

# XOGHOL

NINVESTU B'GHAQAL  
FIK U FIL-PAJJIŻ



Ministry of Finance,  
the Economy and Investment

# The International Context

- The worst global crisis since the 1930's, has led to drastic increases in deficits and in the levels of unemployment
- In September 2009, there were 22 million unemployed European citizens
- There are signs that the economic recession might be on the decline, however, the acceptable levels of employment may still be distant from being reached
- The majority of the EU member states experienced negative economic growth in 2009 and the Commission is predicting that this trend is set to continue during 2010
- Globally, there have been considerable decreases in terms of investment and consumption

# The Local Scenario

- Malta has not been hit by the collapse of the financial markets, but the Maltese economy has felt the implications of the international economic crisis
- The correct timing of decisions taken by the Government (diversification, investment in education and training) and the abrupt interventions during the financial crisis have helped to soften the impact and keep the increase in unemployment at a lower rate than the EU
- The EU Commission and the IMF have positively commented on the government's actions to save jobs

# The Local Scenario

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- Reductions in the government's revenue have been mainly influenced by decreases in the levels of income tax collected and led to Excessive Deficit Procedures
- Need for continuity in the road leading to sustainability

# The World's Economy

## Real GDP

Country		2008 Actual	2009 October	2010 Projected	Country		2008 Actual	2009 October	2010 Projected
Member States (EU27)	▲	0.9	-4.1	0.7	Portugal	▲	0.0	-2.9	0.3
Euro Area (EA16)	▲	0.8	-4.0	0.7	Romania	▲	7.1	-8.0	0.5
<b>EU Member States</b>					Slovakia	▲	6.4	-5.8	1.9
Austria	▲	1.8	-3.7	1.1	Slovenia	▲	3.5	-7.4	1.3
Belgium	▲	1.2	-2.9	0.6	Spain	▲	1.2	-3.7	-0.8
Bulgaria	▲	6.0	-5.9	-1.1	Sweden	▲	-0.2	-4.6	1.4
Cyprus		3.7	-0.7	0.1	United Kingdom	▲	0.7	-4.6	0.9
Czech Republic	▲	3.2	-4.8	0.8	<b>Candidate Countries</b>				
Denmark	▲	-1.1	-4.5	1.5	Croatia	▲	2.4	-5.8	0.2
Estonia	▲	-3.6	-13.7	-0.1	FYRo Macedonia		5.0	-2.0	1.5
Finland	▲	0.9	-6.9	0.9	Turkey	▲	1.1	-5.8	2.8
France	↔	0.7	-2.2	1.2	<b>EFTA</b>				
Germany	▲	1.3	-5.0	1.2	Iceland	▲	0.3	-9.8	1.9
Greece		2.9	-1.1	0.3	Norway	↔	2.0	-2.2	0.6
Hungary	▲	0.5	-6.5	-0.5	Switzerland	▲	1.6	-2.4	-0.1
Ireland	▲	-2.3	-7.5	-1.4	<b>Other non-EU Countries</b>				
Italy	▲	-1.0	-4.7	0.7	China		9.0	8.7	9.6
Latvia	▲	-4.6	-18.0	-4.0	Japan	▲	-0.7	-5.9	1.1
Lithuania	▲	3.0	-18.1	-3.9	Russia	▲	5.6	-7.2	2.3
Luxembourg	▲	-0.9	-3.6	1.1	USA	▲	1.1	-2.5	2.2
Malta	↔	1.6	-2.2	0.7					
Netherlands	▲	2.1	-4.5	0.3					
Poland		4.8	1.2	1.8					

Source: European Commission

# The World's Economy

## Unemployment Rate

Country		2008 Actual	2009 October	2010 Projected	Country		2008 Actual	2009 October	2010 Projected
Member States (EU27)	▲	7.0	9.1	10.3	Portugal	▲	7.7	9.0	9.0
Euro Area (EA16)	▲	7.5	9.5	10.7	Romania	▲	5.8	9.0	8.7
<b>EU Member States</b>					Slovakia	▲	9.5	12.3	12.8
Austria		3.8	5.5	6.0	Slovenia		4.4	6.7	8.3
Belgium	▲	7.0	8.2	9.9	Spain	▲	11.3	17.9	20.0
Bulgaria		5.6	7.0	8.0	Sweden	▲	6.2	8.5	10.2
Cyprus		3.6	5.6	6.6	United Kingdom	▲	5.6	7.8	8.7
Czech Republic		4.4	6.9	7.9	<b>Candidate Countries</b>				
Denmark		3.3	4.5	5.8	Croatia	▲	8.4	10.0	9.8
Estonia	▲	5.5	13.6	15.2	FYRo Macedonia	▲	33.8	35.6	36.1
Finland	▲	6.4	8.5	10.2	Turkey	▲	9.8	13.5	13.9
France	▲	7.8	9.5	10.2	<b>EFTA</b>				
Germany	▲	7.3	7.7	9.2	Iceland	▲	4.6	8.7	10.4
Greece	▲	7.7	9.0	10.2	Norway		2.5	4.8	5.0
Hungary	▲	7.8	10.5	11.3	Switzerland		2.2	3.9	5.2
Ireland	▲	6.0	11.7	14.0	<b>Other non-EU Countries</b>				
Italy	▲	6.8	7.8	8.7	China	-	4.2	-	-
Latvia	▲	7.5	16.9	19.9	Japan		4.0	5.8	6.3
Lithuania	▲	5.8	14.5	17.6	Russia	▲	5.6	7.2	6.8
Luxembourg		4.7	6.2	7.3	USA	▲	5.8	9.2	10.1
Malta	↔	5.9	7.1	7.4					
Netherlands		2.8	3.4	5.4					
Poland	▲	7.1	8.4	9.9					

Source: European Commission

# The World's Economy

## Government Balances - Ratio to GDP

Country		2008 Actual	2009 October	2010 Projected	Country		2008 Actual	2009 October	2010 Projected
Member States (EU27)	▲	-2.3	-6.9	-7.5	Portugal	▲	-2.7	-8.0	-8.0
Euro Area (EA16)	▲	-2.0	-6.4	-6.9	Romania	▲	-5.5	-7.8	-6.8
<b>EU Member States</b>					Slovakia	▲	-2.3	-6.3	-6.0
Austria		-0.4	-4.3	-5.5	Slovenia	▲	-1.8	-6.3	-7.0
Belgium	▲	-1.2	-5.9	-5.8	Spain	▲	-4.1	-11.2	-10.1
Bulgaria		1.8	-0.1	-1.2	Sweden		2.5	-2.1	-3.3
Cyprus		0.9	-3.5	-5.7	United Kingdom	▲	-5.0	-12.1	-12.9
Czech Republic	▲	-2.1	-6.6	-5.5	<b>Candidate Countries</b>				
Denmark		3.4	-2.0	-4.8	Croatia		-1.4	-3.7	-3.0
Estonia		-2.7	-3.0	-3.2	FYRo Macedonia		-1.0	-4.0	-3.5
Finland		4.5	-2.8	-4.5	Turkey	▲	-2.2	-7.9	-6.8
France	▲	-3.4	-8.3	-8.2	<b>EFTA</b>				
Germany		0.0	-3.4	-5.0	Iceland	▲	-	-21.2	-16.9
Greece	▲	-7.7	-12.7	-12.2	Norway		-	7.9	10.4
Hungary		-3.8	-4.1	-4.2	Switzerland		-	-2.9	-3.6
Ireland	▲	-7.2	-12.5	-14.7	<b>Other non-EU Countries</b>				
Italy	▲	-2.7	-5.3	-5.3	China	-	-	-	-
Latvia	▲	-4.1	-9.0	-12.3	Japan	▲	-3.8	-8.0	-8.9
Lithuania	▲	-3.2	-9.8	-9.2	Russia	▲	-	-6.5	-2.6
Luxembourg		2.5	-2.2	-4.2	USA	▲	-6.4	-11.3	-13.0
Malta	↔	-4.7	-4.5	-4.4					
Netherlands	▲	0.7	-4.7	-6.1					
Poland	▲	-3.6	-6.4	-7.5					

Source: European Commission

# Public Debt

## as a % to GDP

Country		2008 Actual	2009 October	2010 Projected	Country		2008 Actual	2009 October	2010 Projected
Member States (EU27)	▲	61.5	73.0	79.3	Portugal	▲	66.3	77.4	84.6
Euro Area (EA16)	▲	69.3	78.2	84.0	Romania		13.6	21.8	27.4
<b>EU Member States</b>					Slovakia		27.7	34.6	39.2
Austria	▲	62.6	69.1	73.9	Slovenia		22.5	35.1	42.8
Belgium	▲	89.8	97.2	101.2	Spain		39.7	54.3	66.3
Bulgaria		14.1	15.1	16.2	Sweden		38.0	42.1	43.6
Cyprus		48.4	53.2	58.6	United Kingdom	▲	52.0	68.6	80.3
Czech Republic		30.0	36.5	40.6	<b>Candidate Countries</b>				
Denmark		33.5	33.7	35.3	Croatia		33.5	37.8	39.2
Estonia		4.6	7.4	10.9	FYRo Macedonia		20.8	25.5	28.3
Finland		34.1	41.3	47.4	Turkey		39.5	47.3	49.8
France	▲	67.4	76.1	82.5	<b>EFTA</b>				
Germany	▲	65.9	73.1	76.7	Iceland		13.8	53.3	65.4
Greece	▲	99.2	112.6	124.9	Norway		-17.6	54.3	50.6
Hungary	▲	72.9	79.1	79.8	Switzerland		36.5	42.8	44.9
Ireland		44.1	65.8	82.9	<b>Other non-EU Countries</b>				
Italy	▲	105.8	114.6	116.7	China	-	-	-	-
Latvia		19.5	33.2	48.6	Japan	▲	173.1	189.8	197.6
Lithuania		15.6	29.9	40.7	Russia	-	-	7.7	10.4
Luxembourg		13.5	15.0	16.4	USA		70.7	64.8	75.1
Malta	↔	63.8	68.5	70.9					
Netherlands		58.2	59.8	65.6					
Poland		47.2	51.7	57.0					

Source: European Commission



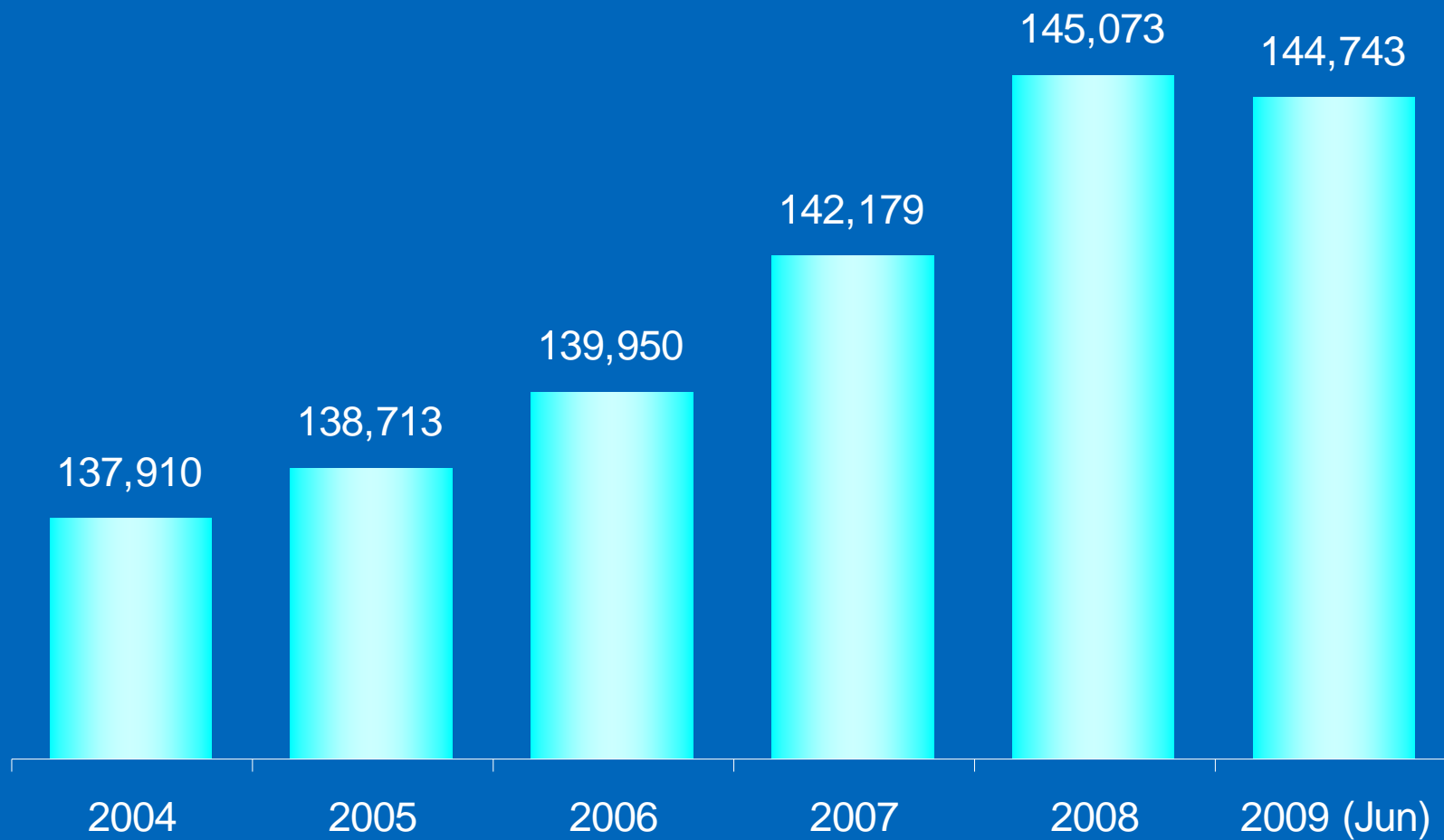
# International Trade



Source: National Statistics Office

# Employment

## Gainfully Occupied



Source: National Statistics Office

# Employment

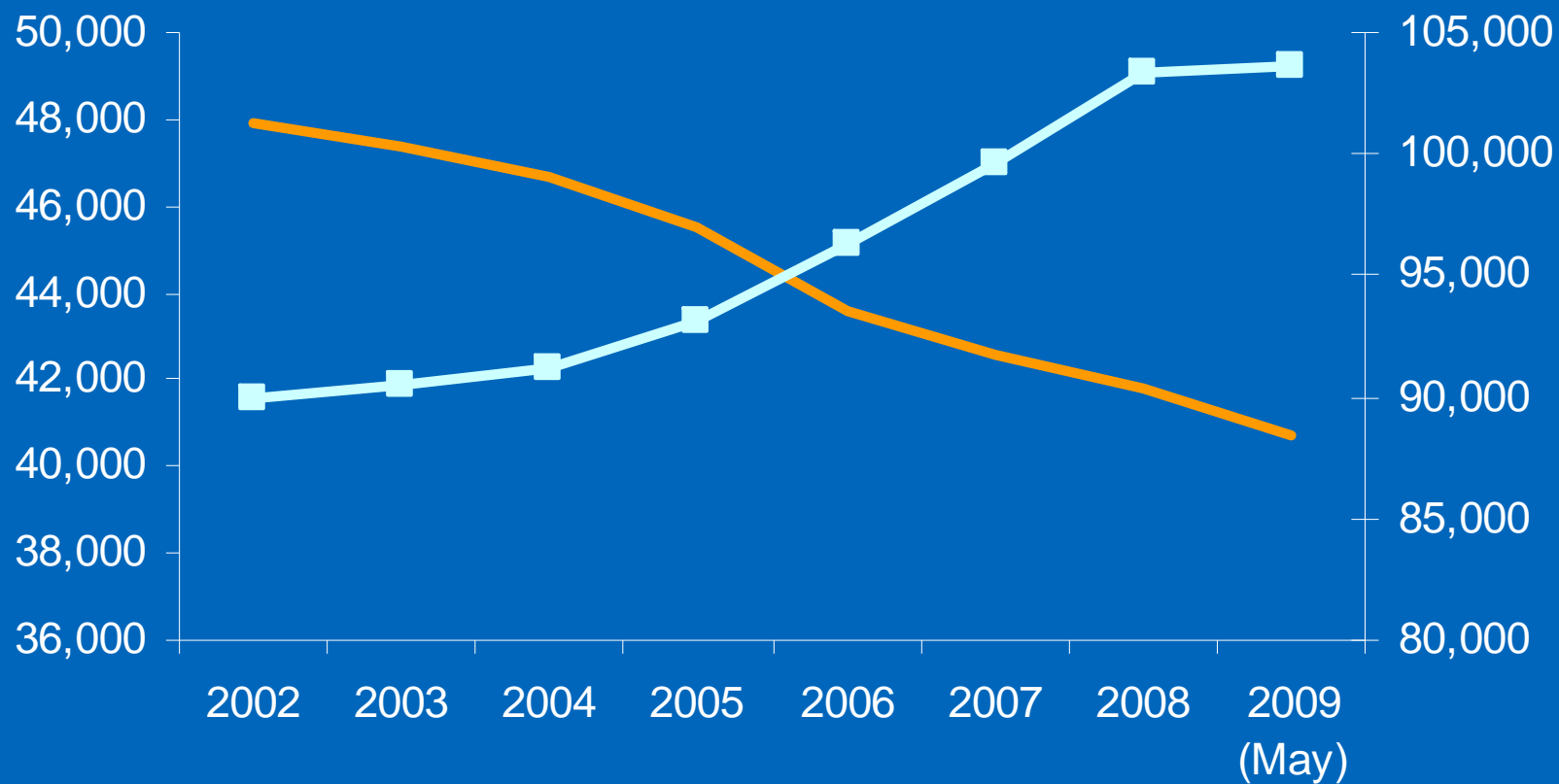
## Gainfully Occupied

Sector	2007 (Jan-Dec)	2008 (Jan-Dec)	2009 (Jan-Jun)
Construction	11,662	12,148	12,548
Hotels & Restaurants	9,747	10,141	9,918
Transport & Communication	10,757	11,040	11,309
Financial Intermediaries	5,353	5,577	5,694
Manufacturing	23,647	22,687	20,756
Wholesale & Retail Trade	21,409	21,831	22,095
Others	59,604	61,649	62,423
<b>Total</b>	<b>142,179</b>	<b>145,073</b>	<b>144,743</b>

Source: National Statistics Office

# Employment Generation

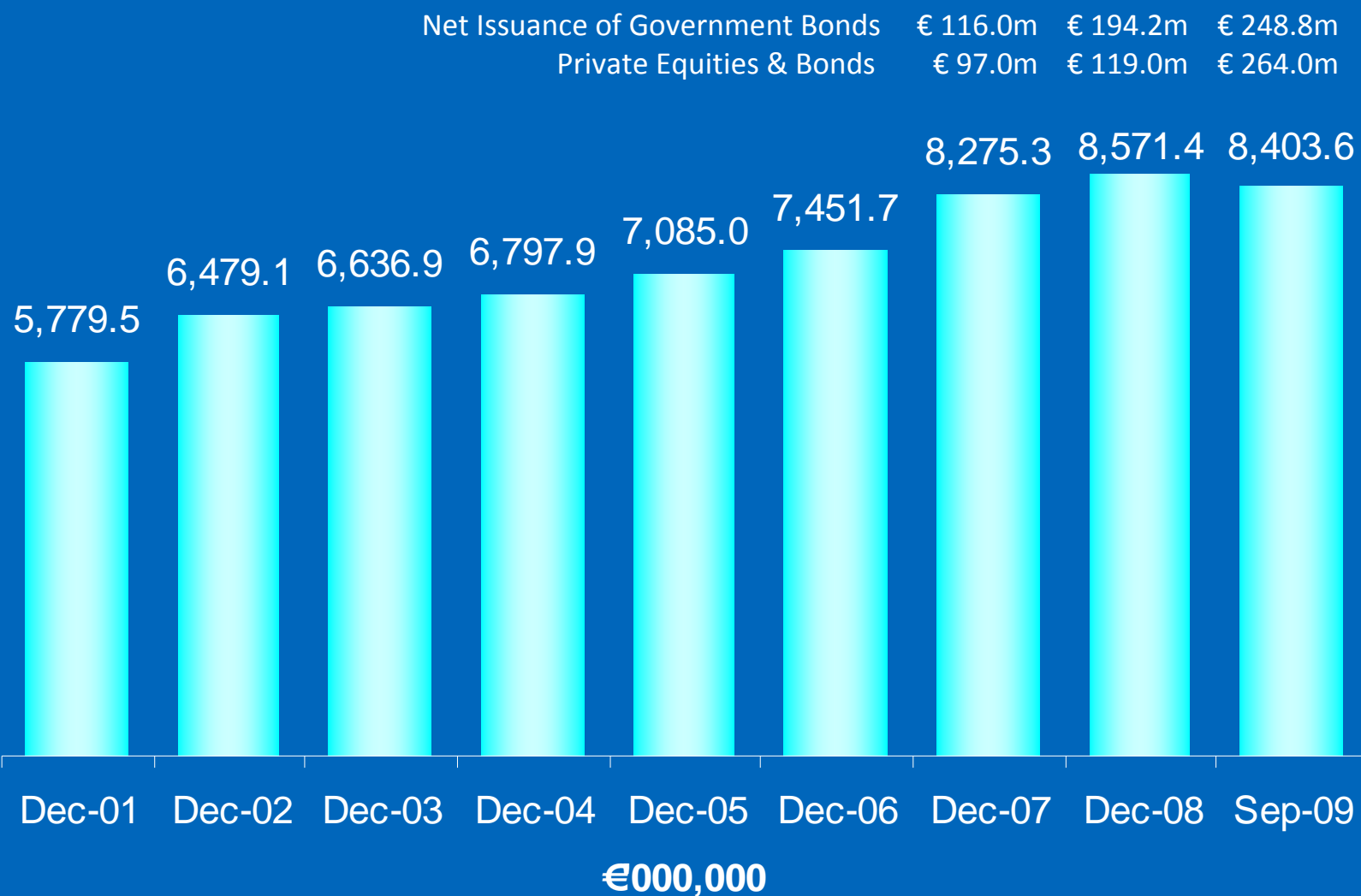
## Public & Private Sectors



Source: National Statistics Office

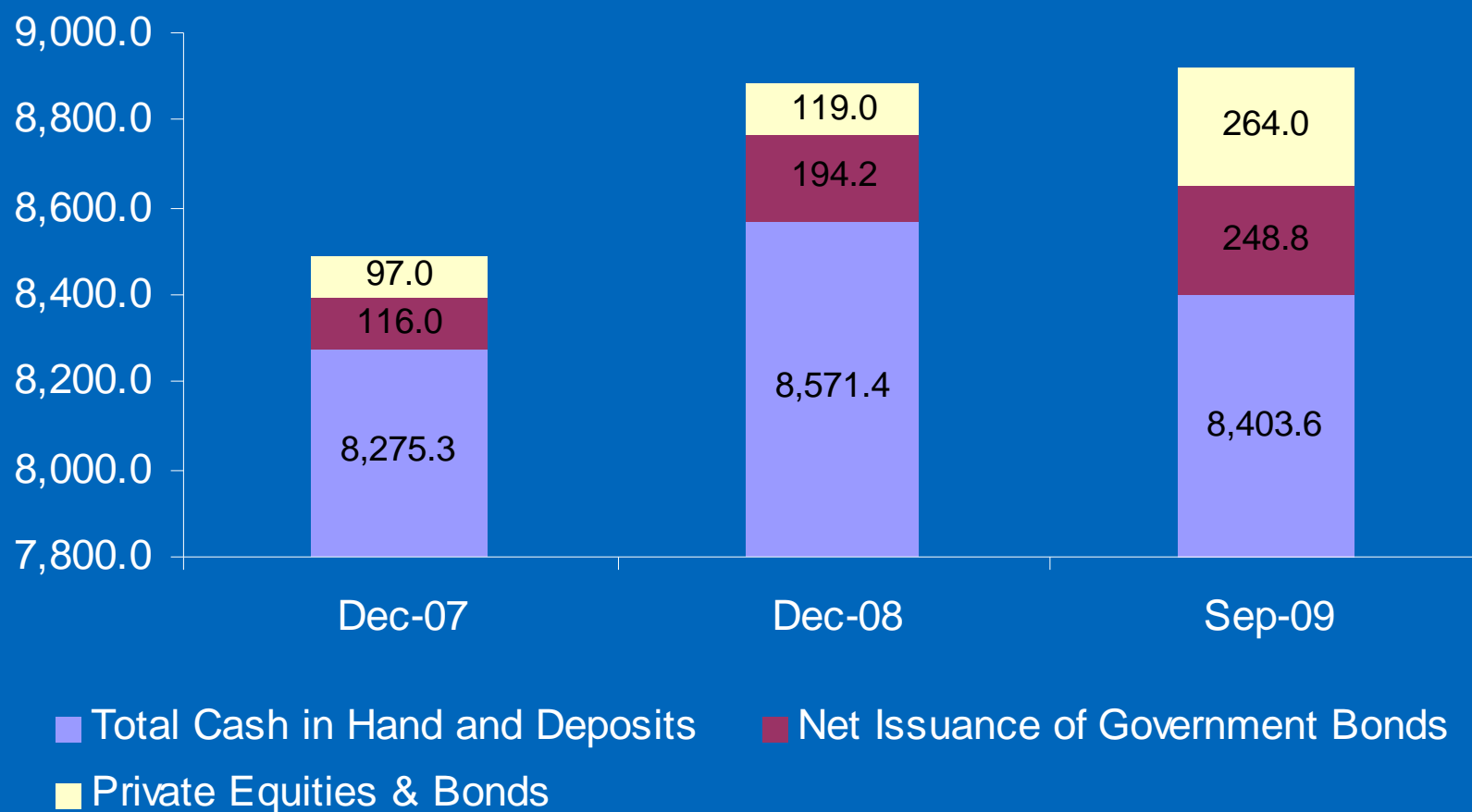
Public Sector Private Sector

# Cash in Hand & Deposits



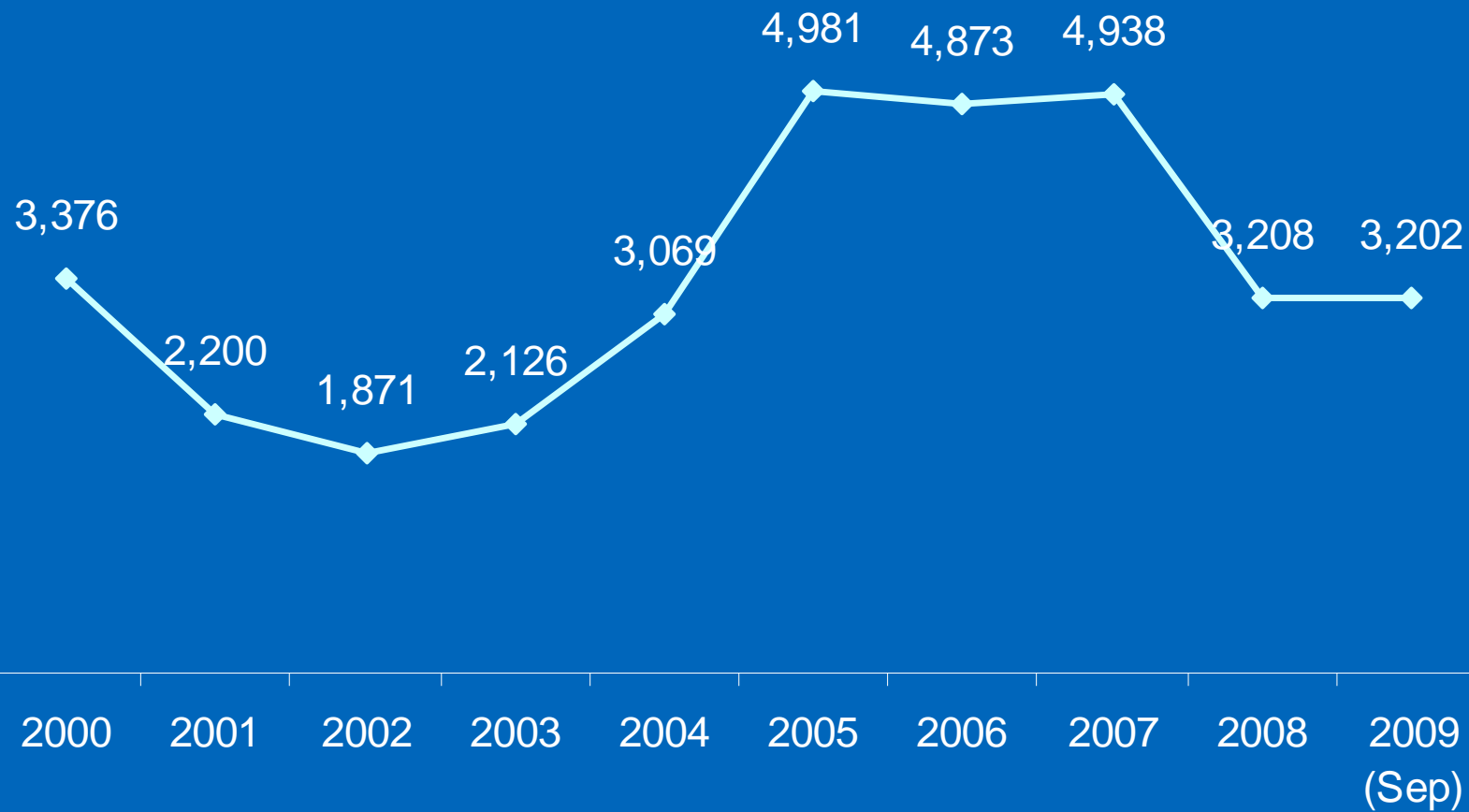
Source: Central Bank of Malta

# Cash in Hand & Deposits



Source: Central Bank of Malta

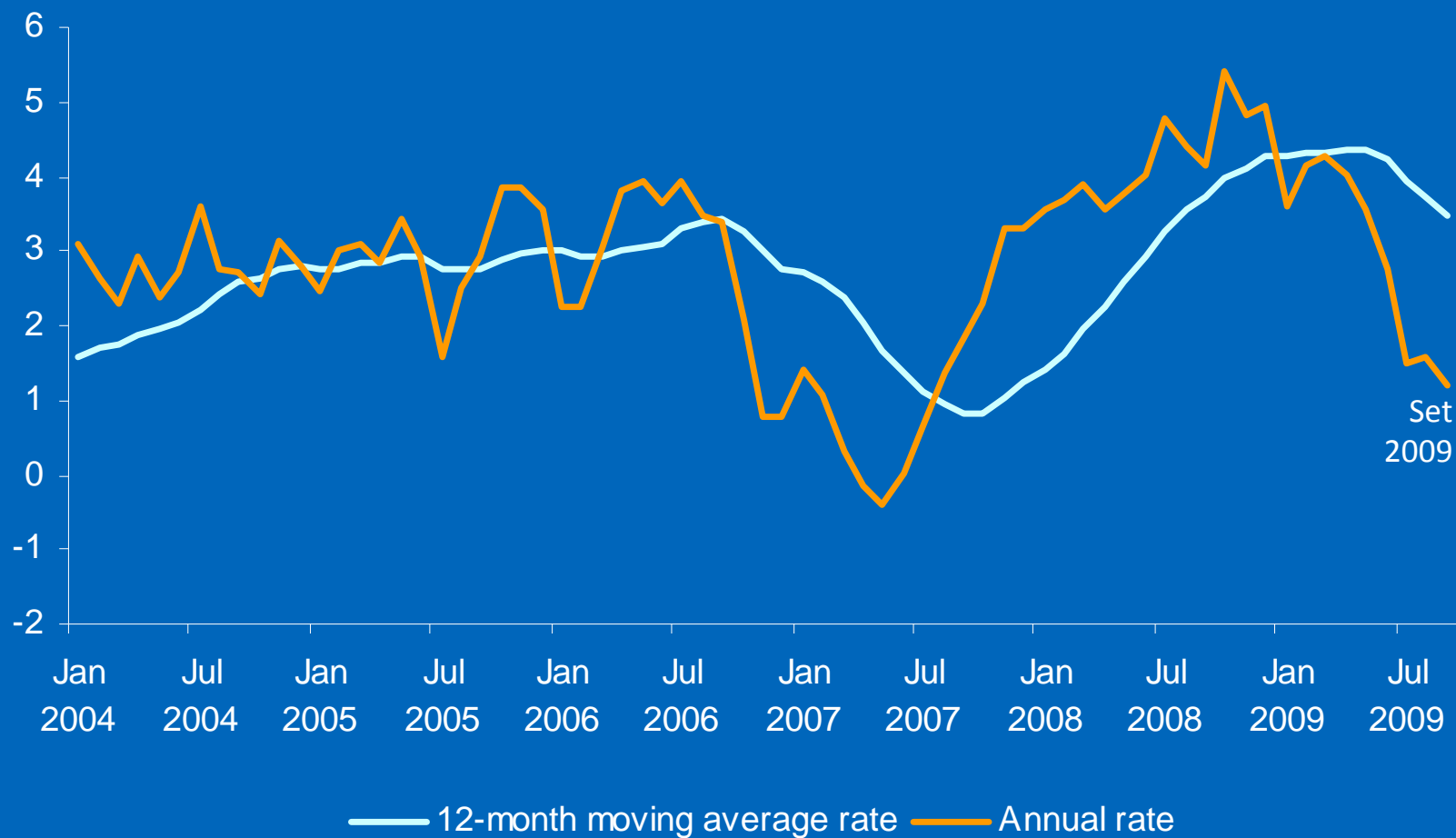
# Stock Exchange Indices



Source: Central Bank of Malta

# Inflation

## Retail Price Index





# Malta's Tax Burden

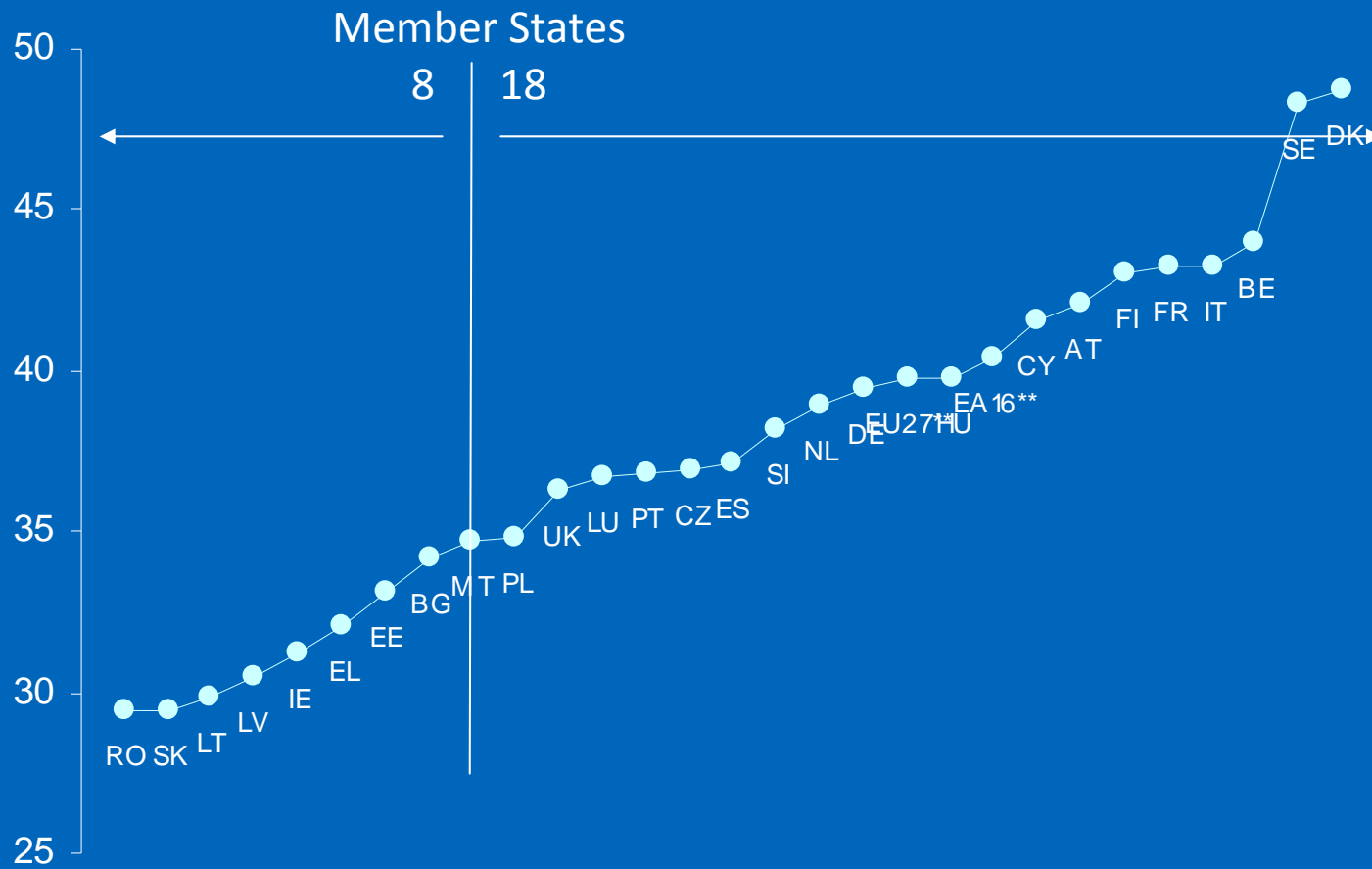
## Compared to other EU Member States

Member State		Rate	Member State		Rate
Member States (EU27)	▲	39.8	Ireland		31.2
Euro Area (EA16)	▲	40.4	Italy	▲	43.3
Austria	▲	42.1	Latvia		30.5
Belgium	▲	44.0	Lithuania		29.9
Bulgaria		34.2	Luxembourg	▲	36.7
Cyprus	▲	41.6	Malta	↔	34.7
Czech Republic	▲	36.9	Netherlands	▲	38.9
Denmark	▲	48.7	Poland	▲	34.8
Estonia		33.1	Portugal	▲	36.8
Finland	▲	43.0	Romania		29.4
France	▲	43.3	Slovakia		29.4
Germany	▲	39.5	Slovenia	▲	38.2
Greece		32.1	Spain	▲	37.1
Hungary	▲	39.8	Sweden	▲	48.3
			United Kingdom	▲	36.3

Source: European Commission

# Malta's Tax Burden

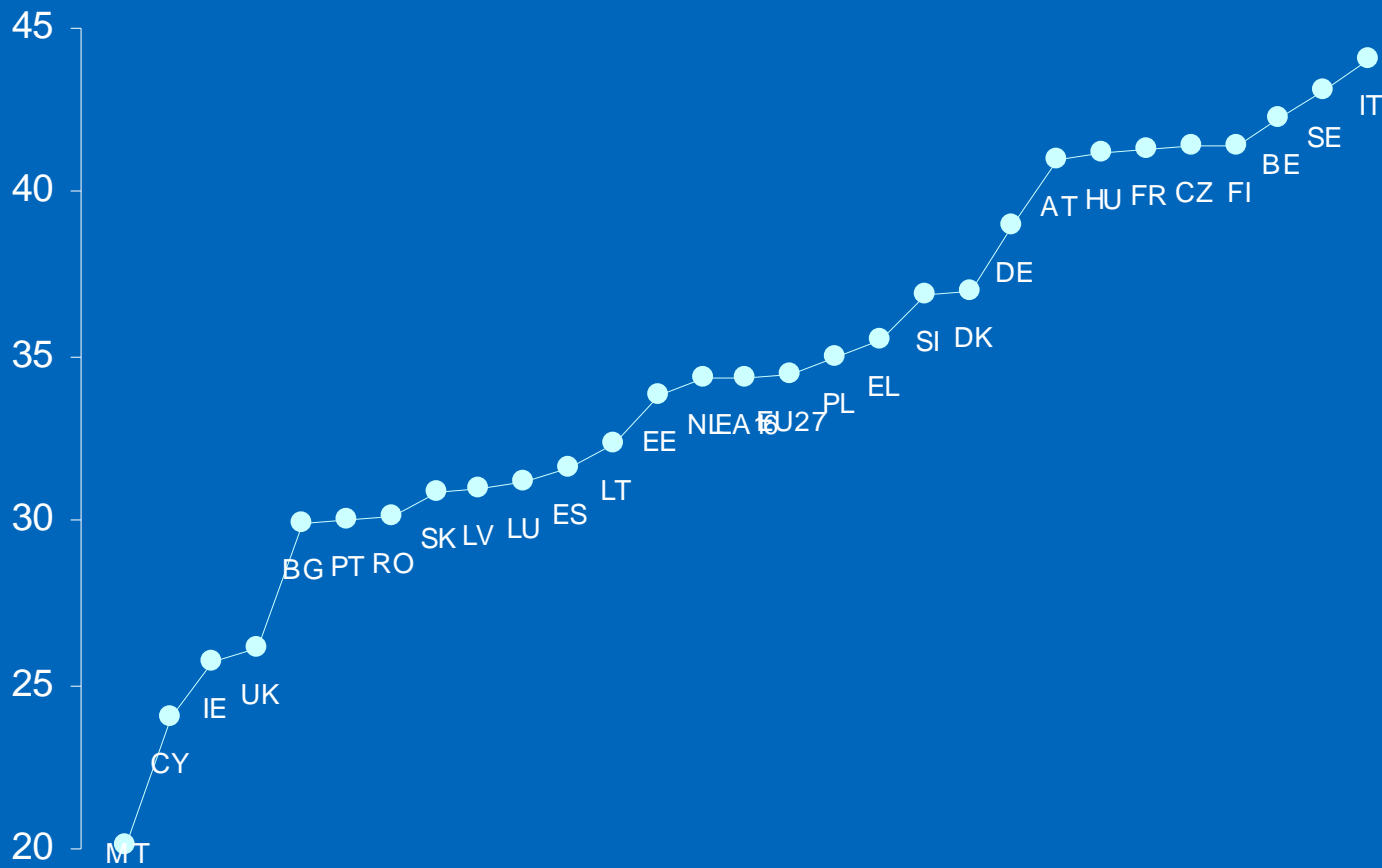
## Compared to other EU Member States



Source: European Commission

# Malta's Employment Tax Burden

## Compared to other EU Member States



Source: European Commission

# Other EU Members States 2010 Budget

## France

- Retirement bonuses will become taxable
- Several household tax credits were reduced
- Tax credits for home buyers significantly decreased
- From 2010, households and businesses will pay an additional tax on their consumption of oil, fuel oil, gas and coal
- Removal of local business tax
- Deficit: -8.2%
- Economic Growth: 1.2%
- Unemployment: 10.2%

Source: European Commission

# Other EU Members States 2010 Budget

## The Netherlands

- Students grants for 2010 and 2011 have been frozen
- Government cutting more than €140m in Education spend
- No more travel allowance for 16 and 17 year-olds in secondary schools
- Plans for social benefits reduction of social benefits
- Spending on family doctors, hospitals and nursing homes will be reduced by almost €11 billion through plans to cut spending by every department by 20%, according to a letter from the Government to parliament
- Deficit: -6.1%
- Economic Growth: -0.8%
- Unemployment: 5.4%

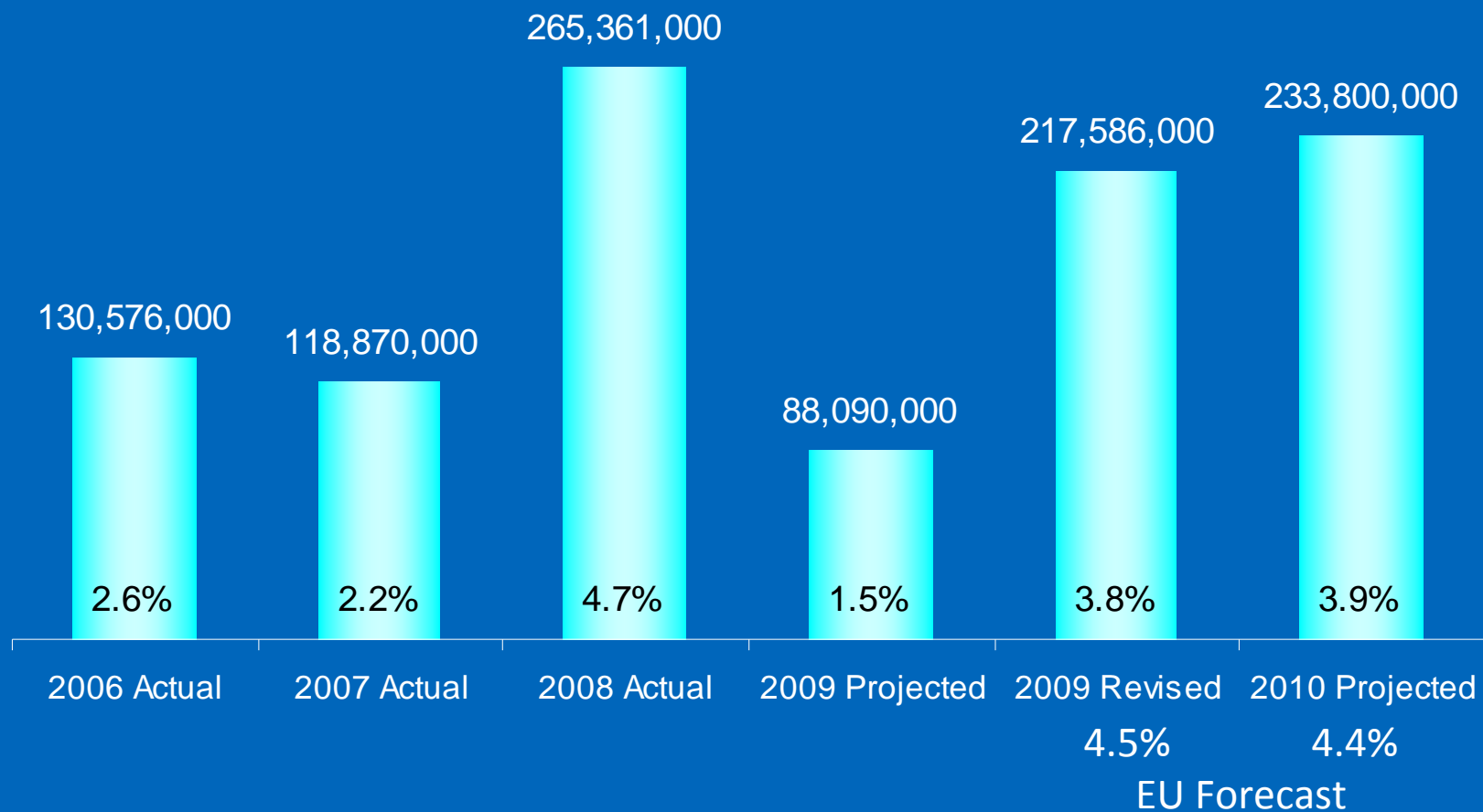
# Other EU Members States 2010 Budget

## Spain

- VAT increase from 16% to 18%
- €400 annual rebate for all taxpayers will be scrapped.
- An increase of 3%, up to 21% in capital gains tax
- Increase on the levy in income from savings to 19% on the first €6,000 and 21% for the rest
- Deficit: -10.1%
- Economic Growth: 0.3%
- Unemployment: 20%

Source: European Commission

# Deficit



# Deficit

Revenue / Expenditure	€'000	Variance €'000
<b>Dħul anqas f'Taxxi</b>		<b>39,608</b>
<b>Additional Expenditure</b>		<b>126,042</b>
Shipyards' Closure	40,000	
Early retirement schemes for shipyard workers	17,300	
EU own resources	6,000	
Medicines	11,100	
Anti-Influenza measures	7,600	
Health contractual services	5,500	
Transport guaranteed earnings	3,000	
UoM Junior college	7,000	
Illegal immigrants	4,400	
AFM personal emoluments	2,800	
MEPA	4,000	
Waste management strategy	4,000	
Investment incentives	4,857	
Purchase of property for public purposes	3,835	
MTA	4,650	



# Priorities for the 2010 Budget

- Incentivise economic, fiscal and price stability and a greater competition in our markets
- Incentivise productive investment to generate wealth and jobs
- More investment in the Health Sector, while continuing in our significant assistance to those in need
- To continue in our policy of upgrading the training and education levels as to achieve a society with a stronghold of knowledge

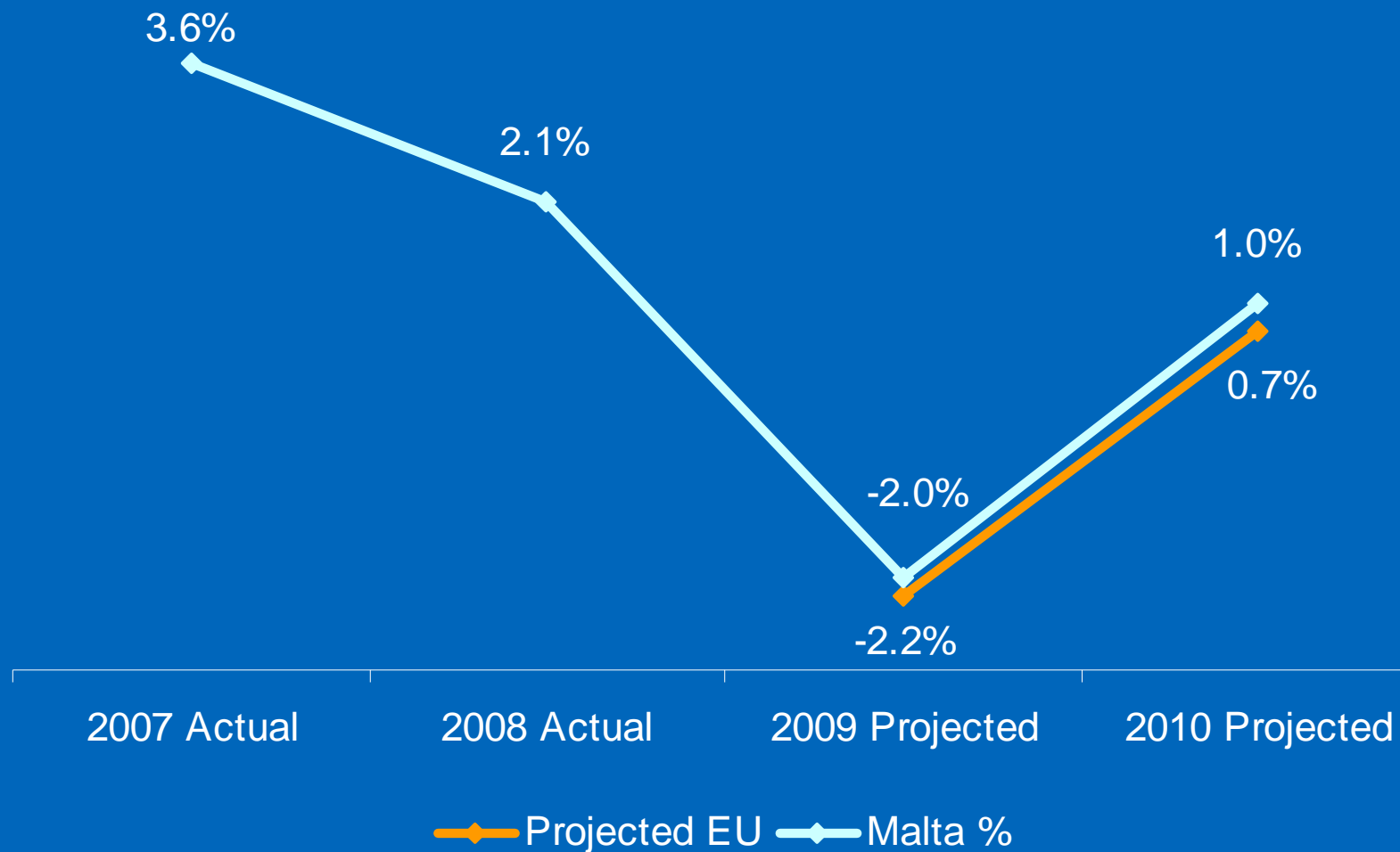
# Priorities for the 2010 Budget

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- Investment in the country's infrastructure in order to continue achieving economic growth and building the foundations for a better future within the environment, roads, national heritage and in the economic sectors
- Implement our vision for Gozo as an ecological island

# The Economy in Malta

## In Real terms of GDP



Source: European Commission

# Financial Estimates

Consolidated Fund	2008 Actual €'000	2009 Estimated €'000	2009 Revised €'000	2010 Projected €'000
<b>Total Recurrent Revenue</b>	<b>2,302,143</b>	<b>2,551,318</b>	<b>2,466,648</b>	<b>2,674,937</b>
Tax Revenue	2,098,311	2,238,263	2,225,653	2,331,254
Non-Tax Revenue	203,832	313,055	240,995	343,683
<b>Total Recurrent Expenditure</b>	<b>2,313,128</b>	<b>2,302,233</b>	<b>2,421,492</b>	<b>2,484,142</b>
Recurrent	2,124,090	2,105,929	2,226,152	2,288,521
Interest	189,038	196,304	195,340	195,621
<b>Recurrent Balance</b>	<b>(10,985)</b>	<b>249,085</b>	<b>45,156</b>	<b>190,795</b>
Total Capital Expenditure	222,150	347,931	303,156	429,595
<b>Total Expenditure</b>	<b>2,535,278</b>	<b>2,650,164</b>	<b>2,724,648</b>	<b>2,913,737</b>
<b>Surplus</b>	<b>(233,135)</b>	<b>(98,846)</b>	<b>(258,000)</b>	<b>(238,800)</b>
E.S.A.95 Adjustments	(32,225)	10,756	40,414	5,000
<b>Extended Government Deficit</b>	<b>(265,360)</b>	<b>(88,090)</b>	<b>(217,586)</b>	<b>(233,800)</b>
Gross Domestic Product	5,687	5,990	5,744	5,945
<b>Deficit % to GDP</b>	<b>(4.67)</b>	<b>(1.47)</b>	<b>(3.79)</b>	<b>(3.93)</b>

# Financial Estimates

	2008 Actual €'000	2009 Estimated €'000	2009 Revised €'000	2010 Projected €'000
<b>Taxable Income</b>				
Income Tax	735,899	798,000	813,000	850,000
Social Security	510,143	528,500	536,000	550,000
<b>Direct Taxation</b>	<b>1,246,042</b>	<b>1,326,500</b>	<b>1,349,000</b>	<b>1,400,000</b>
Customs & Excise Duty	177,775	201,400	181,600	198,700
Licences & Other Taxes	219,145	233,363	241,053	254,554
V.A.T.	455,349	477,000	454,000	478,000
<b>Indirect Taxes</b>	<b>852,269</b>	<b>911,763</b>	<b>876,653</b>	<b>931,254</b>
<b>Total Tax Revenue</b>	<b>2,098,311</b>	<b>2,238,263</b>	<b>2,225,653</b>	<b>2,331,254</b>

# Financial Estimates

Other Income	2008 Actual €'000	2009 Estimated €'000	2009 Revised €'000	2010 Projected €'000
Fees of Office	48,327	59,019	44,651	42,695
Reimbursements	27,274	30,121	28,458	29,446
Public Corporations	5,201	815	815	815
Central Bank of Malta	28,691	31,700	41,615	37,000
Government Rents	20,348	22,900	21,500	21,250
Dividends on Investments	19,708	15,500	11,750	9,500
Int. Pay. & Cap. Repay.	61	82	82	82
Grants	30,223	125,396	80,334	184,375
Miscellaneous Income	23,999	27,522	11,790	18,520
<b>Total Other Income</b>	<b>203,832</b>	<b>313,055</b>	<b>240,995</b>	<b>343,683</b>

# Financial Estimates

Licences, Taxes and Fines	2008 Actual €'000	2009 Estimated €'000	2009 Revised €'000	2010 Projected €'000
Wines & Spirits Licenses	983	930	930	1,000
Trading Licenses	536	1,000	1,400	1,300
Sporting Licenses	825	980	880	850
Motor Vehicle Licenses	27,755	43,500	0	0
Driving Licenses	1,795	1,900	1,800	1,800
Licenses to Hotels & Catering	1,030	960	960	1,000
Bonded Stores Licenses	199	200	200	200
Operating License - MIA	496	496	496	496
Gaming Taxes	37,017	43,400	40,000	46,000
Miscellaneous Licenses	913	1,112	1,112	1,100
Duty on Documents	86,249	93,000	76,000	80,000
Motor Vehicle Registration tax	51,235	41,600	67,100	63,500
Death & Donation Duty	46	120	60	60
Airport Tax	7,064	200	1,150	0
Proceeds from Sale of Goods at Customs	33	38	38	38
Traffic Offence Tickets	1	2	2	2
Court Fines	2,017	1,800	2,000	2,200
Oil Rental Licenses, Fines, etc	637	700	900	900
Annual Circulation License Fees	0	1,300	45,900	54,000
Miscellaneous Fines	316	125	125	108
<b>Total Other Income</b>	<b>219,146</b>	<b>233,363</b>	<b>241,053</b>	<b>254,554</b>

# Financial Estimates

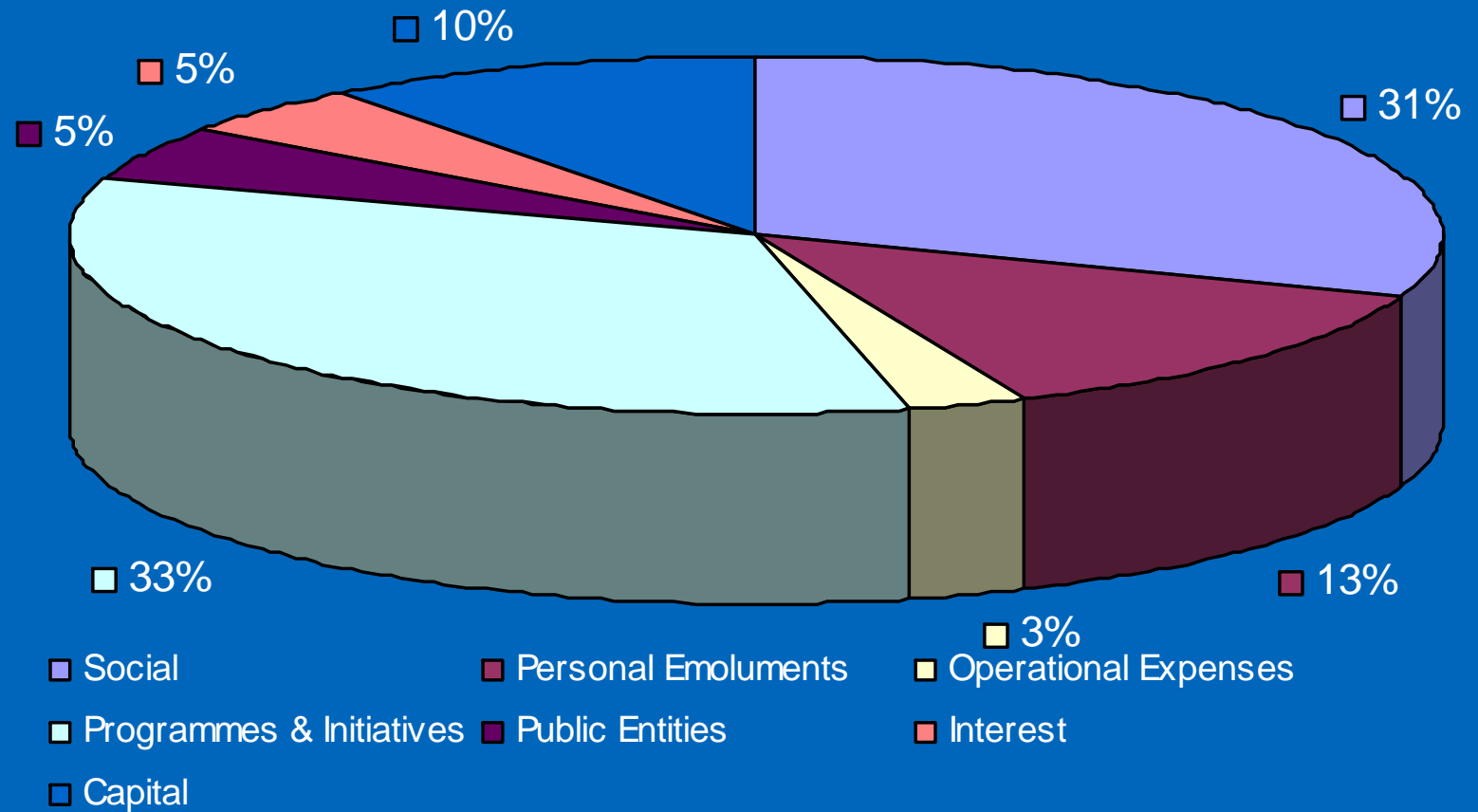
Recurrent Expenditure	2008 Actual €'000	2009 Estimated €'000	2009 Revised €'000	2010 Projected €'000	Increase / (Decrease)	Increase / (Decrease)
Salaries	519,268	537,526	541,938	550,825	8,887	1.6%
Operative Expenses	96,556	98,475	110,243	111,299	1,056	1.0%
Programmes & Initiatives	1,345,011	1,309,995	1,399,700	1,421,799	22,099	1.6%
Public Entities	163,258	159,933	174,271	204,598	30,327	17.4%
<b>Total Recurrent Expenditure</b>	<b>2,124,093</b>	<b>2,105,929</b>	<b>2,226,152</b>	<b>2,288,521</b>	<b>62,369</b>	<b>2.8%</b>
Interest	189,038	196,304	195,340	195,621	281	0.1%
<b>Total</b>	<b>2,313,131</b>	<b>2,302,233</b>	<b>2,421,492</b>	<b>2,484,142</b>	<b>62,650</b>	<b>2.6%</b>



# Financial Estimates

Recurrent Expenditure	2009 Revised €'000	2010 Projected €'000	Increase / (Decrease)	Increase / (Decrease)
Recurrent Expenditure	2,421,492	2,484,142	62,650	2.60
Pensions & Social Obligations	663,820	722,500	59,680	9.00
Health	343,718	342,563	-1,155	-0.30
Education	273,171	285,016	11,845	4.30
Social Obligations	1,280,709	1,351,079	70,370	5.50
Recurrent Expenditure net of Social Obligations	1,140,783	1,133,063	-7,720	-0.70

# Government's Expenditure for 2010



# Government's Fiscal Policy

- Removal of the €16.31 levy on credit cards
- Reduction in boat registration and licensing
- Increase of €0.15 in Excise Duty on cigarettes

# Measures in Favour of Fiscal Consolidation

- Where possible, the financial estimates for 2010 have been either maintained in the same level or even decreased
- Less employees within the public sector
- Decrease in the Government Entities' dependency on subsidies
- Enhance the fight against fraud and abuse of social benefits
- Enhance the tax collection system in order to reduce tax evasion

# Measures to enhance economic activity

## Assistance to the Industry in order to create more jobs

- Increase the Malta Enterprise budget vote to €5.6m
- Increase the Incentives budget vote to €9m
- Foreign investors and those who are already established in our country will be encouraged to start operating in areas of shared services like those of software developing, call centres, digital gaming, accounts, etc
- €16m in upgrade works within Industrial Zones –Kordin, Ħal Far, Bulebel, Mosta and Xewkija
- Creation of a Reserve Fund of €2.5m as assistance to Industry

# Measures to enhance economic activity

## Assistance to the Industry in order to create more jobs

- Increase in the allocation of the *20millionforindustry* by €7m

International Competitiveness	€2m
Innovation	€3m
Research & Innovation	€1m
e-Business	€1m

- Re-issue of the Environment Scheme – €1.5m still not allocated
- Extension of the 12% Final Withholding Tax on property by two years to 7 years
- Renewal and increase in organisations eligible for the fiscal incentives given under the Reinvestment Tax Credit (Income Tax) Rules of 2005

# Measures to enhance economic activity

## Research and Innovation

- Research & Innovation Fund doubled to €700k
- Allocation of €250k for a National Strategy for the development of Digital Gaming
- Allocation of €250k for the setting up of a Human Genome Databank in conjunction with the MCST, ME and UOM
- The formation of the Malta University Research, Innovation and Development Trust Fund with an initial capital of €500k, in order to encourage research and its employment for commercial and industrial capacities. Donations of more than €150 will be deducted from taxable income (up to €50k)

# Measures to enhance economic activity

## Research and Innovation

- Tax exemptions or tax benefits for income from royalties on patents in order to encourage research and development activities
- Investment of €20m for the continued development of the Biotechnology Park in San Gwann
- 15.2% refund on expenses on which tax has been paid on research projects approved by the Ministry of finance and MCST



# Measures to enhance economic activity

## Assistance to Small Enterprises and Self-Employed

- A €10m fund for micro-credits up to €25k which will make it possible to nearly 1,500 SMEs obtain the necessary liquidity for investment
- In 2010 and 2011, small enterprises and self employed that employ no more than 10 employees, will be able to benefit from 40% tax credit if they improve their facility or premises, invest in new technology and machinery, improve their level of operation or create new jobs
- This tax credit is increased to 60% for those operating in Gozo
- Draft legislation on SMEs

# Measures to enhance economic activity

## Assistance to Small Enterprises and Self-Employed

- Allocation of €200k for Skills and Crafts
- Consultative Council for the Enterprise to serve as a forum between the Government and its Authorities
- Setting up of a one-stop-shop within Malta Enterprise by June 2010 to provide assistance on European Programmes
- Revisit the trade licensing system
- Formulate a regulatory framework to improve the SME access to assistance provided by the ETC, the Malta Standards Authority and the Health and Safety Authority on issues of safety standards on the places of work

# Measures to enhance economic activity

## Assistance to Small Enterprises and Self-Employed

- Initiate a formal consultation process to identify those public entities and departments that need to adjust their working hours to better service the needs of SMEs
- Mandatory independent and periodical research by Government Departments and Entities on the their level of service so as to highlight critical areas

# Measures to enhance economic activity

## Incentives for the Tourism Industry

- An allocation of €31m to the MTA, including a special package of €5m to address the international crisis
- Increase in accessibility and investment in support to airlines
- Introduction of new routes as from next year
- Improved marketing packages on already established routes as well as new markets such as the Middle East
- Revamp visitmalta.com
- An allocation of €500k to extend schemes targeted at sports organizations and the public sector to attract international conferences

# Measures to enhance economic activity

## Incentives for the Tourism Industry

- The technical report on VAT shows that a decrease in VAT would result in:
  - a 0.2% growth in 2010
  - public finances will decrease by €29m in 2010 and €23m in 2011
  - in Portugal the consumer benefitted 20% (partial)
  - in France the consumer benefitted 40% (partial)
  - Negligible impact on tourism
  - does not justify the loss in Government Revenue

# Assisting more people in returning to work

## Support Schemes and Training

- ETC budget to increase from €2 to €3.3m
- A 12-week work trial scheme aimed at integrating unemployed people (500 persons targeted in 2010)
- Financial assistance for childcare facilities for mothers who want to participate in training programmes and other schemes
- A €6m investment, financed by the EU, for the implementation the Employment Programme

# Assisting more people in returning to work

## Support Schemes and Training

- New programme targeting youths aged between 16 and 20, who are registering for work in order to obtain a qualification that is recognised by the Maltese Council for Qualifications and in the EU
- A new employment centre in Birkirkara
- A trial scheme intended to give necessary work experience to those seeking job opportunities
- Provision of advice to those seeking work
- The extension of the working scheme in the community for those registering for work

# Assisting more people in returning to work

## Support Schemes and Training

- The launching of an educational campaign in order to explain the benefits of declared employment
- Invest in a mobile computer laboratory to be used outside the class
- Provision of help to persons with moderate and severe disability on the place of work
- Assistance to those that improve the work environment so as to be able to employ persons with severe disability
- A revision in the policies and register of persons suffering from disability



# Assisting more people in returning to work

## Child Care Centres

- Doubling of the allocation to childcare services with setting up of centres in Santa Venera, Floriana, Imsida and Zejtun
- Setting up of a National Unit for Child Care
- Extension of the project of schools functioning after hours, where two new schools will be offering these facilities as from 2010
- Incentives to employers who offer childcare facilities to their employees
- Extension of the €1,000 Tax Reduction Scheme for children attending Child Care Centres in summer and children older than 3 years

# Measures in Favour of Fiscal Morality

- Initiate the process of amalgamating the VAT, IRD and Customs
- No refunds on VAT and Income Tax unless all returns have been filed
- Anti-abuse provisions to avoid aggressive tax planning
- Taxpayer's Charter
- Intensify the fight against the illegal importation of fuel and the evasion of excise through a system of DNA Marking and better equipment at Customs
- Harsher penalties for those negotiating in illegally imported fuel

# Consumer Protection

- The Malta Fair Trading Authority and an entity to educate and protect the consumer will be set up as part of the Office for Fair Competition reform
- Administrative and Legal measures to strengthen the monitoring of medicines through the introduction of a mandatory mechanism
- Revisit the operations at the Vegetable Market so as to have better reflection of the international trends on the local produce
- A report on the causes and trends of the calculated prices and services that are imported and exported

# Consumer Protection

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- Council of Regulators to serve as a forum for the coordination between entities
- Compensation for the cost of living of €5.82

# Price of Energy

- 28,000 to benefit from a €7m Energy Benefit
- Compensation for the increase in price of energy to families not consuming more than 10,000 units of electricity – 97% of the families - €10m

Family Size	Compensation €
1	55
2	80
3	105
4	130
5	155
6	180
7	205

# Price of Energy

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- €2.5m Energy Fund for hotels and industry
- Direct subsidy of €14.6m to the WSC

# Environmental and Infrastructural Projects

## A Budget allocating €400m for Capital Projects

- Investment of €43.7m in roads
- Continuation of the arterial roads programme
- Completion of the M'Scala by-pass
- Re-building of Valletta Road leading to Żurrieq
- Construction of a road leading from Żabbar to Smart City
- Up-grading of Marfa road, the road leading from Marsa to the 'Menqa area', Imġarr and the Council of Europe roads in Gozo
- Allocation of €14m for residential roads in Malta & Gozo in partnership with local councils and The Ministry for Gozo

# Environmental and Infrastructural Projects

## Public Transport Reform

- Reduction in traffic levels, better air quality, less traffic congestions will lead to more productivity, a reduction in insurance and repair costs
- Subsidies will remain but will incentivise the operator to use the service instead of subsidizing the decrease in passenger
- An investment of €9m in new termini in Valletta, Rabat (Gozo) and Bugibba
- Extension of the Park and Ride and setting up of new ones in Marsa and Pembroke
- Removal of the old, more polluting buses



# Environmental and Infrastructural Projects

## Public Transport Reform – Commercial Vehicles

- Commercial vehicles registration and licensing reform
- Introduction of the Polluter-pays principle
- System based on Euro standards
- Incentivise the importation of more recent, less polluting vehicles
- No increase in the Annual Circulation Fees as of next year
- Moratorium on the Annual Circulation tax and 4 year transition for vehicles registered this year

# Environmental and Infrastructural Projects

## Ports

- Development programme of the Menqa Area in Marsa
- Increase in the berthing space for yachts
- Maintenance works on wharfs
- Restoration of Fort St Angelo and Fort St Elmo
- Allocation of €10m for dredging works

# Embellishment of Public Places

- Allocation of €80m for the embellishment works including the restoration of the bastions, the upgrading of the promenade in St Paul's Bay, improvement of the coastal facilities in Sliema and Qawra, gardens and heritage trail in Pembroke and a visitor attraction in Qawra
- Allocation of €5.5m for embellishment of zones such as San George's Square, Salini and Ta' Qali National Parks
- Restoration of the Auberge de Castille, The President's Palace and Collacchio in Vittoriosa, amongst other historical places
- Increase of €31.5m in the direct allocation to Local Councils to increase initiatives and works in the community

# Embellishment of Public Places

- Regular cleaning of public places and an expenditure of €200k for fountains in public areas
- €36m over six years towards the Restoration of the Fortifications

# Our Environment

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- Reimbursement of 15.2% on the restoration of historical buildings
- Projects in Valletta:
  - Construction of the new parliament
  - New entrance to Valletta
  - New theatre within the Royal Opera House site
- Pedestrian zones in Valletta
- Development of a national park in the Upper Barrakka by Fondazzjoni Wirt Artna
- The installation of a new lift in the Upper Barrakka

# Environmental and Infrastructural Projects

## Energy

- Enhancement of the electricity provision from the Delimara Power Station so as to decommission the more polluting one in Marsa in a few years' time
- Commencement of works to join the European electricity grid and establish a balance between the energy produced locally and that imported

# Environmental and Infrastructural Projects

## Sewage

- Investment of €30m to be able to treat all sewage before dumping
- Initial tests to be able to use treated water and reduce dependency on reverse osmosis

# Gozo

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- Implementation of the Eco-Gozo Strategy €25m and 80 measures to be implemented over three years, with €5m being spent in 2010
- Physical infrastructure for the treatment of solid waste
- Continuation of the Ċittadella Master Plan
- Promenade along the coast of Imġarr (Żewwieqa)
- Investment in new facilities in the Gozo Hospital
- Radiology Unit to be set up within the Gozo Hospital, amongst other improvements



# Continued Investment in Education

## Education

- Spend on education in 2010 will be that of €270m (€16m or 6% more than 2009)
- Construction of new schools in Mosta and Gozo
- e-Learning programme - €16m
- An increase of €11m in the budget vote for the University of Malta, the Junior College, ITS and MCAST
- EU funding of €46.9m for the building of a new ICT Faculty, IT Department and improvement in the Library facilities within the University of Malta

# Initiatives to Generate Economic Activity

## Creative Economy

- Fiscal benefits for Maltese writers to it easier for them to publish their literature works
- Tax credit for computer animation, special effects, films and television programmes
- Fiscal benefits to sound recording houses undertaking expenses on interactive digital media which will also cover the costs incurred to lure projects from abroad
- Those starting tertiary studies in local or foreign educational institutions will be able to claim a deduction in their taxable income
- Scholarships in Arts studies

# Initiatives to Generate Economic Activity

## Creative Economy

- Training course by the Malta Film Commission to boost the talent needed in this sector
- Commissioning of a study on the possibility of investment in a soundstage to sustain the film industry
- Reduction in the satellite licenses for industrial purposes

# Solidarity

- Support to those who really need it
- Allocation of €1.19 billion (increase of 8.5% over 2009) for this sector amounts to 48% of the total recurrent expenditure
- Investment in child protection with an increase from €45m to €70m for the Child-in-Care Benefit
- Construction of 80 apartments and 12 maisonettes to serve as social accommodation and 200 apartments for rental purposes
- Assure that the provision of social benefits will not hinder participation in work

# Solidarity

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- Single means testing mechanism to deal with social benefits abuse
- Tax exemption and deductions for maintenance payments even when these are established by foreign courts

# Health and the Elderly

- Addressing the waiting lists
- Budgetary vote of €61m for the purchase of medicines to reduce the credit period to 120 days
- Increase of €3m for the purchase of new medicines
- Extension in the Pharmacy of Your Choice Scheme to reach 50,000 new patients
- National Blood Transfusion Centre - €1.5m
- Launch of a Consultation Document for the reform of Primary Health Care

# Health and the Elderly

- Allocation of €2m for maintenance works in Karen Grech Hospital
- Extension in the Old People Homes in Mtarfa and Msida
- Pilot project for flatlets for Shared Supportive Housing
- Pilot project for Night Shelters in Żejtun
- Full cost of living increase to nearly 80,000 pensioners

# Climate Change and Alternative Energy

- €16m allocation for Waste Management
- Incentive scheme for the purchasing of photovoltaic systems with an allocation of €3.8m (50% from the capital expenditure up to €3,000)
- Commissioning of a waste treatment plant the Sant'Antnin Recycling Plant
- A prize for Sustainable Homes and Enterprises
- Investment of €70m in Smart Meters
- Investment of €300k for environmental impact studies relating to generation of wind energy



# Climate Change and Alternative Energy

- An allocation of €4.2m for an incentive scheme on the purchasing of solar water heaters (up to €560, aimed at low income families, families who benefit from the energy benefits scheme, Gozitan families and first time buyers purchasing property not exceeding €120k)
- Calculation of the carbon footprint of the governmental entities and departments
- Mechanism for eco-contribution reimbursement

# Agriculture and Fisheries

- Increase of €2.6m in the financial allocation, totalling €14m to honour the Special Market Policy Programme for Maltese Agriculture
- An allocation of €300k for the improvement of the Pitkali Vegetable Market's infrastructure to improve the working conditions and ensure higher standards for the produce being marketed
- An allocation of €680k for the replacement of chillers at the Marsa Slaughter House
- Government and EU funds for the replacement and modernisation of fishing vessels

# Agriculture and Fisheries

- Allocation of €300k for the first phase in the Marsaxlokk Breakwater structural maintenance programme
- Investment in the development of a new fish market in Marsa, where an application to MEPA has already been submitted

# Conclusion

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- Investment of €80m to generate employment and economic growth
- Investment of €228m in the country's infrastructure
- Investment of more than €1.3 billion in healthcare, education and social protection

# XOGHOL

NINVESTU B'GHAQAL  
FIK U FIL-PAJJIŻ



Ministry of Finance,  
the Economy and Investment