

PRESS RELEASE

14th October 2019

A Preliminary reaction to the Budget speech by the Malta Chamber of Commerce, Enterprise and Industry

The Malta Chamber followed the announcement of the National Budget for 2020 and these are its initial reactions.

The Chamber noted that the Budget for 2020 was set against a backdrop of an economy that is performing well. From the data published with the budget, it has been confirmed that the country has continued to register positive economic expansion, relative price stability and almost full employment - all of which have generated a positive effect on the state of public finances.

It was further confirmed by the Budget Speech that lower rates of economic growth are being forecast for 2020 and subsequent years. For this reason, the Chamber continues to champion competitiveness-enhancing measures to ensure that Malta remains an attractive proposition for investment – both local and global. To this end, in advance of the Budget, the Chamber has called for further reforms which are conducive towards safeguarding future sustainability and enhance quality of life for people residing on these islands. The Chamber shall continue to pursue such calls.

Specific Measures

Taxes and Schemes

The Chamber is pleased to note that its calls for Government not to introduce any surprise measures and new taxes were largely heeded. This is to the advantage of business momentum. The Chamber noted the announced continuation of measures aimed to reduce single-use plastics, namely the introduction of a beverage container refund system and a staggered prohibition on importation and sales of certain products over the coming two-year period. The Chamber looks forward to further consultations with the authorities in this regard to ensure that the objectives of this environmentally-friendly measure will be achieved through fair and equitable implementation on all direct operators.

Competitiveness

At the same time, in the light of Malta's recent slippage in the World Economic Forum's Global Competitiveness Index by two places, the Chamber expected more investment in resources to strengthen the shortcomings exposed, namely the soundness of institutions, skills, market structure and financial systems. The Chamber has consistently highlighted these shortcomings and continues to call for measures to ensure that key institutions in the island are adequately equipped and resourced with the right professional people to guide the country towards better competitiveness ranking required by Malta's economic ambitions as a global player.

Incentivising Innovative and Traditional Sectors

The Chamber observed references to incentivising new sectors such as Tech, Aviation, Start-Ups and Video Game Development and eSports, as well as support to the manufacturing industry.

It welcomes the modernisation of the Air Malta fleet and new facilities for the Cruise Liner sector. The Chamber also noted the announced measures that extend new digital technologies to University like Blockchain. This, in addition to €7 million investment in the infrastructure of both MCAST and University including laboratories.

Labour Costs and Public Holidays falling on a weekend

The Chamber noted the announcement and decision to add a further day of vacation leave in lieu of public holidays falling on a weekend. In the light of the fact that this is the third day of additional leave being granted during this legislature, the Chamber reiterates its position that this will further intensify the cost of employment for Maltese companies, which are increasing to levels of concern particularly to those economic sectors which are expanding at below-average pace.

At the same time, the Chamber notes the introduction of a 15 per cent flat tax rate on the first 100 hours of overtime for those workers earning up to €20,000. Whilst this is regarded as a step in the right direction, the Chamber looks forward to further “make-work-pay” incentives to help alleviate the current shortage of labour and skills being faced by all employers on the island.

Pensions

The Chamber noted the improved incentives linked to voluntary occupational pension schemes. This is in line with the Chamber’s recommendations ahead of this and previous budgets as it increases the sustainability of pensions for the State and adequacy for the beneficiary. The Chamber shall be assessing the newly announced conditions after consulting with subscribers and providers.

Transport and Infrastructure

In line with the investment of €700m in the country’s road network over the span of seven years announced in 2017, with the implementation now in full swing, the Chamber notes the extension of incentives on alternative and cleaner modes of transport, such as electric vehicles and incentives for people to make use of public transport. The Chamber looks forward to further direction on alternative, multi-modal methods of transport other than that mentioned in the current Budget Speech.

Property Market and Rents

Further to Chamber calls for reforms in Rent Laws and the Construction industry, the Chamber welcomed the announced tax incentive for construction companies to modernise their equipment. The Chamber also noted the support measures for people to move from rented to owned property and the extended exemption of duty on documents on the first €175,000 of the property value. Nevertheless, the Chamber expects further measures that strengthen the quality and reputation of the construction industry. Likewise, the Chamber expects the issues pertaining to Rent Laws to be addressed.

Conclusion

In the coming days the Malta Chamber shall be assessing the implications of the announced measures on the general economic activity and the various respective sectors. Some of these measures are hinted at but not clearly defined at this stage. Therefore, the Chamber shall be seeking clarifications on these measures for further discussions with all stakeholders.

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