than **80%** with the remaining 15% forecasting depressed revenue of between 61%-80%.

Depressed Cash Collection

- Cash Collection is the other issue that clearly has a severe impact on professional practices.
 - Dentists do not seem to be hardly hit here as most of their revenue they collect upon delivery of their services.
 - Accountants – 64% are experiencing a Critical/Very High impact on Cash Collection, 23% a Moderate impact and 13% a Low impact
 - Lawyers and Notaries are a different matter, the table below shows their respective forecasts:

Lower Debt Collection	Lawyers	Notaries
	%	%
<20%	4.69	14.36
21%-40%	14.06	10.89
41%-60%	26.56	17.82
61%-80%	29.69	15.84
>80%	25	41.09

- Architects and Civil Engineers have used a different bench mark to calculate their cash collection both of past dues as well as on current work.
 - More than 50% forecast a dip in cash collection which is of 30% or more;
 - 29% of respondents forecast a dip of 20% or less and only 9% are not forecasting any impact whatsoever.



Survey Results

- The results of our surveys overall show that there is serious concern amongst professionals centring principally around the uncertainties of the duration of the situation and whether there will be state assistance; which in turn places everyone in a situation where it is impossible to plan.
- The anticipated impact on cash flows and future revenues are severe and few will be able to weather the storm unscathed.
- In all sectors:
 - recruitment will stop; and
 - employees on probation will be released
- Amongst:
 - Architects it is anticipated that come April, 15% of the workforce will be made redundant
 - Lawyers, serious consideration is being given to reduce headcount by around 15% (50% - by one day or less a week); to move to a 3 of 4 day week (54%); and 63% anticipate that they will revise remuneration packages downward
 - Accountants – approx. 60% are shifting to 3 or 4 day week, or otherwise reducing headcount; 37% are reviewing salary arrangements in a significant manner; 32% have stopped recruitment

We fully concur that there are economic sectors in the country that can be considered as “higher impact” and that any economic measures of state intervention are to prioritise those sectors

We are not immune to the environment around us, the professions themselves depend on other sectors of the economy that they service - we support the GoM’s stance is assisting those sectors

Immediate issues:

- Cash Flows of debtors not paying past dues
- Loss of revenue due to depressed state of the market

Medium Term – a New Social Pact and broad base burden sharing arrangements in line with proposals in National Strategy



Phase One – Immediate Next 90 days

- The Objective:
 - Survive the storm
 - “Hit the ground Running” once the storm is over
- It is crucial that:
 - These immediate measures need to provide for the survival of professionals:
 - to be able to assist further in developing and implementing a national strategy, going forward
 - To protect employment within the sector to enable professionals to re-launch as soon as the storm is over – thus retaining as high a level of their employees as possible
 - Our services are key to allow other sectors of the economy to be able to re-launch, professionals need to support the rest of the economy in recovering in the shortest possible time
- All proposed measures are aligned to the National Strategy already submitted.



Our focus – the immediate

- Our focus at this stage is the immediate period of 90 days – this is a crucial period that will allow each of us to come to terms with a new reality and adapt to that reality.
- Measures aimed at providing:
 - Assistance to cash-flows that would allow better management of cash reserves thus extending the survival period of sole-practitioners and firms in weathering the storm
 - Flexibility in management of human resources by allowing them to re-arrange their conditions of employment with a view to retaining their staff in the longer term
 - Assistance where the position is one that requires immediate intervention

The proposals

- **Six immediate measures that will assist professionals to survive the next three months:**
 - a. Deferral of payments of Provisional and Settlement income taxes due to 31 December 2020, with Provisional tax based on 2020 estimates effected only in December;
 - b. Deferral of VAT payments due to 31 December 2020, and facilitation of conversion to a cash-based VAT system for professionals;
 - c. Deferral of the payment of SS contributions (of self-employed and those attributable to their employees), FSS and MLF to 31 December 2020;
 - d. Eligibility of self-employed professionals and employees in the sector to (a) moratoria on personal, residential and business loans and credit facilities and (b) access to new credit facilities on “soft” terms to enable professionals bridge the period of crisis ;
 - e. Flexibility to professionals of coming to different arrangements and terms of employment with their employees.
 - f. Self-employed practitioners and their employees should be eligible for minimum state assistance in terms of their income/salaries. We do not seek to have this measure implemented retroactively, but as of 1 April 2020. This measure would be subject to claw-back provisions, so that if a professional practice still makes a profit at the year end – then it would have to refund any payments received from Government to subsidise salaries and income of self employed.



We are not
immune

- We advocate:
 - A debate on a national strategy in the short to medium term based on:
 - A broad base burden sharing arrangement that involves all stakeholders
 - A new social pact to see us through this time of crisis
 - A new format to the MCESD where professionals have a seat around the table
 - **The professions are a key component of the economic drive of the country;**
 - **unlike what some may think – we are not immune to the crisis; and**
 - **within that national strategy allowing the professions to survive is crucial to enable our economy to re-start.**