



Making a Success of the New Norm

Mitigating COVID, Stimulating a Long-Term Innovative Economy

The Malta Chamber of Commerce, Enterprise, and Industry Recommendations
A Covid-19 Perspective

Contents

| | |
|---|-----------|
| Executive Summary | 3 |
| Measures Proposed by The Malta Chamber of Commerce, Enterprise, and Industry | 6 |
| Adjustments to Existing Measures | 25 |
| Conclusion | 26 |

Executive Summary

Introduction

To move forward, Malta needs to jumpstart its economy by adapting to a new reality and devise innovative ways for the economy to work amid the Covid-19 outbreak and sustain momentum post-Covid. The Chamber believes that limited public funds should be used judiciously to incentivise as many sectors of businesses as possible, thereby ensuring that the right balance is struck between supporting the hard-hit businesses and incentivising robust industries with a view to stimulating them to adjust to meet post-Covid realities.

In this context, it is proposed that special assistance is given to support proactive companies that are investing in their future viability and resilience in a post-Covid world, by adjusting their business models and strategies, making sure they are aligned to the new socio-economic scenarios that are being anticipated.

The measures and proposals being put forward by the Chamber, focus on the continued flow of liquidity to address the hard-hit sectors as well as impacted businesses in the rest of the economy, the importance of mobilising labour supply while incentivising businesses and jumpstarting the economy thus ensuring the required shift in mindset in various sectors and stimulating innovation that will in turn enable the economy to emerge even stronger.

The following are the main priorities and key measures being proposed:

Meeting Liquidity Needs

The revenue lost in this period, which is putting sudden, unanticipated pressure on the liquidity of companies, requires that the Maltese Government does its utmost to **safeguard liquidity** within companies locally. In this context, the Chamber proposes the following immediate measures that will stimulate the purchasing power of the economy: a **VAT reduction** across the board; further **flexibility in payments** of Social Security Contributions; **coverage of sick leave allowance as of day one**; temporarily **suspending the 15% tax on rent**; and the **conversion of tax credits into cash grants**. Moreover, to incentivise entrepreneurship, it is being proposed that **start-ups** would benefit from Government coverage of **National Insurance** for both the employee and the employer for a 2-year period.

Mobilising Labour Supply

The disruption of most of the work force is mainly due to parents having to juggle between taking care of their children, home schooling and attempting to work from home. This sensitive balancing act is no small feat, and in time, it will cause a serious strain on the wellbeing of the household and the sustainability of the company they work for having to battle a loss in productive hours. For this reason, the Chamber recommends that Government considers practices introduced in France, Belgium, Denmark and Norway that could provide for a **Covid-resilient reopening of schools**. **More specifically, schools need to be** re-organised during the summer so that there are no disruptions during the next scholastic year. Measures may include, making alternative spaces available to schools that have limited footprints, and having school attendance on some days and maintaining a blended learning approach from home on other days.

Another factor that would mobilise labour supply is having **all overtime hours taxed at 15%**, with no capping, as this measure will incentivise individuals to work longer hours and increase productivity in companies that need to meet transitory spikes in demand and/or make up for Covid-related absences.

Incentivising Businesses

The Chamber believes that businesses need to re-invent themselves and Government needs to support this process to the greatest extent possible. Therefore, resources for the **Business Advisory Scheme by Malta Enterprise** must be increased to further incentivise companies that need to **re-model and re-engineer their current operation**. National funds should be made available to incentivise larger enterprises and sectors falling out of scope of the existing scheme.

Another proposal is to introduce an element of progression in **Corporate Tax Rates** based on the income tax single rates, that would enable businesses to re-invest their profits more strategically in their operation while promoting entrepreneurship and safeguarding employment.

Jumpstarting the Economy

The current economic situation that is at a stalemate in key sectors requires a jumpstart that would channel the economy towards the desired result. As recommended in its Economic Vision document, the Chamber believes that a key measure would be to strongly invest in addressing the gaps found in the **e-Government** system, through further simplification to meet user requirements, and seamless sharing of centralised data between Government departments and entities to improve accuracy and efficiency. Furthermore, the strengthening of the structure, would enable government to use the **data generated**, organise it and **enable it to make informed rapid decision-making** in emergency situations. This would enable Government to take a more proactive and research-based approach, rather than a reactive approach in crisis situations.

Another proposal that would contribute towards a positive economic impact would be a **PR campaign promoting local products**, whereby consumers are encouraged to buy local and support Malta's economy. To support **restaurants and catering establishments** in implementing adequate social distancing measures, it is recommended that such establishments are provided with **temporary arrangements for alternative open spaces** to complement their indoor premises. The implementation of traffic-free village core spaces and urban centres on Sundays and public holidays would further encourage this proposal to take off.

A Shift in Mindset

The Covid situation forced a rebirth in the world economy and activated a paradigm **shift in mindset** in all that is done. **Digitalisation** has become a **Do or Die**, and additional **funding schemes** that would support business operations to migrate to the digital scene need to be put in place. These need to go beyond assisting in the procurement of IT equipment, as many businesses need to rethink their business model and transition to one that is more agile and easily scalable and enhance their automation capabilities.

Similarly, the flexibility of **working from home** may be implemented by several sectors, thereby reducing traffic and emissions, improving people's health and encouraging family-friendly measures. This proposal may function on various levels, thus, enabling businesses to choose the right balance that best enables them to operate effectively.

Stimulating Innovation

From every crisis and emergency, stems innovation. This is a known fact and practice adopted in leading countries harnessing innovation. The Chamber is of the opinion, that a solid investment in the **setting up of Grants for Innovation and Investment** would provide a quantum leap for businesses to think differently and re-invent themselves and invest in new technology, that would enable them to innovate their operations rendering them both competitive and resilient to ensure that, a crisis of this sort, would not paralyse them ever again.

Conclusion

As outlined in the recommendations, the Chamber's approach is to pave the way for Maltese economy to **gear up to the new norm** and **emerge** from this crisis with the **least possible damage** to the **economy**. Support to innovative and proactive companies to re-adjust and re-invent their business model, will ensure that they adapt to the everchanging socio-economic realities being presented. Hence, the Chamber looks forward to timely consideration to its recommendations, that aim to assist the country in mitigating efforts of the current crisis and emergence from this predicament.

Measures Proposed by The Malta Chamber of Commerce, Enterprise, and Industry

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|---|---|
| <p>MEETING LIQUIDITY NEEDS</p> <ul style="list-style-type: none"> • Liquidity and Direct Support Scheme • Support with VAT • Support with Social Security Contributions • Sick Leave Coverage • Rent Subsidy • Cash Conversion of Tax Credits • Fixed Expenses Scheme for Overheads • Shifting Physical Events to the New Reality • Subsidy of Electricity Bills • Measures to support Import and Export Companies | <p>JUMPSTARTING THE ECONOMY</p> <ul style="list-style-type: none"> • Simplifying and Strengthening E-Government • Enabling Tourism • Investment in New Advanced Technology by Telecom Companies • Providing Alternative Solutions to Restaurants & Catering Establishments • Supporting Local Products |
| <p>MOBILISING LABOUR SUPPLY</p> <ul style="list-style-type: none"> • Covid-Resilient Re-Opening of Schools • Safeguarding essential TCN Workers • Making Overtime Pay • Incentivising Employment | <p>A SHIFT IN MINDSET</p> <ul style="list-style-type: none"> • Digitalisation: Do or Die • Promoting E-Commerce • Re-Activating the AI Task Group • Teleworking: The New Normal • Facilitating Alternative Modes of Transport • Corporate Tax Incentives Inspiring Social Impact |
| <p>INCENTIVISING BUSINESSES</p> <ul style="list-style-type: none"> • Update of existing Business Advisory Scheme by Malta Enterprise to support Businesses with Re-Engineering processes of Operations • Tiered Corporate Tax Rates • Improvement of all Existing Grants, Measures and Schemes • Provide Legal Protection for Companies in Difficulty¹ • Businesses Supporting the Community | <p>STIMULATING INNOVATION</p> <ul style="list-style-type: none"> • Set-up Grants for Innovation & Investment • Wider scope for the Diversification & Innovation Scheme • Encouraging Investment aimed at Fighting Covid-19 • Research & Development for Commercial Innovation • PhD and Post-Doctoral Support |

The measures are explained further in the table below:

MEETING LIQUIDITY NEEDS

Liquidity and Direct Support Schemes

| Measure | Objective | Beneficiary |
|---|---|-------------------------------------|
| <p>The Chamber strongly proposes that public funds are pumped with urgency into the economic system via companies and employees. Sustaining workers' incomes to maintain aggregate demand and minimising costs of collapsing businesses are deemed essential. Confidence must be given urgently to companies for them to act responsibly and not withhold payments of their own so as not to exacerbate the liquidity situation.</p> <p>Most companies will need to "borrow" their way through the current predicament while sustaining their current losses through prudent management. Government's role is to support companies to sustain the losses in business and to stimulate aggregate demand by:</p> <ul style="list-style-type: none"> a) ensuring the continuation of public procurement projects and initiatives as well as the commencement of new ones to partially replace some of the lost aggregate demand whilst, b) ensuring adequate and sustained incomes for all workers. <p>In terms of the latter, the Chamber is proposing an equitable and cross-sectional "blanket approach" aimed at directly supporting wages in all private enterprise that is experiencing a reduction of at least 25% of turnover during the first half of 2020 as compared to the same period last year. The support is to be given irrespective of the business sector. To this end, the Chamber proposes that the system for wage subsidy as applicable via Annex B using a NACE code approach is scrapped and replaced by a</p> | <p>It is amply clear at the current juncture that the need to ensure the flow of liquidity in the economic system with expediency is of primary importance, in order to address the risk of contagion from the hard-hit sectors to the entire economy due to default in payments and reduced business. This is clearly the biggest and most urgent risk facing the Maltese economy at this stage. Companies and households alike cannot be allowed to run out of money.</p> | <p>All businesses Employees</p> |

¹ This scheme was based on proposals by the Luxembourg Government, the proposals may be found at: <https://mec.gouvernement.lu/dam-assets/dossiers/Tableau-stab-9avril-EN.pdf> accessed on 11 May 2020.

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| <p>system based on the impact on turnover suffered by businesses that are not already supported through Annex A, as follows:-</p> <p>i) For those companies that lose at least half the turnover registered in 2019 (April-June), the same benefit of €800 per employee per month under the same conditions as Annex A will apply.</p> <p>ii) For those companies that lose 25-49 per cent of turnover. the benefit afforded will be of €400 benefit per month per employee.</p> <p>The scheme needs to be implemented with the flexibility that companies may revise their status on a quarterly basis, for as long as the scheme runs. This is because it is likely that companies may move from one level to another depending on the sector in which they operate, with some companies dipping and/or recovering earlier or later than others depending on how the crisis maps out.</p> <p>Government will be entitled to conduct ex-post evaluations on the turnovers of beneficiary companies utilising data from VAT returns to ensure that companies receiving assistance were in fact entitled to it and will reserve to claim any money back from companies which are eventually found to be ineligible for such assistance. Companies that do not have a clean track record in terms of fiscal compliance must also be considered ineligible for support that makes use of public funds.</p> <p>Furthermore, the current Covid-19 wage subsidy scheme being implemented by Malta Enterprise requires further reviews with too many NACE codes omitted from this measure. The Chamber has gauged the business community's sentiment on the measures introduced thus far and almost half of respondents have consistently commented that the current wage subsidy schemes remains partially or completely inadequate due to several reasons:</p> <p>a) The uncertainty being faced by operators on whether application will be eligible under the maximum amount allowed under Annex A or will have to resort to Annex B or no assistance at all in spite of their decreases in operations.</p> | | |
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| <p>b) Delays in disbursement of funds to companies to pay employees;</p> <p>c) Some operators have not applied for the scheme since their NACE code was not included under either Annex A or B despite the slowdown.</p> <p>The data published on 20th April 2020, shows that 16,121 applications, representing over 67,000 employees, were received under Annex A of the same subsidy scheme. In terms of disbursement only 9,696 applications were approved which covered a total of 41,415 employees (both full and part time) with a total disbursement of €23.3 million. This falls very short from the initial forecast made by the authorities that Annex A would be covering around 60,000 employees and that total cost per month would be around €44 million.</p> <p>The Chamber believes that its proposal listed above would be a more equitable and transparent system which would reach companies which are in difficulty independent of their NACE code.</p> | | |
| <p>Support with VAT</p> | | |
| <p>A VAT reduction of 2 to 5% of applicable VAT across all sectors from March 2020 onwards.</p> | <p>To stimulate the purchasing power within the economy.</p> | <p>All businesses</p> |
| <p>Advance refund of VAT</p> | <p>Meet liquidity needs through an early repayment of VAT credit balances below €10,000.</p> | <p>Self-employed SMEs</p> |

| Support with Social Security Contributions | | |
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| To incentivise self-employed start-ups, it is recommended that for the coming 2 years (2020 and 2021), the National Insurance is paid by government for the self-employed start-up and their employees. | This measure is intended to encourage employment during a period of depressed business by alleviating such a financial burden on employers. | Self-employed start-ups |
| Increased flexibility in the payment of social security contributions. | The scheme aims to provide flexibility to companies for the payment of social security contributions, e.g. by temporarily suspending the calculation of default interest for late payments. | All businesses |
| Sick Leave Coverage | | |
| Coverage of sick leave allowance from the first day of sickness by Government. | Remuneration in case of sick leave is waived and the government takes over remuneration of sick employees as from the first day of sickness. | All businesses |
| Rent Subsidy | | |
| The temporary suspension of the 15% tax on rent on condition that these savings are passed on to the tenant. | Alleviate costs and enable further business liquidity, and hence survival. | All rental premises. |
| Cash Conversion of Tax Credits | | |
| Allow companies who have tax credits through Malta Enterprise initiatives to receive a cash grant instead of tax credits. | The aim of these proposals is to enable further liquidity. | All businesses |

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| Fixed Expenses Scheme for Overheads | | |
| A grant to support Fixed Expenses for Small Businesses and SMEs whose turnover was significantly affected between March and June 2020 because of the economic impact of the spread of the COVID-19. ² | The aim is to support and sustain SMEs and Micro businesses whose operation are high risk of closure due to the pandemic. | All businesses |
| Shifting Physical Events to the New Reality | | |
| Partly compensate for the direct costs of cultural / entertainment and sporting events cancelled due to coronavirus between March and December 2020, by encouraging such sectors to think differently and develop a project that would have a positive Social Impact (Such as: Malta Together https://www.maltatogether.com/). Thus, setting up alliances with the media subject to new ideas / virtual events which are innovative, safe, and doable by end-2020. | The aim of this scheme is to support Tourism, Events and the Arts and ensure their sustainability post Covid-19. Existing funds such as the Arts Fund may be repurposed to support this initiative. | Small businesses |
| Subsidy of Electricity Bills | | |
| Subsidy of electricity costs for businesses and residencies with the Government covering the excess cost of hedging for May – September 2020. | The aim of this proposal is to enable further liquidity. | All businesses |

² This scheme was based on proposals by the Luxembourg Government, the proposals may be found at: <https://mec.gouvernement.lu/dam-assets/dossiers/Tableau-stab-9avril-EN.pdf> accessed on 11 May 2020.

Measures to support Import and Export Companies

Excise Duties: The Malta Chamber welcomes the two-month deferral of all Excise Duties from April to June 2020 and those owed in May to July 2020. This measure is most welcome in segments like local manufacturing (especially beverages/wine/beer) and also on imported wines and spirits, sectors which had been placed under the Annex B list of support at a time when the sectors of manufacturing and importation of these goods were severely hit by the tourism lockdown. Nevertheless, the Chamber believes that this deferral **should be extended further until the end of year 2020** especially for the two segments mentioned above due in part to their partial or at times total dependence on the HORECA sector which will not see any form of recovery before 2021.

The aim of this measure is to support the Import Industry and ensure its survival as best possible.

Importers & Exporters

MOBILISING LABOUR SUPPLY

Covid-Resilient Opening of Schools

| Measure | Objective | Beneficiary |
|--|--|--|
| <p>The educational sector needs to identify ways to operate without it being a burden on parents who also need to work, thus impacting their productivity.</p> <p>The Government needs to support schools by offering spaces to schools requiring larger spaces to operate, therefore, having schools re-organise themselves in such a way as to ensure a safe distance in classrooms and halls to deliver lessons. This may include having classes operate on a roster for school children to attend school, while also providing a blended learning approach on other days when children are not in a classroom context.</p> <p>The Maltese Government may look at measures taken by Belgium, Norway and Denmark to partially lift restrictions while operating in a safe environment.</p> | <p>The aim of this proposal is to identify ways how children can still be educated in a safe environment and not resort to online learning a 100%. At the same time supporting parents that still need to work while supporting their children with their educational needs.</p> | <p>All Primary, Secondary and Tertiary Educational Institutions</p> <p>Students</p> <p>Parents</p> |

Safeguarding essential TCN Workers

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| <p>The Chamber calls on the authorities not to introduce any measures or policies which discourage any single permit renewals of key Third Country Nationals (TCNs). Special attention should be given to those workers who are highly skilled or included under the Key Employee Initiative (KEI) but also those lower skilled workers who would not be easily replaced by EU or Maltese nationals in several segments. Some essential services which have a key role in the economy such as public transport could come to a complete halt if such policy direction is implemented across the board.</p> | <p>The aim of this proposal is to safeguard the interest of TCN employees as well as their expertise that would render to be very difficult to replace.</p> | <p>TCN Workers</p> <p>Employers of TCN Workers</p> |
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| Making Overtime Pay | | |
| All overtime hours to be charged at 15% thus removing any capping, especially in view of the current loss of part-time jobs. | This measure may incentivise individuals to work, even longer hours. | All businesses |
| Incentivising Employment | | |
| The In-Work Benefit Scheme , should be optimised to encourage recently unemployed workers to seek alternative. | The aim of this scheme is to incentivise unemployed individuals to find a job as soon as possible, and thus reduce the unemployment rate during the pandemic, as far as possible. | Unemployed individuals currently on unemployment benefits. |
| Unemployed people to be encouraged to do an apprenticeship (training on the job) targeted towards low, un-skilled workers. This may be done in collaboration with MCAST or other educational institutions. The persons' apprenticeship grant would be paid by the state in order not to put further strains on the hosting company. This measure may be implemented by Jobs Plus and encourage the re-skilling of workers. | The aim of this measure would be to reskill the work force and re-align the skills to the current needs given the Covid situation. Thus, supporting individuals to be re-skilled. | Unemployed individuals currently on unemployment benefits. |

INCENTIVISING BUSINESSES

Update of existing Advisory Scheme by Malta Enterprise to support Businesses with Re-Engineering processes of Operations

| Measure | Objective | Beneficiary |
|---|--|-----------------------|
| <p>To redraft the guidelines under the existing Malta Enterprise Business Advisory services schemes (http://www.maltaenterprise.com/support/business-advisory-services).</p> <p>The updated scheme should include the requirement for companies in difficulty to access expert advice on strategy / business reengineering with the possibility that guidance could lead to downsizing of operations which could lead to some job losses and or relocation of premises.</p> <p>The Business plan produced by the operators and advisors which need to be submitted to a newly formed entity/committee which will approve the solidity of the plan should include amongst others a detailed business plan on new efficiency and resilience enhancement measures, key performance indicators and feasibility of the reengineering project. The business plan produced should act as a requisite for future or further assistance schemes including wage subsidy schemes amongst others.</p> | <p>This will ensure that viable businesses are supported to remain in operation.</p> | <p>All businesses</p> |

Tiered Corporate Tax Rates

A tiered approach for **Corporate Tax Rates** is recommended as follows based on the Single Rates for Income Tax:

| € | € | Proposed Rates | Subtract (€) |
|--------|--------|----------------|--------------|
| 0 | 9,100 | 0% | 0 |
| 9,101 | 14,500 | 15% | 1,365 |
| 14,501 | 19,500 | 25% | 2,815 |
| 19,501 | 60,000 | 25% | 2,725 |
| 60,001 | & over | 35% | 8,725 |

This measure would enable further liquidity and a step away from possible redundancies while incentivising businesses to adhere to tax regimes.

All businesses

Improvement of all Existing Grants, Measures and Schemes

1. Increase Co-Financing Rates to all Existing Grants, Measures and Schemes to 75%.
 2. Increase existing budgets for all schemes that may further support businesses during this crisis including the Malta Enterprise micro-invest, business continuity amongst other support measures.
 3. Increase efficiency and processing of all applications.
 4. Extend all measures to large enterprises and self-employed, not simply restricting the funds to SMEs, or replicate the scheme for large enterprises and other sectors using national funds.
 5. Ensure that Managing Authorities of Funding schemes support businesses to be benefit from such schemes, therefore, any applications received with technical errors that may be amended, are to inform the applicant of the error (such as ticking the wrong box or missing key documentation) and given the opportunity to rectify the situation.
 6. Ensure that companies in difficulty may still apply for all grants, given the current situation.
- Ensure that all schemes are open to support the setting-up or development of digital platforms that may encourage a shift to the Digital Era.

Encourage businesses to tap into grants to sustain their businesses and adapt their operations that may enable them to survive and exit the Covid-19 economy successfully, while contributing positively to society at large.

Self-employed
SMEs
Large enterprises

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| Provide Legal Protection for Companies in Difficulty³ | | |
| Suspension of the obligation to make an admission of cessation of payments leading to insolvency. Therefore, exempting firms from the obligation to make an admission of insolvency in case they do not have sufficient liquidity. | The aim of this measure would be to further facilitate and support companies in such situations. | Self-employed SMEs Large enterprises |
| Businesses Supporting the Community | | |
| Existing hotels may be used to lodge the relatives of the vulnerable persons or possibly turned into a temporary hospital / old people's home (like downtown in Gozo) that may be at risk. The government may thus pay the hotels for the service and keep the hotels in operation. | Support the Community and the Hotel Industry. | All registered self-catering licenses and relatives of vulnerable people. |

³ This scheme was based on proposals by the Luxembourg Government, the proposals may be found at: <https://mec.gouvernement.lu/dam-assets/dossiers/Tableau-stab-9avril-EN.pdf> accessed on 11 May 2020.

JUMPSTARTING THE ECONOMY

Simplifying and Strengthening E-Government

| Measure | Objective | Beneficiary |
|--|---|--|
| <p>1. Analyse why E-Government in Malta was prone to serious design-reality gaps with diverse actors to identify deep-rooted issues. Government should acknowledge that cross-departmental services information management, which is key for Government knowledge sharing to be swift on workflows, did not provide the necessary collaborative environments to be agile in conducting verifications and approving wage supplementary schemes in good time.</p> <p>2. Moving forward, Government should review e-government projects to make them more realistic and practical; starting off with consultation with industry players to prioritise actions by adopted various methodologies, including pilot projects.</p> <p>3. The Government should consolidate its data to ensure it provides analytics to enable it to take rapid decisions and operate better when implementing emergency plans. This would accelerate decision-making and facilitate effective emergency response.</p> | <p>The aim of this proposal is to ensure that E-Government is aligned to the business needs and support businesses through simplification and ease, while ensuring it responds effectively to emergency situations.</p> | <p>General Public Public Sector Private Sector</p> |

Enabling Tourism

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| <p>Refocusing the Tourism sector to Local Tourism: The Chamber recommends refocusing the tourism sector to local tourism in the interim period, thus having Maltese people travel to Gozo and vice versa. The Maltese Government may provide bonus vouchers to the public, such as 1 free Gozo Channel travel trip to Gozo per household and encourage internal tourism between Malta and Gozo to spend in the domestic tourism market.</p> | <p>The aim is to try and get the economy going in this sector and not have it closed completely.</p> | <p>General Public</p> |
| <p>Tracking App: The possibility of developing an App that can be used to provide clearance for travel to individuals that have uninterruptedly been in safe areas for the past e.g. 3 weeks. The App would alert a person if people within one's proximity have</p> | <p>The aim is to create safe corridors between Malta and other countries</p> | <p>General Public and Business travellers.</p> |

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| <p>tested positive. The individual would have a daily log of his/her whereabouts and requests the fingerprint regularly to ensure that one does not leave his/her phone behind and travel outside a safe zone.</p> <p>Such an application would need to be compatible with those used in Malta's main target markets – UK, Germany and Italy and possibly even link to their Apps to ensure a more effective mutually safe corridor, thus also tracking a Maltese individual when in such countries.</p> | <p>with whom Malta has the most business.</p> | |
| <p>Investment in New Advanced Technology by Telecom Companies</p> | | |
| <p>Government should encourage and facilitate telecom companies locally to work together to invest in advanced infrastructure for the development of 5G network. This will support the New Digital Economy to grow and expand its reach, providing a platform for businesses to adopt ventures that involve 5G, thus acting as a catalyst to the local economy during this crisis.</p> | <p>For Malta to remain at the forefront of leveraging the advantages of the Internet as an instrument for economic and social reform.</p> | <p>All Telecom Companies.</p> |
| <p>Providing Alternative Solutions to Restaurants & Catering Establishments</p> | | |
| <p>Restaurants and Catering establishments, wherever possible may be temporarily allowed under strict conditions to make use of public spaces and village squares or gardens to encourage people to go out while respecting social distancing. The government may also choose to enforce traffic free areas at weekends.</p> | <p>This proposal aims to incentivise the Restaurants and Catering establishments to kick start their operations while respecting Covid-19 restrictions.</p> | <p>Restaurants and Catering establishments</p> |
| <p>Supporting Local Products</p> | | |
| <p>Encourage consumers to buy local foods and products by initiating a PR campaign, and supporting the local economy, thus assisting local manufacturers, as well as the agriculture and fisheries segments.</p> | <p>The aim of this measure is to encourage locals to support the local economy.</p> | <p>All Local Producers</p> |

A SHIFT IN MINDSET

Digitalisation: Do or Die

| Measure | Objective | Beneficiary |
|--|---|-----------------------|
| <p>Covid-19 is the first real test of digitalisation which will force a rebirth of many industries and one will witness the paradigm shift. Therefore, embracing digitalisation will stabilise the economy in the short-term and help transition the country towards a high-tech and service-driven economy to set the stage for the coming decade. The Government should kick-off a national campaign and set up a funding scheme to encourage the use of and migration to digitalisation and the support of the development of any tools that would strengthen or enable businesses to:</p> <ol style="list-style-type: none"> 1. Business advisory strategy expertise to adapt the business model to ensure it operates effectively when going digital; 2. Acquire technological expertise that would be developed locally to strengthen or re-align their business operations; 3. Facilitate the shift from cash to digital payments; 4. Support for personal and corporate interactions; 5. Sustainability of recent adopted practices like work from home to reduce traffic, increase efficiency and support family friendly measures. 6. Increase of product platforms, online commerce, and logistical management tools, by incentivising businesses to migrate to an E-Commerce business model (such as retail outlets, restaurants including deliveries etc.). <p>Incentivise retailers and importers to join forces to create regional or local logistics hubs to use their full potential of their delivery fleets.</p> | <p>Digitalisation may encourage online learning, online consulting, even online performances, and productions. Similarly, any product or service that makes working from home easier will have a ready market.</p> <p>The Maltese Government should aim to stimulate the economy by strengthening agility, scalability and automation capabilities and business transitions for this new era of business and ensure that the economy survives this era.</p> | <p>All businesses</p> |

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| Promoting E-Commerce | | |
| <p>ERDF Business Enhance - E-Commerce Grant Scheme may be replicated using National Funds to extend its eligibility to larger enterprises and other sectors that are currently excluded. The scheme should ensure an increase in efficiency and effectiveness of processing of applications.</p> <p>The support of this initiative should increase the non-repayable co-financing rates in the form of grants, particularly for the eligible expenditure on investment required to develop an e-commerce website and/or mobile application to enable online payments or booking systems through the integration of an online payment gateway. The initiative should investigate and rectify any fiscal disadvantages that Malta may suffer from relative to other jurisdictions.</p> | <p>E-Commerce will support the retail sector and enable it to survive post Covid-19 thus enabling businesses to exploit their potential to increase their market share and reach new markets.</p> | <p>All businesses</p> |
| Re-Activating the AI Task Group | | |
| <p>The Chamber also proposes the re-activation of the AI Task Group to identify new measures and ideas that would enable government to ensure social distancing and contact tracing as part of the balancing of relaxation of lockdown measures in the short-term.</p> <p>Moreover, the AI Task Group should be given a budget to set-up a Malta based Corona-Hacking Initiative that would bring the best minds together to innovate and attempt to mitigate the impact of the virus on society at large.</p> | <p>The re-activation of the AI Task Group will enable AI to be targeted to the current needs to support physical distancing and propose ways to mitigate the Covid-19 pandemic.</p> | <p>Government</p> |
| Teleworking: The New Normal | | |
| <p>Make teleworking permanent through incentives for employers and employees. The facilitation and support of E-Working practices may work on a 3-tier level:</p> <ul style="list-style-type: none"> ● E-Worker: working exclusively from home (full, reduced or part time hours); ● Telecommuter: working partly from home, partly from the office; ● Mobile: working on the move, in combination with any of the above two. | <p>It is evident that the flexibility of work from home, may be implemented by several sectors. Thus, reducing traffic and emissions, improving health which in turn reduces costs for Malta's</p> | <p>All businesses</p> |

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| | healthcare system, while encouraging family friendly measures. | |
| Facilitating Alternative Modes of Transport | | |
| The Covid-19 situation saw a decline in the use of public transport and the rise in use of other sustainable modes of transport. However, Malta's roads are still not safe enough to accommodate bicycles and e-scooters. It is therefore, proposed that there is an increase in road safety and setup cycling lanes for all major road networks. | To ensure the safety of the drivers and encourage healthier mobility for persons, all major road networks need to have a safe lane for their use. The current situation is conducive to stimulate sustainable mobility within a safer road network, thus, encouraging a shift in mind-set for the commuter. | All commuters |
| Corporate Tax Incentives Inspiring Social Impact | | |
| <p>A decrease in tax rates should also apply with higher intensity to businesses that commit to operate and contribute towards:</p> <ul style="list-style-type: none"> ● A Decarbonised Economy ● Smart Sustainable Island Principles ● Environmental, Social and Corporate Governance ● Sustainable Development Goals <p>Therefore, if their operations meet a particular threshold in contributing to the above, tax reduction on profits would apply.</p> | The aim is to encourages businesses to think strategically and be incentivised to contribute to sustainable objectives, thus encouraging a sustainable mindset. | All businesses |

| STIMULATING INNOVATION | | |
|---|---|--------------------------------|
| Set-up Grants for Innovation & Investment | | |
| Measure | Objective | Beneficiary |
| Support measures may be set up to incentivise companies to innovate their operations or invest in new technology or machinery etc. The part-financed grant (it should not be a tax credit) should cover a percentage of the capital outlay with the remainder covered by the applicant. The project should also be linked to an investment or service which will either increase productivity, re-engineer or innovate ones' operation to make it more resilient to the current situation or shift to an online or virtual strategy amongst others. | Enable businesses to think differently and re-invent themselves to ensure they survive this crisis. | All businesses |
| Wider Scope for the Diversification & Innovation Scheme | | |
| The Diversification and Innovation Scheme under the ERDF Business Enhance managed by the Measure Support Division should be wider in scope, thereby allowing businesses to apply for the scheme to diversify their current operations, re-engineer their business and innovate to adjust to the current challenges posed by Covid-19. | Enable businesses to diversify their business and re-direct their operations to survive the crisis. | All businesses |
| Encouraging Investment aimed at Fighting Covid-19 | | |
| Investment aid to produce products relevant to the fight against COVID-19 such as PPEs, protective masks or produce hydroalcoholic gel. | Support companies that reorient their production chain to manufacture. | Very small enterprises SMEs |

| Research & Development for Commercial Innovation | | |
|--|---|---|
| Encourage local manufacturing, local digitalisation development of innovative Apps and further research in circular economy including commercial, C&D waste etc (this should be extended to start-ups). This needs to be coupled with a strong investment from the Maltese Government to create a €200 million R&D fund focused on commercial innovation. This should be coupled with involvement from the UoM and the Business Incubators to encourage as many entrepreneurs as possible to work on innovative projects in the short to medium term. This fund could be partially funded by the NDSF. | The aim is to promote a circular economy and commercial innovation. | All businesses |
| PhD and Post-Doctoral Support | | |
| PhD and Post-Doctoral researchers should be encouraged (through grants – for e.g. 75% of salary paid by the Maltese government and 25% by company) to spend up to a year in each company to assist them to find alternative solutions for the operations (Known as Knowledge Transfer Partnership or KTP). The placement needs to be coupled with a clear project which will be planned and implemented over a 12-month period. | Encourage and strengthen knowledge transfer partnerships between Industry and Academia. | PhD and Post-Doctoral researchers Self-employed SMEs Large enterprises |

Adjustments to Existing Measures

Further to the recommendations proposed above, the Chamber would like to propose the following adjustments to existing initiatives:

A. Prioritising Ethical Economic Operators: The Chamber recommends that any grants, schemes and initiatives should favourably regard enterprises with an impeccable track record, in terms of having submitted their financial records in time, as well as having paid their National Insurance Contributions and Taxes by the stipulated deadlines over the past 5 years or since the beginning of their operation. Other businesses that have repeatedly not adhered to payment deadlines and other legal obligations should be second in line when effecting payment for any support measures.

B. The current Covid Wage Supplement Scheme: The Chamber recommends that the Maltese Government adopts the following amendments to ensure its effectiveness of the current scheme moving forward:

1) Businesses are currently experiencing slow disbursement of funds in terms of the implementation of the scheme. Lack of congruence in data held at various Government departments and entities seems to be the root cause of these delays and it is therefore imperative that Government centralises and updates data across the board.

2) There is also an element of uncertainty within the business community on whether their case will be taken into consideration for maximum support even though their NACE code is listed under Annex B or has not been included under any of the listed sectors.

The two issues above would be rectified if Government adopts the proposal made by the Chamber in the measure titled 'Liquidity and Direct Support Schemes' as an alternative mechanism to the current scheme's eligibility. The Chamber notes in its proposal that wage supplement support should be provided to all businesses irrespective of the economic sector they operate in. The Chamber maintains that any support should be based on the loss of turnover that companies are currently experiencing when compared to the corresponding period last year rather than the current eligibility criteria based on NACE codes.

Conclusion

Given Malta's socio-economic realities, the Chamber looks forward to timely consideration of the above recommendations, that assist the country in mitigation efforts of the current crisis and emergence from this predicament. A crucial decision for Malta, is the re-opening of our economy through the initial relaxation of measures taken on 1st May 2020.

A long-term strategy is required to alleviate the current situation and stimulate a long-term innovative economy, whereby businesses and society must be encouraged to **operate and live within a Covid reality** and it is crucial that the authorities encourage economic operators **to gear up to the new norm** and jumpstart their business as proposed by the Chamber. Ultimately, support to innovative and proactive companies to re-adjust and re-invent their business model, will ensure that they adapt to the everchanging socio-economic realities to the benefit of national competitiveness and resilience.

The proposals by the Chamber are intended to deliver the country out of this unchartered situation with the least economic damage possible, and as quickly as possible, while safeguarding public health by adhering to the required health and safety measures.