



THE MALTA CHAMBER

CELEBRATING

175 YEARS

# Pre Budget Document 2024

The Malta Chamber of Commerce,  
Enterprise & Industry

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## FOREWORD



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The present monetary policy tightening and the effects of inflation are both acting as a drag to various economies, and Malta will be no exception.

This reality accentuates the need for Malta to act and take all the necessary decisions to address key issues in the best way possible. Enhancing Malta's productivity and competitiveness should be the top priority for economic policy. Malta's economic growth model needs to be put on a more sustainable footing, whereby economic growth can be achieved with less labour input to improve the quality of life and reign in the stress of Malta's infrastructure at all levels.

In order to achieve this the country must take bold decisions without any further procrastination, even if they may be unpopular and challenging to implement. In particular, structural problems in the labour market, transport, urban planning and waste management need to be tackled with immediate urgency. The country also needs to address other fundamental strategic areas like the uptake of digitalisation and the transition to being environmentally sustainable.

All the above can only be effectively implemented if Malta truly embraces good governance and ensures full transparency and accountability. For ethical businesses to keep investing, they need to be reassured that they are operating in a country that has an agile administration that puts enforcement and integrity at the very top of everything it does.

The Malta Chamber strongly believes that the underlying message of this year's budget should not be based on continuity at all costs or simply more of the same. This needs to be a budget that uses proper fiscal planning to set a new direction and clearly lays out how the necessary changes, reforms and initiatives are actually going to become a reality.

The Malta Chamber remains committed to being an objective voice in this country and an advocate in favour of a smart and sustainable economy that promotes the well-being of its people and ensures that the country remains competitive and attractive for nationals and visitors alike. This detailed pre-budget document is testament to this commitment, as we strive to outline the urgent priorities as perceived by the business community. It is in this spirit that we hope that the suggestions made will be carefully considered, both in budgeting as well as in implementation.

## STEP UP & ACT NOW - Prosperity beyond GDP

The Malta Chamber of Commerce, Enterprise and Industry Pre-Budget 2024 Proposals – August 2023

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### Introduction

Budget 2024 gives us the opportunity to address a number of pressing issues that have been left ineffectively tackled over a number of years. It needs to focus on shifting our current economic model to one which translates into a **well-being economy**. Our bottom-line GDP will only continue to grow if there is a clear strategy that addresses what is increasingly meaning more to people and to sustainable business models. Otherwise, we will eventually be outpaced by our competitors on all fronts.

We need to incentivise a shift away from labour-intensive activities towards an economic model which is not dependent on increasing the population. The tendency to depend on utilising inexpensive labour needs to be curbed. The present economic model requiring the importation of an additional 20,000 workers annually is unsustainable and is pushing the country's infrastructure to breaking point. The country needs is a higher calibre of skilled workers coupled with increased investment in technology.

Our country's productivity level merits analysis within the above context. To enhance our country's productivity it is crucial to invest in the necessary training and upskilling of workers. Embracing technology for task automation can also significantly contribute to achieving this.

Bold, yet right decisions, need to be taken to address pressing issues such as the traffic situation, the utilities' infrastructure, the shabbiness, the lack of proper waste management, planning policy abuse and over-construction, tragedies at workplaces, enforcement, proper governance, transparency and accountability. These factors contribute to an erosion in the quality of life of people and make the country unattractive for high quality investors and visitors alike.

We need measures to address these priority areas without further delay:

1. **Traffic Congestion:** Tangible measures to reduce traffic congestion, such as attaching car license fees to usage, introducing parking fees in central urban areas with fees paid being transferred into an e-mobility wallet for use of sustainable means of transport, and restricting certain congesting activities during peak hours.
2. **Utilities:** Necessary investment to ensure an adequate electricity supply and a stable distribution network, adequate water supply and sewage systems that meet the demand.
3. **Upkeep of Public Areas:** Systematic, well-organised and regular proper maintenance and cleansing of public areas.
4. **Proper enforcement of laws and regulations:** Proactive, co-ordinated and unselective enforcement at all levels.
5. **Low-income earners:** Targeted assistance to be addressed to those that need it, rather than distributing handouts to those that do not.
6. **Subsidies:** Subsidies to be directed to businesses that are economically viable and that are investing in energy efficient solutions.
7. **Employment** – Incentives to shift away from labour-intensive activities to more value-added streams to increase the quality of our offering and put less stress on our infrastructure caused by unsustainable population levels.

This document should be read in the context of The Malta Chamber's [Pre-Budget Document 2023](#) published in August 2022 and The Malta Chamber pre-election document '[Time to Step Up](#)' published in February 2022.



## CHAPTER A

# Improving Competitiveness & Resilience



## A. Improving Competitiveness & Resilience

### A1: Energy

The Malta Chamber is concerned about the ageing infrastructure, particularly the overburdened distribution network. This offsets the benefits of energy efficiency measures and investments in renewable energy supply, delaying returns-on-investment and deterring companies from undertaking other costly projects. The Malta Chamber believes that facilitating and empowering energy initiatives, including offshore, is vital for Malta's renewable energy objectives and to accelerate the shift towards a more sustainable and resilient energy system.

There is a lack of awareness about the true cost of the energy crisis and climate change, which is impacting consumer behaviour. Real-time data on consumption patterns, tariff bands, and real-time cost, supplemented by data analytics, can help service users control their energy use and reduce consumption. Energy subsidies without mitigation measures are perverse as they stimulate excess consumption. Energy and water prices do not reflect the true cost of subsidised electricity, neither in economic nor in environmental terms. They also exclude social externalities.

The Malta Chamber acknowledges that Government has protected businesses and consumers from the repercussions of escalating energy costs through heavily subsidised electricity tariffs and water rates. However, providing subsidies without discernment between those genuinely in need and those financially stable is untenable. Such subsidies promote inefficient energy consumption at unrealistically low prices and hinder the allocation of financial assistance to those struggling to afford necessities.

The Malta Chamber believes that the distribution network should be made accessible to other operators after 2027, as there is the possibility of alternative energy sources. Without such liberalization, private companies could have wind turbines or solar farms but are unable to use the energy they generate except for feeding the national grid at a predetermined price. Government's announcements on alternative energy projects and the "hydrogen ready" pipeline will make it harder to extend the derogation as the push towards multiple sources weakens natural monopoly arguments and challenges Government's resolve to retain absolute control on energy prices.

#### Proposals:

1. **Substantially larger investment in the distribution network is necessary for reliable energy supply and operational efficiency**, particularly as the country transitions towards greener energy and mobility targets. A modern grid enhances energy efficiency, reduces maintenance costs and prevents blackouts, thereby supporting commercial operations and improving competitiveness. A trade-off between energy subsidies and investment in the distribution network is inevitable – key upgrades need to be completed by summer 2024.
2. A **Long-Term Energy Resilience Plan** that boosts renewable energy generation, allowing for gradual subsidy reduction and a diverse energy mix, including offshore wind and solar energy is required. Infrastructural upgrades are crucial for RES projects and energy efficiency measures.
3. Malta has been granted derogations under the EU Electricity Market Directive regarding third-party access, unbundling of distribution system operators and ownership unbundling of transmission systems and operators, and an 8-year derogation until 2027 for the free choice of supplier. A transparent roadmap and stakeholder discussions are needed to **liberalize the distribution market by 2027**.



4. Malta should **gradually reduce energy subsidies giving a 6-month advance notice** for each reduction, and shift focus on education, energy frugality, and sufficiency. At current levels of energy subsidization it is likely that excessive consumption is also being subsidised. The Malta Chamber reaffirms that **units that are over and above the eco-reduction entitlement should not be subsidized** with immediate effect.
5. A **widespread national campaign on climate change and the water and energy nexus is required** to inform businesses and citizens about the real cost of energy. There is an opportunity cost to every subsidy, where funds could be allocated towards sustainable measures. In line with this campaign:
  - a) Energy bills should display **the real and subsidised price for energy**
  - b) **Carbon emissions** should be displayed in a large font on the energy bill
  - c) Energy Bills should provide **data comparisons (monthly and yearly) in units and percentage** increases or decreases that track energy use
  - d) Bills should contain **recommendations on how to reduce energy use**
  - e) All energy users should have access to **real-time energy consumption data** through a free Smart Grid metering app **on their phone or device**.
6. The private sector is interested in investing in renewable energy sources (RES) and energy efficient technologies. Improved financial and administrative frameworks can significantly boost photovoltaic (PV) capacity and infrastructural upgrades. SMEs often struggle with measuring energy efficiency. A **holistic client-journey approach, promoting EWA, Malta Enterprise, REWS and other applicable schemes together**, with targeted technical information is recommended. The processing and granting of **financial aid for RES and energy efficiency investments should be simplified** as much as possible.
7. **Energy saving technologies**, such as motion detectors, should be installed in **public infrastructures** such as streetlights and government buildings, and promoted and incentivised in **industrial and domestic settings**.
8. Government should **negotiate the revised Gross Block Exemption Regulation (GBER) capping system for renewable energy projects** to address the country's low renewable energy project percentage, as rigid parameters and interpretations are failing to meet the country's potential, as demonstrated with the recent ITB scheme.

## A2: Infrastructure

The Malta Chamber recognizes that the country needs to transition towards a more sustainable approach to infrastructural development that considers economic growth, competitiveness and environmental and social sustainability. Malta's infrastructure is crucial for its attractiveness, and investment in infrastructure should seek to exploit synergies rather than be thinly spread over piecemeal projects.

Government is forecasting a decrease in capital expenditure, but investment in infrastructure is essential to cope with population growth. In 2025, the forecasted government spend is 5.5% less than in 2022. During economically challenging times prioritizing publicly funded projects is crucial. Delaying projects that are not time-sensitive can free up fiscal resources, allowing Government to reallocate funds to more pressing areas. Prioritizing infrastructural projects with the highest economic benefit can ensure efficient resource utilization without straining labour resources. Careful planning, prioritization and efficient resource use are essential for leveraging government spending on infrastructure.



Proposals:

1. **Infrastructural investments for climate change and associated risk mitigation and adaptation** are required. These need to focus on protecting against extreme weather events and minimizing supply chain vulnerabilities for continuity and competitiveness.
2. The integration of **proper green infrastructure should be prioritised** upon widening of roads to improve water and energy conservation and provide cultural and social benefits.

**A3: Cost of Living Adjustment & Revision of Tax Bands**

The Cost of Living Adjustment (COLA) is expected to impose another hefty increase in labour cost for businesses, for the second year running. Government must assist in preventing a spiralling inflationary effect. The projected COLA of €13 per week will translate into an increase of around €1,000 per employee, including overtime costs. With the persistently high inflation that we are experiencing, it is imperative to find ways of improving the purchasing power of lower income groups while minimising increases in labour costs to slow down the wage-inflation spiral. Government's ability to absorb part of the COLA will help curb inflationary pressures that would prolong the negative effects of inflation on our economy and erode our competitiveness.

With the current COLA mechanism, it is very likely that inflation will remain high (significantly above the 2% target), making Malta's exports including manufactured goods, tourism and financial services less competitive. Lower economic growth and higher wage costs will squeeze business margins.

Employees are also paying more tax and moving into higher tax bands because of inflation and the resulting wage rises. This makes them feel as though their work is not worth the effort.

Proposals:

1. Correct the **anomaly in tax progression that was introduced when tax bands were tapered with the introduction of the second 25% tax band** with a lower subtracted amount in the tax calculation which has the effect of a very high marginal tax rate on pay rises that shift employees from the first to the second 25% tax bracket.
2. Revise **tax bands to compensate for the additional tax** that will be paid on the COLA increases of 2023 and 2024.
3. **Incorporate any planned tax refunds by cheque into the revised tax bands** to eliminate the administrative burden of the issue of these cheques and to improve the monthly take-home-pay of people in employment.

**A4: Public Finances & Fiscal Discipline**

Government forecasted a rather ambitious economic growth for the coming 3 years, meaning that our public debt will remain sustainable if the projected economic growth is achieved. The projection is that GDP will reach €19.8 million in 2025, which will be sufficient to maintain a sustainable level of public deficit and debt within manageable limits, in line with the Maastricht Treaty criteria of 60% debt-to-GDP and 3% deficit-to-GDP ratios. It is imperative that any potential savings or higher than projected revenue would be used to rebuild fiscal buffers. If the projected economic growth level is not reached and the Maastricht Treaty criteria is not met, the country's economic position will be at risk since credit rating agencies' assessment of creditworthiness can worsen over time. This might result in higher interest rates on the country's debt, creating a snowball effect on deficit figures.

It is imperative that public procurement is rationalised to avoid unnecessary spending on superfluous projects. Government should refrain from competing directly with the private sector in the provision of services that the private sector can provide more efficiently. The Malta Chamber emphasises the importance of ensuring a level playing field in all tendering processes.

#### A4.1: Public Procurement

[The Malta Chamber's Recommendations for a Public Procurement Reform](#) are crucial to rationalize public spending, placing emphasis on transparency, accountability, governance, ethics in business and a level playing field for all. Out of the 40+ recommendations, it is important to, at least, implement the following without any further delay.

##### Proposals:

1. Setting up an **adequately reorganised and resourced Contracting Authority** with the right expertise and technical competencies to oversee the entire procurement process at drafting stage, during award and post award.
2. **Publishing a publicly accessible public procurement outlook** for all government entities and departments, at least 6 months in advance to help bidders plan ahead and submit the best solutions, products and services.
3. **Obligatory public pre-market consultations** for high-tech and high-value solutions/systems/services.
4. Make better use of the BPQR and MEAT systems as against cheapest compliance so as to ensure that government gets the best ROI on its investment.
5. Setting up a **publicly accessible and easy to use Contract Register** for all public contracts issued by contracting authorities, including direct orders, which would include the specific milestones and deliverables reached by the contractor, the payments made (when and how much), any disputes that may have been registered, any variations and their reason thereof as well as any modifications.
6. **Timely release of retention money** and the **offsetting of dues** to improve cash flow
7. Move away from the generic **Design and Build tenders** to tendering which sets clear criteria and parameters, and includes support and maintenance to avoid damages and reduce long-term costs on the Contracting Authorities.
8. Introduce an **objective, clear and automated mechanism for price revision linked to an industry recognised index**, particularly in commodities and products subject to regular fluctuation.
9. Introduce a **whitelisting** system to ensure that government entities engage with reliable and reputable suppliers – this should include financial stability, legal and financial compliance, quality certifications, performance history, adherence to ethical standards, and capacity to meet government requirements.
10. Introduce a **blacklisting** system with clearly established criteria against which defaulting contactors and defaulting service providers are assessed.

#### A4.2: Healthcare Reimbursement Model & Inventory System

The Malta Chamber is advocating for a comprehensive overhaul of the existing healthcare system to address issues such as excessive medication accumulation, medication wastage, and disproportionate allocation of taxpayer funds.

The Chamber acknowledges potential public resistance and is committed to constructive stakeholder engagement to develop an appropriate reimbursement model. This reform is for the future healthcare system's viability.

Proposal:

1. A framework focusing on a **proper reimbursement model** and **early access to innovative medicines** is required.
2. The **period of supply specified in medicine supply tenders needs to be shortened**, due to the fact that the pharmaceutical industry is currently facing several challenges which are entirely outside of its control. Going for shorter time frames will ensure better availability and more realistic market prices.

**A5: Reforms**

**A5.1: Corporate Taxation**

Businesses are the drivers of the economy. Without businesses, there would be much less jobs, much less spending, little tax collected, no wealth created and little investment to guarantee future prosperity. Every penny spent by government comes from taxes that are levied on economic activity generated by businesses.

The current corporate taxation structure appears to be biased in favour of foreign companies over local companies. This discrepancy creates an uneven playing field and leads to a competitive disadvantage for domestic businesses. As a result foreign companies may find it more advantageous to operate in the country due to lower tax burdens while local companies face higher tax rates impacting their profitability and ability to invest and grow.

Moreover the current corporate taxation rate of 35% is one of the highest in Europe. It eats at businesses earnings, limiting their strength to make strategic investments that stimulate the uptake of technology, increase productivity and lower negative impacts on the environment.

Revising the corporate taxation structure to be more conducive to a shift in our economic model by offering lower tax rates or targeted tax incentives for high-potential companies (both foreign and local companies) in specific sectors, will encourage innovation, attract more investment, increase workers' compensation and stimulate economic development. Nonetheless, one also needs to keep in mind that some sectors can have a negative impact on others, as such those that provide wages which cannot be matched by other sectors.

The Malta Chamber is all for a level playing field in all aspects of doing business, including payment of taxes. Therefore, we favour a tax system which is structured in a way to support businesses that fulfil their financial obligations. This principle should be particularly emphasized in public procurement as it is unjust to have taxes collected from law-abiding businesses and citizens, funding procurement which is awarded to those who evade their fair share.

Proposals:

1. Provide **direction** based on technical discussions concerning the **Corporate Tax Reform Pillar II**, guiding impacted FDIs to adapt for the anticipated change.

2. Device a **smarter tax collection system to increase compliance and true and fair reporting** of earnings, as this would spread the tax burden more evenly across all businesses. A higher level of compliance will enable us to push for a more reasonable tax rate by European standards.
3. Introduce a new system which **offsets different taxes against each other** as The Malta Chamber has been proposing for several years, such that when businesses are owed a refund of any form of tax, it is immediately offset against other tax dues. This would help improve cashflow for businesses that pay their taxes promptly.

#### A5.2: Customs

To be compliant with the Union Customs Code (UCC), the Customs Department needs to implement significant improvements to its current tech systems by the first quarter of 2024. This entails a complete overhaul of the current tech systems to develop a robust partnership with business and provide a single trader interface suitable for business with all the necessary information to reduce customer care queries.

In June 2023, The Malta Chamber presented a proposal to Customs and Commissioner for Tax Departments, drafted by an internal Working Group made up of freight forwarders, importers, postal services, and distributors, on how to optimise data flow and administrative processes related to the importation of products and the payment of duties (VAT & Excise). It delved into matters concerning increased data sharing and reuse, the National Single Window for customs-related purposes and digital tools for remote working solutions. Government is committed to deliver such a system through the Recovery and Resilience Funds by 2026. However, a solution to improve the front-end customer experience (National Import / Export System) is urgent, and The Malta Chamber expects rollout by mid-2024. An improved system will lead to between €2,000 and €4,000 savings *per annum* for economic operators due to less repetitive work involving significant man-hours and reduce the need for support from the Customs Department. The improvement in employee working conditions both at the Customers Department and within business operators will also contribute towards better staff retention on both sides.

##### Proposals:

1. **Summer half days ought to be eliminated.** Businesses suffer when government departments work on a half-day schedule, especially departments like Customs.
2. **Replace the existing manifest** with an arrival notification (AN), together with temporary storage (TS) and a presentation notification (PN) system.
3. **Implement an interdepartmental IT platform** sharing information between Customs, Commissioner for Revenue, NSO and BCRS that ensures that the **one-time-only principle is truly put into practice**, ensuring better enforcement and curbing tax avoidance. The National Competent Authority for Emissions Trading Schemes needs to be integrated too, in view of Carbon Border Adjustment Mechanism (CBAM) audits and vouchers.
4. Implement a **new version of ICS (Import Control System)** to replace the current ICS (Import Control System) for entry summary statements.
5. Implement **trade facilitations for economic operators**, namely the pre-lodged import declarations, streamlined declarations, self-assessment, inclusion of declarant's records and a centralised clearance.
6. Implement a **new Automated Import System (AIS)** with a new coding scheme in accordance with the EU Customs Data Model (EUCDM) without unnecessary layers of bureaucratic requirements.

7. Implement an **easy-to-use and transparent fines & fees structure** coupled with significant reduction in the disproportionately large fines for small administrative errors related to NACE/HS codes, with prescriptive periods.
8. Provide regular **training and awareness sessions for Customs Department support staff** to deliver expected service levels by economic operators at helpdesk.
9. **Non-EU cargo, particularly T1 cargo, should be handled by Transport Agents that have received accreditation as EU Authorised Economic Operators (AEO)** inside their own warehouse or depot. This ought to be the case for both couriers and freight forwarders who have this certification, which essentially acknowledges the company's role in the global supply chain to carry out customs control procedures without any additional involvement of the Customs Department.
10. The current UCC does not address e-commerce. The **integration of mandatory Import One Stop Shop Scheme (IOSS) is required.**

#### A5.2.1: Illicit Importation from Sicily

Shipments from Sicily to Malta do not charge VAT if the recipient has a valid Maltese VAT number. Importation of certain goods are business inputs, and Government is entitled to recoup the full VAT on the resale value of the goods in Malta, something which is not taking place.

Should these goods be for personal use or consumption by the recipient (home furniture, to mention an example, for personal domestic use) the invoices should not be issued against a VAT number and VAT free as the EU/Sicily/Malta would then be missing out on the VAT on goods purchased for personal consumption. When a local person buys goods locally for personal consumption with a VAT number, to get the VAT back he/she would need to put the purchase into the VAT's entity financial records. This would expose the subject to audits amongst other local inspections. Goods brought from Sicily against a Maltese VAT number do not include VAT and require no declarations to get it back, rendering it VAT free and therefore, potentially free from such audits.

One other aspect which is raising serious unfair competition with the local economic operators is the installation of goods, which is often included in the price of the goods. A service which is given in Malta and subject to local VAT is being excluded from the local VAT regime as well as that of Sicily. It is evident that infringements are being committed by the local consumer who is fraudulently avoiding the payment of VAT upon purchase and consumption. To a lesser extent, the Sicilians are infringing the law by providing a service locally (delivery and installation of furniture, for instance) but charging it in Sicily (with the goods invoice) when the provision of services in Malta does not fall under the cross border free movement of goods. Such local services (delivery and installation) are not exempt from VAT, even to VAT registered persons or entities.

In summary, The Malta Chamber notes that:

- VAT is not owed when items are shipped between companies located in different EU Member States. VAT is required when shipping goods reach consumers or end users.
- Both parties are engaging in an illicit practice when items are shipped to the final consumer VAT-free from other EU nations using a local VAT number.
- Local services such as delivery and installation cannot, under normal circumstances, be done VAT free by issuing invoices originating from other EU countries.



Proposals:

1. **Proper collection and analyses of information to curb abuse is required.** The local VAT authorities need to get the sales data from the Sicilian retailers through the Sicilian tax authorities. This data would include the Maltese VAT numbers which registered purchases from Italy. This would allow Maltese authorities to check if purchased items were really business inputs or personal consumption.
2. Setting up of an ***ad hoc committee made up of local economic operators*** (primarily furniture importers and freight forwarders), representatives of the Commissioner for Revenue and representatives of the Customs Department to establish a course of action over a specified span of time.
3. Introduce an **enforcement system similar to that of the *Guardia di Finanza* in Italy at VGT in Marsa**, with space allocated for physical checks, scans and necessary enquiries before release.
4. Better **tax compliance execution** – this is **best executed at traders' level upon entry of goods in Malta** by ensuring that all incoming declarations tally with the respective VAT return (ideally this verification is done digitally).

**A5.3: Ports**

Malta may designate areas of the EU customers territory within its geographical territory as "free trade zones (FTZ)" where goods imported from outside the EU would not be subject to import duties and commercial policy measures. If such freezones are properly developed, Malta could strengthen its position in relation to trade with North Africa. There is also the possibility to reduce storage and distribution costs for suppliers through dependable feeder services from important Mediterranean ports.

A port reform is required to target exorbitant local costs of importation that are charged on top of freight charges and are typically higher than the actual freight costs for containers arriving from European or Mediterranean ports. Such reform has been put off indefinitely by successive governments. In Q4 2022, the European Commission started infringement proceedings against Malta on the practice by which port worker licences are passed down from generation to generation<sup>1</sup>. Malta cannot reasonably expect to generate freezone activities as envisioned by the Free Zones Act of 2019 without reforming the port's transshipment area.

The Malta Chamber acknowledges the Exclusive Economic Zone Act of 2021 (Chapter 625 of the Laws of Malta) which enables Government to declare and designate by legal notice an area as being in Malta's exclusive economic zone (EEZ), while cautioning against projects which could have a negative economic effect and negative environmental externalities.

Proposals:

1. **Establishing a centralized Logistics Hub through a Public-Private Partnership** to reduce warehousing and distribution expenses. Its mandate should be expanded to address deficiencies that failed recent public Requests for Proposals (RFPs) for the concession to design, finance, build, operate and maintain an International Logistics Hub in Malta, as well as to lessen the negative effects of logistics on traffic congestion and the environment.

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<sup>1</sup>[https://www.maltatoday.com.mt/news/court\\_and\\_police/119596/maltese\\_port\\_worker\\_licences\\_are\\_inherited\\_but\\_bruce\\_sels\\_is\\_now\\_challenging\\_this\\_archaic\\_system](https://www.maltatoday.com.mt/news/court_and_police/119596/maltese_port_worker_licences_are_inherited_but_bruce_sels_is_now_challenging_this_archaic_system)

2. **A location near the airport with warehouses in Hal Far that can support growth** and has the potential to become one of the primary drivers of growth for the community's economy should be identified. IT infrastructure should integrate the related services as required. Funds must be set aside to ensure that the multi-stage development of a storage hub/logistics centre is completed before being outpaced by competition, especially from Morocco.
3. **Modification of our port operations through a service agreement** will bring a direct positive impact on pricing for the domestic market and the competitiveness of industry. Reorganisation of our port operations can give current port workers more and better possibilities. The Malta Chamber reiterates its call for a decisive change in the current law and implementation of new methods and processes which end the monopoly in cargo handling.
4. Restricting the unloading of cargo beyond the **Hal Far Groupage Complex boundaries** significantly hinders the scope of Third-Party Logistics (3PL) services. Allowing specialised Operators in Cargo Transport and Logistics to handle related tasks would lead to cost reduction for importers and increased delivery efficiency, thus also reducing traffic on the roads.

## CHAPTER B

# Reputation



## B. Reputation

### B1: Good Governance, Transparency & Accountability

The reluctance to acknowledge the existence and prevalence of corruption can stem from a combination of denial, incompetence, personal involvement or a combination of these factors. The most recent Eurobarometer poll revealed that 92% of respondents perceive corruption as being widespread in the country. This figure represents a 13% increase compared to 2022. Furthermore, businesses operating in Malta also share the perception of corruption being widespread, with 76% of respondents expressing this view, surpassing the average of 65% among the EU27 countries<sup>2</sup>.

Since October 2017, the number of Europeans who believe that corruption levels in their respective countries have increased has grown in 15 nations, including Malta and Greece which experienced particularly notable increases. While more than 6 out of every 10 individuals admitted that corruption affects their daily lives and are aware of where to report it, there has been a nearly 25% rise in those who refrain from doing so because they feel there is inadequate protection<sup>3</sup>.

The Malta Chamber will keep advocating for ethical business practices and working to improve our country's reputation. In 2021, The Malta Chamber proposed [public procurement](#) improvement measures to stop taxpayer money from being squandered on subpar projects and regularise certain misnomers with concrete proposals. Several of those recommendations are still to be implemented.

#### Proposals:

1. **Practices propagating a culture of clientelism that increase inefficiency and lack of transparency need to stop.** The longer we allow things to slip, the worse the repercussions and the cost of repairing them will be. The Malta Chamber expects government to adopt a **zero-tolerance policy for any kind of abuse that is facilitated by those entrusted with political or administrative responsibility.**
2. **A clear demarcation between political responsibility at ministerial level and the administrative and executive responsibility of the civil service** is required. Deciding whether to privatise or not is a political decision, but selecting the contractor is a matter of executive competence.
3. **NAO should scrutinise all public contracts above a certain value before they are signed** to prevent squandering of public funds from the outset. Additionally, the use of side letters which significantly modify key provisions of an agreement, like offsetting financial risks, ought to be outrightly prohibited.
4. **A cap on the number of people holding a position of trust should be introduced.** Such positions should be limited to those of high political sensitivity or those carrying specific security risks. Compensation and benefits received by people in positions of trust need to be fully disclosed and independent audits carried out regularly against stipulated compensation criteria.
5. **Government should refrain from engaging commercially with social partners in business ventures.** Collaborating on targeted initiatives for the collective welfare is acceptable but participating in profit-making enterprises can compromise objectivity and independence.
6. Government should **improve its tax enforcement efforts** to instil culture of law abidance and align defaulting businesses and other tax subjects.

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<sup>2</sup> <https://timesofmalta.com/articles/view/confidence-country-direction-lowest-since-2012.1036988>

<sup>3</sup> <https://timesofmalta.com/articles/view/confidence-country-direction-lowest-since-2012.1036988>

7. Government has significant influence on which industry or business would succeed or fail through its public procurement practices, since it is the biggest consumer in the country. **Greater transparency is required on how authorities allocate funding for large scale bids, particularly for entertainment events and productions.** This transparency is crucial to support service providers and local talent fairly, ensuring (a) a level playing field and (b) elevating competences locally to reach international standards.

## **B2: Justice Reform**

The average time needed in Malta to resolve administrative matters at first instance is 1,356 days, the longest in the EU. The clearance rate for civil and commercial matters, which now stands at 78.1% is a matter of concern for the European Commission<sup>4</sup>. While there has been a little progress in bringing down the expected amount of time needed to conclude contentious civil and commercial proceedings at first instance from 550 days to 529 days, these timeframes are still unacceptable.<sup>5</sup>

An ineffective justice system places an unfair burden on everyone involved, not least business owners, employers, employees and the overall social fabric of the country. This results in negative effects on the economy and people's wellbeing. Unacceptable delays in court hearings must be eliminated and every aspect of this reform should strive toward that goal. Although there has been an improvement in the administration and management of lawsuits, particularly by some judges, there are still thousands of pending civil, family and criminal cases, as well as magisterial inquiries. The overwhelming workload necessitates additional personnel to alleviate the burden and expedite the process as well as more investment in digital technology. The future prosperity of our country hinges significantly on the effective functioning of a responsible, efficient, fair and transparent judicial system.

### Proposals:

1. An **accelerated process of full digitalisation of the law courts is required**. Significant funding from the Recovery and Resiliency Plan is understood to be allocated for this purpose, to increase judicial and particularly court efficiency while streamlining interactions across relevant authorities. The business community lacks visibility of progress in this regard but reiterates the importance of expediting implementation.
2. A **comprehensive review** of the current processes and systems should be carried out. Courts' workload should be distributed more efficiently, such as by assigning **a dedicated group of magistrates to inquiries and compilation of evidence**. It is essential to provide judges and magistrates with adequate human and financial resources to effectively carry out their responsibilities.
3. **Specialised commercial courts are necessary** to align with the more complex transposed procedures requiring specialised professional expertise.
4. **The working hours of the courts need to be extended** to accommodate the demands of the reformed system.

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<sup>4</sup>[https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/upholding-rule-law/eu-justice-scoreboard\\_en](https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/upholding-rule-law/eu-justice-scoreboard_en)

<sup>5</sup>[https://www.maltatoday.com.mt/news/national/123790/eu\\_rule\\_of\\_law\\_report\\_singles\\_out\\_deteriorating\\_efficiency\\_of\\_maltese\\_justice\\_system](https://www.maltatoday.com.mt/news/national/123790/eu_rule_of_law_report_singles_out_deteriorating_efficiency_of_maltese_justice_system)



## CHAPTER C

# Human Capital



## C. Human Capital

### C1: Demographic Projections

Between January 2012 and 2022 the EU's population rose by 6.2 million (or 1.4%) with inward migration being the main driver of this population growth. The rate of population growth was highest in Malta and Luxembourg with the populations increasing overall by almost a quarter, 24.8% and 23% respectively. On the other hand Malta has one of the lowest fertility rates. In 2021 the total fertility rate in the EU ranged from a high of 1.84 live births per woman in France and 1.83 in Czechia, to 1.13 in Malta.

In 2022, our population saw an increase of approximately 22,000 people compared to the previous year. The rise can be attributed to various factors. Firstly, there were 80 more births than deaths. Additionally, there was a net inflow of 1,039 Maltese migrants. The remaining portion of the increase can be accounted for by the growing number of non-Maltese citizens. Among the non-Maltese citizens, there was a net inflow of 2,589 individuals from other EU countries. The remaining bulk, roughly 18,000 people, comprised a net inflow of individuals referred to as third-country nationals (TCNs). The immigration of TCNs amounted to 25,988, while emigration stood at 7,865. To put all in a context, from 2011 to 2021, the population of Malta experienced an annual average growth ranging from 10,000 to 11,000 individuals, however, in 2022, the rate of population increase doubled, resulting in a significantly higher growth rate.<sup>6</sup>

To remain fiscally stable in line with Maastricht Treaty, government is forecasting to close 2025 with a GDP of €19.8 billion (€18.7 billion when taking into consideration inflation which is 14.7% higher than 2022). In 2022, GDP amounted to €16.3 billion and total employment amounted to 291,000 resulting in a GDP per employee of €56,150. If productivity increased by only 1% p.a (the average between 2010 and 2022 was 0.6% p.a) and participation rate stands at 54% (53.7% in 2022), population will need increase to 598,102 by 2025. This translates into an increase in population of 56,051 or 10.3% over the 2022 population of 542,051.

Our economic growth has not been sustained by productivity increases but by bringing in more people. We must reverse this trend. Our economic model relies heavily on input growth (employees) as a driver of economic expansion but shifting the focus from input growth to productivity growth is crucial for long-term sustainability and economic well-being.

In this context there are certain policies which need to be overturned. For instance *".... workers who contribute higher value through jobs in industries that are less labour-intensive and hence have a lower impact on population density, such as export-oriented tech or other professional services, face a 35% tax rate once their annual wage surpasses €60,000, as opposed to the 15% tax for landlords whose real estate economic activity directly increases population density. Offering incentives that attract investment without requiring the complete onshoring of physical operations, or focusing on technology that replaces labour or enhances labour productivity could potentially alter investor preferences."*<sup>7</sup>

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<sup>6</sup> <https://timesofmalta.com/articles/view/opinion-evaluating-migration-flows.1043429>

<sup>7</sup> Comments by Alexander Demarco (Deputy Governor Central Bank of Malta) <https://maltabusinessweekly.com/which-economic-growth-model/23470/>

## C2: Labour Market & Work Incentives

Employees are refusing to work overtime and choosing to find part-time jobs to pay less tax due to a drop in the tax percentage for part-time work in last year's budget. A part-time worker pays 10% on the first €10,000 earned. A full-time worker has a 15% cap on overtime pay for the first 100 hours. This partly explains why employees are rejecting overtime. This tendency is quite prevalent among local young workers, particularly in manufacturing and retail sectors.

Businesses lack the incentive to invest substantially in training and to supplement this with investments in more advanced technology that would increase productivity. Such investments could render a portion of the workforce redundant, and businesses would either have to retain employees that they no longer really require or pay redundancy costs, both options costing money on top of the investment outlay itself. To improve productivity, it is essential that every effort is made to ensure that new industrial investments or expansions of current operations have lower labour demands and are highly automated.

A general reduction in productivity is also resulting from shorter effective workdays and higher labour turnover rates resulting in more on-the-job training and less on-the-job experience. The quality of a significant portion of TCNs may also be playing a role. Inadequate skills and competences of both local and foreign employees impair productivity.

### Proposals:

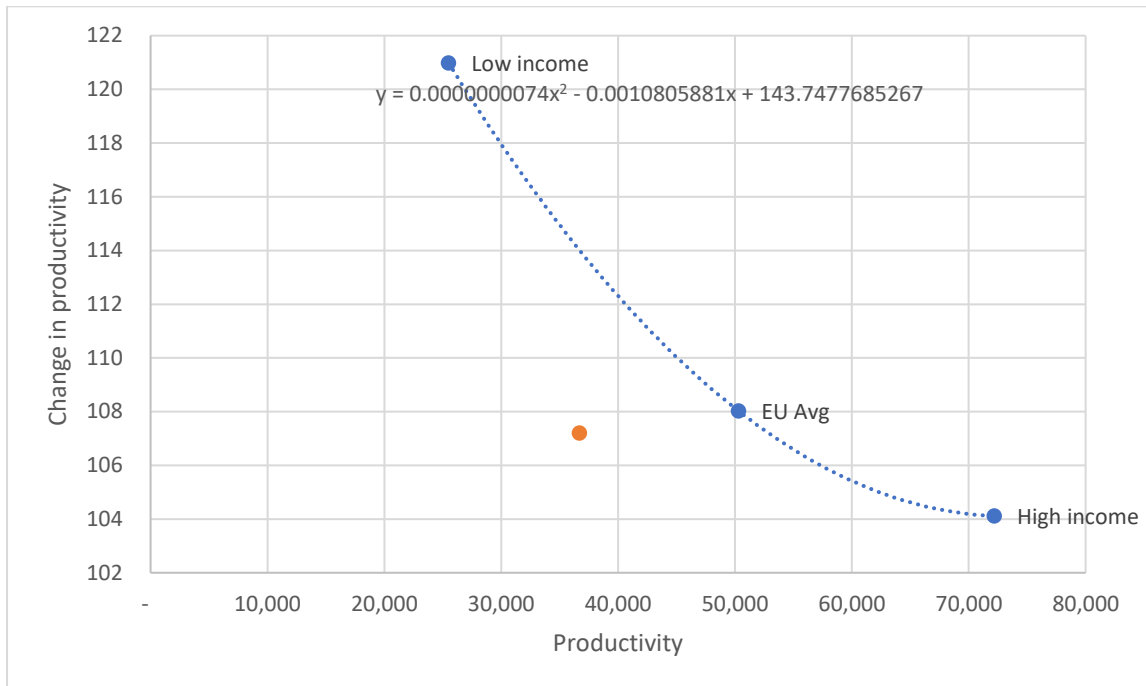
1. Provide **tax exemptions for the first 5 years to entice highly qualified Maltese people who are working and residing overseas to return to Malta.**
2. **Extend the reduced tax rate on overtime hours for full-time employees** to all overtime hours not just the first 100 hours.
3. **Eliminate the disincentive for the second spouse (often the female) from taking up gainful employment** by revising income tax categories such that working parents benefit from married tax rates irrespective of whether their spouse is in gainful employment or not.
4. **Broader on-the-job and offsite, in person and online training opportunities, incentive schemes** to ensure that learning is accessible to all including those who have family responsibilities. The process for grants and incentive programmes to be paid out needs to be **quicker**, and **pro-rata payments should be linked to specific deliverables and/or milestones**, as appropriate.
5. **Improve public transport to and from industrial estates** to (a) cater for all key routes; (b) cover all shifts; and (c) ensure better access to factory locations, particularly at night.

## C3: Productive Utilisation

According to Eurostat, between 2010 and 2022, Malta's productivity increased by 7.2%. This is below the EU average of 8%. Given Malta's actual productivity in absolute terms, the increase in productivity should have been just over 14%. This means that in the 12-year period between 2010 and 2022, Malta only fulfilled 51% of its productivity growth potential<sup>8</sup>.

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<sup>8</sup> Silvan Mifsud, BoV conference at The Malta Chamber, July 2023



Source: Eurostat

Lagging behind on our potential productive utilisation can have detrimental effects on the economy and society. It hinders economic growth, reduces competitiveness for businesses and limits job creation and wage growth. Inefficient resource usage leads to waste and higher costs, while a lack of innovation and investment in technology further stifles long-term growth. As a way forward, it is crucial to prioritise productivity improvements through innovation, technology adoption and efficient resource allocation to unlock the country's full potential of productive utilisation.

#### Proposals:

1. Government needs to **double its current expenditure allocation on R&D**. This emerges clearly from the National Productivity Report<sup>9</sup> which calculated the potential for R&D expenditure within the Maltese economy. Given the current size of the Maltese researcher pool, based on the current spending capacities within the Euro Area, the Total Gross Domestic Expenditure in R&D (GERD) gap is equal to €93.1 million, meaning that **R&D spending in Malta has the potential to increase by over 106%**. The highest gap is in the government sector followed by the business enterprise sector and the higher education sector.
2. **Malta Enterprise needs to shift its focus from job-growth to increasing automation**. The availability of grants under the various programmes should not be based on the creation of new jobs but on improving productivity. This requires a change in mindset based on the realisation that increased automation will lead to improved productivity through less reliance on headcount.

#### **C3.1: Research & Innovation**

Regrettably, the importance of research and innovation (R&I) in Malta has been overlooked for far too long. The proposed target in the Labour Party's last electoral manifesto of 2% of GDP towards research and innovation is merely a reiteration of the goal established in 2014 in Government's National

<sup>9</sup> MCESD, [The National Productivity Board, Report 2022](#)



Research and Innovation Strategy, which was meant to be achieved by 2020. Even though this objective was set almost 10 years ago, the current level of Gross Domestic Expenditure on R&D (GERD) is only a mere 0.6% of GDP, a decline from 0.72% in 2014, making Malta one of Europe's poorest performers in the sector. The competitiveness of our businesses and economy hinges on the extent to which the country supports and enables successful innovation-based growth for both start-ups and established businesses in Malta.

#### Proposals:

1. Fiscal Incentives:
  - a) **Increase the 150% tax deduction of R&I expenditure to companies to 200%.**
  - b) **Tax incentives to increase angel investing and encourage more support from venture capital firms**, particularly to retain talent upon completion of the research and prototype phases as well as to proceed to commercialisation.
  - c) **Supplement the funding for the post-doc fellowship** (leveraging on the experience acquired in 2023) to ensure that the programme becomes increasingly relevant and attractive to a broader range of researchers, and to stimulate more R&I with commercialisation potential.
  - d) Financial assistance to mitigate the **high legal and registration costs particularly of Intellectual Property Rights**.
2. Culture Change Incentives:
  - a) **Simplify incentive obligations to increase project uptake and free up time for research itself**. Certain incentive obligations are very rigid and discourage the pursuit of exploratory research, particularly among small businesses whose resources are very tight.
  - b) **One-to-one awareness outreach sessions with potential beneficiaries** to provide more specific advice and explain the returns that can be derived from prioritising more R&I in parallel with the day-to-day operational functions.
  - c) **A fully digital business infrastructure** (including company founding, banking, digital contracts, and taxation) to streamline processes for firms, reduce excessive administrative burdens, alleviate bureaucratic hurdles to ultimately improve accessibility to essential services and enhance efficiency in operations.
3. Human Resource incentives:
  - a) **Short placements for secondary school students in manufacturing and tech-based companies**, to cultivate a STEM mindset as well as to expose them to the real-world application of STEM and effective communication principles. This will help cultivate a pool of young people who are inclined to pursue careers in research and innovation.
  - b) Inquisitive **minds within our academic institutions**, industry, and broader society need to be promoted and encouraged to **develop new technologies and participate in European projects with a high commercialisation potential**. A pathway for commercialisation should be found for new eco-solutions.

#### **C4: Public Sector**

By the end of 2022, the public sector directly employed 51,385 individuals in total, according to NSO figures. The salaries expense for public sector employees amounted to €1.1 billion in 2022, while in 2012 it stood at €612 million.<sup>10</sup> There was an increase of around 10,000 public sector employees since 2013 – the figure in 2013 shows government employees at 41,917. This represents an increase of nearly 23% in just 10 years, which is roughly in line with the growth in Malta's population during the

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<sup>10</sup> <https://timesofmalta.com/articles/view/factcheck-governments-payroll-doubled.1026820>



same period. Figures do not account for outsourcing in the public sector – therefore, public sector employment is far greater than what is implied by these figures. Our labour force statistics show a steady increase in employment in professional services, which includes many subcontracted workers hired through temping agencies and working in other sectors including state entities.

Against this background of employment in the public sector, employers in the private sector have been struggling to find workers and constantly boosting salaries to improve employee retention, which has contributed to wage-induced inflation. Without corresponding productivity gains and a thorough rationalisation of resource use in both the public and private sectors, we run the risk of permanently losing our competitiveness, which will have negative effects on our exports, especially in the manufacturing and tourism sectors, which account for most of private sector employment. While it is understandable that the public sector needs personnel at specific levels, there is (a) an overstaffing problem in various government agencies and organizations and (b) a situation where Government is effectively poaching human resources from the private sector.

Government needs to collect more revenue at less cost by doing more with less human resources in public administration. This could potentially release excess people in the public sector and make them available for productive employment in the private sector. This is how we can achieve economic growth without pushing our population beyond the country's carrying capacity and is ultimately what will determine our quality of life in future.

#### Proposals:

1. **Conduct a comprehensive review of job roles and responsibilities within all government ministries, entities and departments.** This will identify areas of duplication, streamline processes and eliminate unnecessary bureaucratic layers to improve efficiency and reduce costs. An **independent audit study** needs to be commissioned for this and, through incentive programmes encourage **surplus personnel to be seconded to the private sector**. A job with government cannot continue to be perceived as a cushy job for life.
2. **Eliminate half days in summer.** Half-day schedules for public sector departments are inconvenient for business and disincentivise people from moving to the private sector because such a work cannot realistically be offered by businesses.
3. **Partner with industry to provide relevant training opportunities to public sector employees particularly in new sectors**, such as aviation, technology, yachting and virtual assets, to ensure that the public service possesses the necessary skills, expertise and agility to offer optimum service and to easily adapt to changing demands and technologies.

#### **C5: Pensions Reform**

Malta, like most EU<sup>11</sup> countries, is facing a massive demographic challenge due to the combination of expanding cohorts of older workers quitting the labour market and significantly fewer young people joining the workforce. We must therefore encourage talented individuals who are pension-eligible to continue working and, more importantly, ensure that Malta's pension system is pragmatic, sustainable and forward-looking.

The working-age population in Malta is decreasing due to declining birth rates. As a result there are now fewer new entrants into the labour market compared to the number of individuals retiring. To

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<sup>11</sup> Over the last decade, the EU's working-age population dropped from €269 million in 2012 to €264 million in 2021. In 2022, the number of employed people aged 20-64 years in the EU totalled 193,5 million. The EU working age population is expected to shrink over the next years and decades, with the loss of an additional 35 million persons by 2050.

maintain at least the current level of employment, the implementation of a reformed effective pension system, in line with the [Proposals for Reforms to the Pensions System joint position](#) by The Malta Chamber and General Workers Union, becomes more urgent and essential.

Proposals:

1. **Allow those who turn 61 and are eligible for a reduced pension to transition from employment to retirement gradually until they reach retirement age** by taking an increasing portion of the pension they are eligible for each year after that while gradually reducing their working hours.
2. **Allow those who retire early from full-time employment, to work part-time, even if they are eligible to a pension before retirement age and have actually taken it.** Currently these people are prohibited from working in any capacity until they attain the statutory retirement age. The current system also makes it impossible for younger retirees to earn a genuine second income to supplement their pension.
3. **Exempt all statutory pensions from taxation.** Fiscal incentives were established in Budget 2022 and sustained in Budget 2023, offering a tax-exempt pensionable income over the following five years at an incremental rate of 20% per year to encourage people above retirement age to remain in the labour market or return to it. Although this is commendable, **a quicker switch to tax-exempt pensions would have a more pronounced effect on encouraging employment after retirement.**
4. The sufficiency of pensions is becoming a thorny issue. Since salaries have been rising for many years while the cap on pensionable income has remained unchanged, it is high time to **update the cap on pensionable income.**
5. To encourage the uptake of supplementary pensions, particularly by younger employees, the government should move forward with the **implementation of an auto-enrolment with opt-out mechanism for employees.** Employer contributions to such plans would be entirely voluntary, and those who opt to contribute should be granted attractive tax incentives (better than the current).

#### **C6: Third Country Nationals (TCNs) & Skills-Based Migration**

Malta has ranked among the 10 worst places for people living and working abroad, according to a survey by InterNations<sup>12</sup>. This is a significant shift from just 6 years ago when the island was considered one of the preferred destinations for foreign workers. The decline is mainly due to issues such as overpopulation<sup>13</sup>, quality of life, environment, and transportation infrastructure.

Considerations around a new economic model for Malta are all pointing towards a high value-added economy against maintaining the current economic model based on growing the population at lower productivity levels. The influx of migrants we have experienced has contributed very marginally to our skills pool. At the same time, it is indisputable that many businesses and industries cannot survive, let alone thrive, without foreign workers supplementing the local workforce, given our tight labour market and evident skills gaps which are hindering growth across all business sectors. But TCNs cannot remain the only remedy for all local labour shortages. Our country needs to overhaul our education system and implement automation strategies to complement our workforce. At the same time, a more strategic offering for highly skilled non-EU citizens who want to live and work in the country to fill

<sup>12</sup> <https://timesofmalta.com/articles/view/malta-among-worst-10-countries-people-living-working-abroad-survey.1043234>

<sup>13</sup> <https://nso.gov.mt/world-population-day-11-july-2023/>

pressing qualitative skill gaps in the labour market is required, with clearly defined eligibility criteria including high salary thresholds.

The Malta Chamber stated on several occasions that it is high time that Malta carries out a full and comprehensive study on its optimal and sustainable carrying capacity and to address the current imbalances which are perpetuating a demand for more property and activities that lead to increased population density, compromising the quality of life of ordinary citizens. Failing to address these distortions poses a risk of escalating social tensions which could also have a negative impact on economic growth.

The Malta Chamber will continue to insist on a zero-tolerance approach towards businesses who unlawfully exploit foreign labour, particularly those engaging in highly unethical modern day slavery practices.

#### Proposals:

1. **Transform the Key Employee Initiative<sup>14</sup> into a Maltese Blue Card for skilled professionals** whose criteria would be based on (a) a minimum salary requirement of €40,000 with an exceptional provision of €35,000 for specific STEM professionals where there is a proven shortage; (b) a specified maximum residency duration which can be renewed after application for a permanent settlement; (c) facilitation of relocation of family members; (d) possibility to change employer within the country within the same profession; and (e) a less cumbersome application process.
2. **Adopt a Skills Forecasting Policy** to be able to determine which specialised skills are to be prioritised in the processing of applications for TCNs. A thorough analysis of the medium-to long-term projections for the national labour market should follow the recent NSO Skills Survey<sup>15</sup>. Jobs that lend themselves well to automation should be identified to reduce the need for further importation of low-skilled TCNs.
3. **Cap the percentage of TCNs out of the total number of employees that a business can employ at any point**, unless it is operating in healthcare or the provision of essential services such as waste management and public transport. Temping agencies, which should be properly and adequately regulated, can fulfil the **seasonal staff requirements** of the hospitality sector; however, their role should be limited to providing seasonal staff which is by its nature temporary. Permanent positions cannot be filled indefinitely by workers provided by temping agencies.
4. A **monthly quota per company for TCNs applications** proportional to the number of employees registered with Jobsplus should be imposed. Exemptions to this quota, to allow for large-scale business expansions, should only be granted on a case-by-case basis. This will discourage duplicate and superfluous applications which are clogging the system.
5. Identity Malta should eliminate the possibility of multiple applications for the same individual to **wipe out duplicates**.
6. The **procedure requiring employers to submit a rental agreement at an early stage of the process** means that the employer will often need to incur months of rental expenses before

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<sup>14</sup> [https://www.identitymalta.com/services\\_3/key-employee-initiative/](https://www.identitymalta.com/services_3/key-employee-initiative/)

<sup>15</sup> The review should: (a) track current and projected trends in population; (b) take into account the education levels of Maltese citizens entering the labour force; (c) calculate the average salary of skilled professionals working in Malta; (d) follow migration patterns of EU citizens moving to Malta on a semi-permanent or permanent basis; and (e) incorporate the seasonal influxes of tourists who also put a strain on the island's resources. The review will assist in identifying the quantified professions with typical salaries (as in Bellevue and San Jose, United States) tied to the needs of our economy.

the employee has even arrived in Malta. This needs to be rectified. A **3-month temporary work permit should be issued together with Identity Malta's approval in principle**. This would provide TCNs with the right to work for the first 3 months following their arrival in Malta while the rest of the process for the granting of an employment licence is completed. The employer would be required to see that the employee goes through the health screening process and submits a rental agreement within this 3-month grace period.

7. The **review period of TCN applications cannot restart again upon submission of all additional documentation that may be requested**. Reasoned proportionality needs to be applied when determining which missing documentation justifies a restart of the review period and which does not.
8. **TCNs should be allowed to change employer freely** once given permission to work in Malta to prevent abuses and improve retention within the local labour market.
9. Business owners who abuse their employees should be **barred from receiving any financial aid or competing for public tenders**.
10. **Temping agents need to be fully regulated and action should be taken against unauthorised recruitment brokers**. To maintain fair competition and prevent exploitation, **DIER must strictly supervise all businesses offering recruitment services, including temping agents**. To guarantee that this industry is effectively controlled, Government should make sure that license requirements are strictly enforced.
11. When a temporary employee has been **employed by the same company for more than a year, employment should shift to the company providing the job**.
12. **Employment licenses should be extended for an additional 3 years after the first year of successful employment with the same permanent employer** (as opposed to a temping agency), provided that the TCN meets certain educational requirements, has specialised skills that are in demand and has a good track record of adhering to the law and integrating into society.
13. The **processing time of family relocation administrative approvals** should be reduced.
14. There should be a single, open, and well communicated policy for **student visas longer than 90 days tied to Jobsplus**.
15. Questions should be answered openly and consistently by additional specialised desk officers at Identity Malta who are trained to **answer and address all incoming inquiries**. The digitalisation of processes at Identity Malta will contribute positively to the resolution of administrative issues and will be **beneficial in bringing together ID Malta, DIER and Jobsplus to track individual application process**, rendering it more just and transparent.

## C7: Primary & Secondary Education

General government expenditure on education increased by 51% from 2017 (€555 million) to 2021 (€837 million). However, expenditure on education relative to GDP remained constant at around 5% of GDP.

In June 2023, Prime Minister Abela said that we must now turn our attention to the next stage of our economic development, adding that we must keep transforming towards a knowledge-based economy to develop greater value-adding industries that improve our sustainability<sup>16</sup>. *"I am confident that my government will transition our economy into one that is knowledge-intensive, green and based on a diversified investment portfolio"*<sup>17</sup>. From experience, we know that simply budgeting funds for education is not enough. We need to (a) embed continuous improvement in education policy processes; (b) focus on fostering a learning growth mindset in our people; and (c) practice bold

<sup>16</sup> <https://timesofmalta.com/articles/view/opinion-the-next-phase-prosperity-robert-abela.1036700>

<sup>17</sup> <https://timesofmalta.com/articles/view/opinion-the-next-phase-prosperity-robert-abela.1036700>

leadership which takes difficult decisions in a timely manner and is fully cognisant that change is a constant.

A recent report by the World Economic Forum about the future of jobs<sup>18</sup> clearly stated that critical thinking skills and effective communication (STEM thinking) are likely to be the most crucial skills for workers going forward. Beyond these two competencies other key skills that employers of the present and future will look for include resilience, flexibility, agility, self-awareness, motivation, a thirst for knowledge, dependability, attention to detail, technological literacy, empathy, active listening, leadership and social influence.

Time has come to challenge the acceptance of low achievement levels in our education system. In May 2023 just over half the students who applied for their MATSEC in Mathematics achieved a passing grade, while 40% failed and 8% were absent<sup>19</sup>. The learning experiences of many students and employees are often missing real engagement. They are fraught with frustration on the part of the teacher as well as the learner, and in the case of young learners, their parents as well. This results in poor levels of educational attainment and hampers development of soft skills because it demotivates students and damages their self-confidence.

As the green transition accelerates in pace, employers seek academic knowledge backed by the practical and soft skills required to ensure applicability in real-world situations. This expertise is scant locally and threatens to slow the momentum unless skill gaps are narrowed and the proportion of educated green-collar workers increases. The triple helix model emphasises the importance of collaboration and knowledge exchange between the government, academia and industry, creating effective bridges that unlock opportunities for individuals, businesses and society at large.

#### Proposals:

1. Governance of education needs to be **insulated from political interference and the attainment of short-term goals**. The strategy be dynamic and forward-looking, with clear objectives and measurable KPI metrics.
2. A **full curriculum review as opposed to periodic add-ons** is needed. All levels of the educational system need to be included in a root-and-branch educational reform for citizenship and entrepreneurship. This is the best option considering the new and evolving work opportunities, particularly in the context of the parallel digital and green transitions. Learning needs to become predominantly skills-based rather than knowledge-based because with today's technologies there is little value in being able to memorise a lot of information.
3. **The purpose and methods of assessment needs to be re-examined** to make it more accessible and holistic. MATSEC must be independent but also engaged and participative. Micro-credentials and proof of skills mastery must replace traditional rote exams because schools need to prepare students for life, not for exams. Integration of industry certifications into school assessments is therefore also required.
4. **Interest in technology needs to be promoted from an early age**. A new core subject that includes computation thinking, coding and robotics should be introduced at primary school level to develop **digital skills at par with traditional core subjects**. Tech industry practitioners possessing the necessary expertise should be engaged to contribute towards the education of young students. Concurrently, funding should be allocated to create a **TechExplore Initiative to promote interest in Technology from Year 5 to Year 8**. This initiative should be funded separately and operated independently from the Education Department.

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<sup>18</sup> <https://www.weforum.org/reports/the-future-of-jobs-report-2023/>

<sup>19</sup> <https://timesofmalta.com/articles/view/a-fifth-students-sat-olevels-received-unclassified-grade.1043831>



5. **There needs to be mandatory training/exposure for educators to technology** within their continuous professional development (CPD).
6. **AI needs to be incorporated in assessment.** Rather than ban its use, students should be encouraged to use it purposefully and mindfully, the way they would in real life.
7. Programmes that allow students of all ages to connect with personal, societal, and life challenges, such as **social emotional learning and service-learning** need to be integrated in the curriculum and **school hours extended** to provide enough time for a more complete educational experience.
8. There needs to be **better remuneration for teachers linked to productivity and performance KPIs and a reorganisation of their work, including their working hours.** The amount of influence that teachers have on their students, their values, their aspirations, their career choices and ultimately who they develop into as adults is second to none, except parents.
9. The uptake of STEM and communications subjects can be improved by introducing a **critical thinking and effective communication approach to learning from a young age sustained with special interest state schools for trades and STEM from a certain stage onwards.** This is not segregation – rather, it involves placing children in learning environments that match their aptitudes and are geared toward fostering their skills, giving them a greater chance of succeeding.
10. To achieve a long-term sustainable transition, **students need to be re-educated along sustainable development pathways.** It is therefore pertinent to:
  - Embed 'Education for Sustainable Development' not as a project but as a mandatory, cross-curricular theme for all school-aged children
  - Incentivise teachers and tutors to take on sustainability agendas within all Malta's schools including state, church and independent schools
  - Provide financial incentives for schools to measure their carbon footprint and to implement carbon reductions within their operations as well as their value chain through green procurement, digitalisation, energy efficiency measures, waste minimisation, rainwater harvesting, water conservation measures, increasing biodiversity, providing a reconnection to nature.

#### **C8: Lifelong Learning, Skilling & Upskilling**

Full employment in a country means most of the labour force is employed and the unemployment rate is very low. This can lead to employers struggling to find qualified workers, lowering hiring standards and hiring unskilled workers to meet immediate labour demands. Additionally stagnation in education and skill development can occur as employees are reassured by their current job security and do not see the need for new skills. Employers may also be less inclined to invest in training as labour turnover is typically high in a situation of full employment.

Employers do not have a crystal ball, but they are in a better place than educators to anticipate the future needs of their industry. Educational institutions that acknowledge that their courses need to be more in sync with the needs of industry actively seek to collaborate with employers. As future employers of today's students, as well as lifelong educators of both today's workers and the workers of the future who are still in formal education, companies must take a proactive role in shaping the vision for education and contributing towards its realisation.

Proposals:

1. Vocational education is essential in bridging the educational and professional divides. To respond to changing needs swiftly, **constant dialogue between the University, MCAST, and businesses needs to be maintained.**
2. Businesses need to **make learning an intrinsic part of their long-term strategy and planning** if they want to grow sustainably and remain competitive. This necessitates having a significant spending budget for training and turning workplaces into learning centres.
3. **A green and just transition requires a new set of green skills.** Anticipating and accelerating the development of these skills is crucial.
  - Technical and core skills should be incentivised through paid study leave and in-house upskilling programmes respectively.
  - Funding geared towards preferential grants and tax incentives for on-the-job courses locally and abroad that support the green transition should be increased.
  - Students taking part in Green Skills courses should be provided with paid internships in local companies with recognition towards their commitment.
  - Traineeships from other EU countries through attractive funding opportunities and ease of access to companies taking on internships in various fields should be encouraged.
4. **Students should be provided with vouchers to choose where and what to study at the post-secondary level** based on their educational achievements. Specialized approved private education programmes are generally well-tuned to the future needs of businesses and offer a high-quality service because private education provision is a highly competitive sector.

## CHAPTER D

# Mobility & Connectivity





## D. MOBILITY & CONNECTIVITY

### D1: Transport Reform

Malta's traffic situation is a pressing issue, with a net daily growth of 58 vehicles in Quarter 2 2023. Passenger cars are the leading cause of traffic congestion, accounting for 75% of the total. The licensed motor vehicle inventory consists of 432,039 vehicles, with 58.4% being petrol-powered and 36.2% diesel-powered. The Malta Chamber urges a shift towards greener, sustainable transport options to reduce carbon emissions and congestion, while promoting co-working spaces and hybrid work. A balanced policy stance, collaboration among stakeholders, and punitive measures, such as parking meters and increased license fees, are crucial. A strong infrastructural foundation is essential to address the root cause of the problem, rather than expanding road networks to accommodate more private car commuters.

#### Proposals:

1. Introduce an **e-mobility wallet** with government allocating an annual amount to every e-wallet to be used for various environmentally sustainable or shared transportation options (by land and sea).
2. Introduce **parking fees** in central urban areas with fees paid being transferred into an e-mobility wallet for use of sustainable means of transport.
3. Gradually **phase out petrol and diesel subsidized price** and direct the subsidy to investment in environmentally sustainable fleets and the e-wallet.
4. Explore the concept of **bi-directional e-vehicles and charging stations** having the capability to not only draw power from the grid to charge the vehicle but also to supply excess energy generated by the vehicle back to homes and businesses.
5. Pair the electrification of the vehicle fleet with **underground charging infrastructure**.
6. Consider **public-private partnerships to reallocate on-road parking spaces to new multi-story underground parking spaces** suited for vehicle charging, therefore freeing up the space on the road - this can be integrated with park and ride services, where necessary, or adequate walking and cycling infrastructure including sharing platforms, for people to move around.
7. Introduction of **Regional Underground Mass Parking** facilities with green public spaces at ground level in line with what proposed in the [National Strategy for the Environment 2050](#).
8. **Lower Customs & Anti-Dumping Fees for imported EVs** to make them more advantageous than ICE vehicles. Other similar barriers should be identified and alleviated.
9. Rethink the current **public transport system**, including introducing more direct and fast routes complemented with regional circular minibus service including to industrial estates for night and early morning shifts.
10. Introduce a **centrally managed permitting** system which effectively controls multiple permits for concurrent activities in same region, particularly during peak hours.
11. Incentivize and support businesses promoting shared transport or other green options through a mix of **tax deductions, vouchers and parking subsidies that increase incrementally according to the number of passengers in each pool**.
12. **Lower the passenger thresholds** stipulated in the Employee Transportation Deduction Act to encourage more car-pooling.
13. **Revise vehicle road license fees** to reflect actual usage, by factoring in mileage covered since the previous renewal in addition to engine type, size and age of vehicle.

14. Better use of **smart parking technology** to notify drivers of closest available parking spaces. Last-mile delivery solutions for deliveries in commercial centres should maximise potential of such technology based on overseas success stories.
15. **Revisit the current school transport system to maximize pooling efficiency** - pooling should be organised by zone and not by school.
16. Gradually shift **heavy vehicles off-peak hours coupled with incentives to make night and off-peak shift operations more convenient** for freight forwarders, manufacturers, importers, distributors and waste collection.
17. Encourage businesses to green their fleet through **schemes under the revised General Block Exemption Regulation (GBER)**.
18. Introduction of **obligatory off-street car park spaces** tied to permits issued for new buildings, which obligation should not be allowed to be offset against a payment of fees (previously known as the Commuted Parking Payment Scheme, later absorbed in the Development Planning Fund).

## **D2: EU Legislation, Maritime, Air Connectivity & Supply Chains**

The European Commission has identified 'competitive sustainability' as a centric key metric in gauging the success of industrial policy and to ensure that economies, businesses, and industrial ecosystems transition to a sustainable economy which has climate neutrality at its core.

The revised Energy Tax Directive (ETD) will have a major negative economic impact on a number of industries, including aviation and shipping. In the case of Malta this will have a wide-ranging negative impact on the economy in general – namely an increase in transport costs translates into higher expense for the carriage of goods and people in and out of Malta. It is R&D&I rather than taxation that is required for the further greening of aviation and shipping to achieve and develop new viable technologies and fuels that must be available in sufficient quantities worldwide.

The aviation and maritime sectors already contribute substantially to national economies in the form of eco-Taxes, tonnage taxes, port duties and other levies, among others. Introducing an energy tax on fuel used by aviation and maritime operators is a disguised environmental tax, when in practice it would be just another source of revenue for member states. There is no set process to make sure earnings are reinvested in R&D and climate change, which is required for greening aviation and shipping.

Special attention therefore needs to be given on the impact of EU legislation on territories and regions with different characteristics within the EU, particularly island states. Over the years, The Malta Chamber repeatedly emphasised that a one-size-fits all approach to legislation creates an unlevel playing field for Malta based operators and an unproportional burden on Maltese consumers.

### Proposals:

1. In view of ongoing negotiations in the EU Council, Government should seek a **permanent derogation for Malta from the Energy Tax Directive due to its insularity**. Being a peripheral island state with no road alternative to the European mainland, the proposed tax creates an unproportional burden on Maltese businesses and consumers because it inhibits the free flow of goods and creates an unlevel playing field for regional producers and processing facilities inside the Single Market.
2. The Malta Chamber strongly expects our representatives in Brussels to lobby towards the **implementing of the Competitiveness Check in the preparatory phases of EU legislations**.



This is an important outcome from the Conference on the Future of Europe and a specific recommendation by employer representatives. The Malta Chamber therefore calls for the introduction of **Territorial Proofing or an Insularity Test as part of the policymaking impact assessment process.**

3. Transport links and the cost of transportation remain major concerns for the local manufacturers and importers, a key contributor to the erosion of competitiveness of local exporters. To alleviate this erosion Malta must:
  - a) Establish a **reliable national airline that provides air cargo services.**
  - b) Establish a **connection to the major ports in the Mediterranean** providing scheduled services to and from other parts of the world through which containers leaving or destined for Malta pass, given the limitations of scheduled services at the Malta Freeport. This can be provided through a scheduled circular route using a small freighter that connects ports such as Tunis, Casa Blanca, Valenzia, Gioia Tauro, and Malta.
4. The **Bunkering Adjustment Factor (BAF)** should be rendered transparent and should accurately reflect the real cost of fuel. The current scenario has led challenges for logistics operators in dealing with customers, particularly to explain why charges in Malta remained high while rates have been reduced globally.
5. Introduction of Government **support programmes** that are specifically targeted at supporting corporate initiatives to **re-examine global supply networks.** A **data-based decision-making in supply chain management** could be promoted and incentivised by government. This may entail supporting the adoption of AI and machine learning technologies in supply chain operations. To ensure supply chain security, the government could implement a **partnership-based strategy by identifying key partners**, both domestically and internationally, and collaborating closely with them.
6. Due to a lack of raw materials, rising inflation and supply chain interruptions, business operators need **support on sensitive raw resources that frequently vary in pricing**, such as oil and cereals. The government must establish a method for **price adjustment that is automated, unambiguous and connected to an index acknowledged by the sector.**

## CHAPTER E

# Digitalisation



## E. DIGITALISATION

The economy and society are being severely impacted by digitalization, which if used properly, can boost productivity and economic growth. Online transactions have been made easier, financial inclusion has grown and job growth has expanded.

A significant uptake of digitalisation was undertaken during and post the pandemic months with more businesses today seeking to resolve their challenges with digital answers. Notwithstanding this, The Malta Chamber believes that local business must embark on more agile uptake of automation to address inefficiencies and minimize costs.

Improving skills, ensuring high-speed internet access, promoting efficient reallocation of labour and capital, addressing competition issues, easing financial constraints and converting to digital government services, all play a crucial role in promoting efficient and inclusive digital transformation.

This requires enhancing education and training systems, encouraging infrastructure investment, removing obstacles in the way of business, addressing issues with competition and easing financial limitations.

### E1: Ease of Doing Business with Government Agencies, Authorities & Departments

Reducing red tape and simplifying business processes across government agencies, authorities and departments is crucial to improve operational efficiency as well as to reduce useless additional costs and time wasting for business.

A number of issues make it difficult for businesses to establish themselves in Malta and to carry out day-to-day operations. Chief among these are:

- The duplication of due diligence efforts by various entities.
- The excessively long time it takes to open a bank account.
- The difficulty of getting credit particularly for working capital financing or non-capital investments.
- The process of registering a property.
- The process of getting water and electricity service.
- The excessive waiting times for obtaining regulatory licences.
- The excessive bureaucracy in obtaining accessibility certification for commercial premises.
- The messy user interface of Government services.
- The very bureaucratic and unpredictable procedures for the recruitment and retention of third country nationals.
- The ineffectiveness of judicial remedies for the resolution of civil and commercial disputes.
- The slow resolution of insolvency issues.

Digitalisation can help to address all the above issues.

#### Proposals:

1. Address fragmentation within departments, agencies, authorities, and Ministries by **automating customer care and verification levels**.
2. **Combine agencies and delineate authorities (instead of demerging them)** to address the overlapping between entities as well as to ensure better use of resources (human resources and finance), better service levels and proper enforcement.
3. Introduce **real-time status tracking technology giving relevant and pertinent information to the applicant**, across all entities, particularly at Lands Authority, INDIS, Malta Enterprise, WSC, REWS and ARMS.
4. Set up an **integrated portal for reporting and payments of VAT, Tax, Financial Incentives and Schemes**.
5. Implement within the shortest possible timeframe a **centralised document repository system that holds and maintains all due diligence documents related to investors/shareholders/UBOs and foreign workers** which can also be subscribed to by regulatory authorities, professional bodies, corporate service providers and banking institutions.
6. Both the **Lands department and INDIS need to become more transparent** in the way they operate, with clear published guidelines regarding the perimeters they use when dealing with the transfer/use under whatever title of public land.

#### **E2: Banks & Credit Institutions**

The Malta Chamber acknowledges the fact that Government cannot and should not oblige banks to open an account for any commercial entity that banks consider to be unviable, outside their risk appetite or bypass AML obligations. However, a risk-based-approach on a case-by-case basis, rather than a sectoral approach, would be more appropriate particularly for industries like tech, gaming, aviation and virtual assets.

Products, services and business models that have worked for decades need to be replaced or augmented by newer and more efficient technologies, including the replacement of legacy infrastructure.

#### Proposals:

1. Set up a **Credit Review Office based on a robust tech solution for timely info processing** to assist banks in their client assessment function.
2. **Pursue stakeholders' cooperation to address excessive bureaucracy on banking-related delays through better use of technology**, including difficulties in getting credit.
3. Introduce **Distributed Ledger Technology to execute legal contracts for real estate** increasing efficiency, settlement obligations and transparency.

#### **E3: Effective Support Schemes for Digitalisation**

A number of schemes have been issued to date and some businesses have taken the opportunity to update their online presence, invest in their network infrastructure, invest in cybersecurity and even in management systems. However, there is room for improvement.



Proposals:

1. Revisit the **eligibility criteria and application success criteria to include productivity and how digitalisation can help to decrease workforce dependence**, rather than tying them up to the number of jobs created.
2. Increase funding allocation for **SME Digitalization Grant, Digital Intensification Grant, Digitalize your Micro Business Scheme and other grants/schemes**.
3. More focus should be given to **IP Generation, Revenue Growth and Export Growth**.
4. More support schemes **to large enterprises in Malta** (possibly through local funds) considering that many of the large companies in Malta are only slightly larger than medium-sized companies in terms of employment numbers.

**E4: Further Support**

Good use of technology can help to reduce costs, improve efficiency and increase revenue.

In today's fast evolving world it is important to address the digital divide, the shortage of professionals in the area, security and ethical challenges.

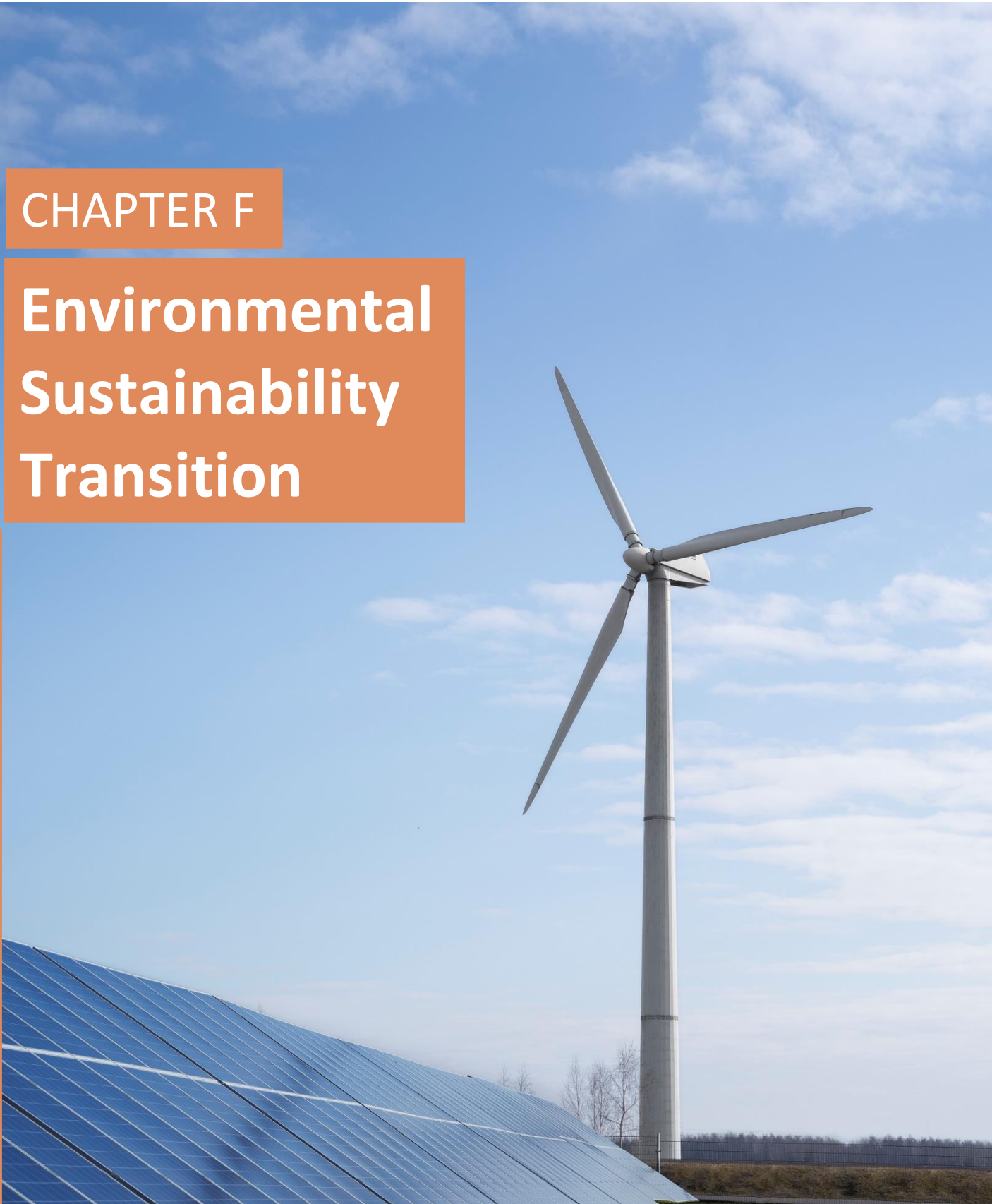
Proposals:

1. Develop a **"Digital Vulnerability Index"** to identify areas and populations most affected by the digital divide, aiding in policy decisions and resource allocation.
2. Strengthen **Science, Technology, and Innovation (STI) Capacities** through the establishment of a dedicated fund supporting research and development in emerging technologies.
3. Introduce a **"Future Skills Programme"** to fund training and upskilling in high-demand fields such as data science and AI.
4. Prioritize **AI implementation across government**, including in public procurement for tech solutions.
5. **AI-First Public Procurement Policy** – The government could prioritise AI solutions in public procurement by revising the scoring system to favour AI proposals. This would be supported by developing AI procurement guidelines as well as by providing AI-focused training for procurement officers.



## CHAPTER F

# Environmental Sustainability Transition



## F. ENVIRONMENTAL SUSTAINABILITY TRANSITION

Businesses are faced with ever increasing pressures and responsibilities to go green and to embark on to the green transition. The science is overwhelmingly clear too. We live in a decisive decade where our ambitions, choices and actions will steer the planet's trajectory until the end of the 21st Century and beyond.

This budget needs to invest in long-term thinking and efforts which will bear fruit. This can only be achieved if tough and possibly unpopular decision are taken, and through appropriate and focused incentives.

This transition requires going beyond the implementation of basic climate measures. It requires us to re-design our value proposition and re-educate our society into one that protects and strengthens the fabric of environmental, social, and economic sustainability. It requires us to adapt an immediate effective strategy and model a future that is resilient when the building blocks of our economy are nudged, or even toppled, because of processes beyond our control or jurisdiction.

A collaborative approach between the private sector and government is a must – this is crucial to transcend short-term boundaries, predict risks and opportunities, and address them appropriately. Businesses want to focus on addressing real sustainability issues encountered on the ground, not on writing reports. Excessive reporting obligations discourage investment, including investment to reach sustainability objectives. So does lack of alignment and fragmentation in sustainability standards globally, including EU legislation.

### F1: Built Environment

Planning should be a forward-thinking process to safeguard the right equilibrium between the built and non-built environment ensuring a good quality of life.

Urban planning should take into consideration the layout of the builds, the prescribed densities of our residential, commercial, and industrial areas, as well as transportation systems and infrastructure. If done properly it will ensure a sustainable level of economic development, high quality of life, wise management of natural resources, proper conservation of our cultural, historical and natural heritage as well as the efficient operation of infrastructure.

The *ad hoc* planning approach adopted over the years has uglified Malta and put untenable strains on infrastructure. This is impairing productivity and undermining competitiveness. It is also having a negative effect on the country's attractiveness as well as people's well-being and quality of life.

#### Proposals:

##### **1. Revision of the Outdated Strategic Plan for Environment & Development (SPED)**

The necessary budget must be allocated for SPED 2015 to be reviewed without any further delay<sup>20</sup>. This must be done in tandem with a comprehensive review of all planning policies to

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<sup>20</sup> Clause 1.13 of SPED 2015 identified the year "2020 as the first milestone for review". To date the review has not been done yet. To add on to the gravity of the situation the parameters spelt out in SPED 2015 at clause 1.10 requiring that development and land use policies should be (i) illustrated by diagrams as necessary and (ii) accompanied by explanatory memoranda which give a reasoned justification for each policy, has not materialised either.

ensure that (i) all policies are aligned with the revised SPED, (ii) all policies are clear and unambiguous, leaving no room for a 'pick and choose' approach, and (iii) it is unequivocally determined which planning policies take precedence over others so as to prevent abuse, misinterpretation and misapplication of policies.

This must be carried out on the basis of a carrying capacity study of Malta's land environment taking into account the built and natural environment used for residential, heritage, culture and business requirements.

## **2. A National Architecture Policy, an Aesthetics Policy and a Landscape Policy**

Malta is fast losing its uniqueness and attractiveness because of the lack of proper guidelines protecting our cultural and historical heritage, our patrimony and our natural landscape. The country urgently needs a national architecture policy, an aesthetics policy and a landscape policy which harmonize development with our culture, history and natural landscape. This will also ensure more cohesiveness in the evaluation of planning applications.

## **3. Plan for the Upkeep and Maintenance of Public Areas**

Public areas are vital for economic growth, tourism, community well-being, accessibility, cultural preservation, crime deterrence and overall quality of life. Clean, well-maintained spaces promote boost local commerce, encourage more social interaction and ensure accessibility for all ages and abilities. Additionally, well-maintained public areas tend to have lower crime rates as they are more likely to be actively used and monitored.

A plan is required for the systematic and regular proper maintenance and cleansing of public areas.

## **4. Energy Performance**

The Energy Performance of Buildings Directive stipulates very ambitious targets. As of 2028, all new buildings must be zero-emission – public buildings have to reach this target by 2026.<sup>21</sup> Preparing Malta for this transition is going to be a monumental undertaking.

This transition gives us the opportunity to build a comprehensive energy performance database through the systematic collection of relevant data for both public and private buildings, which database should be kept updated in a timely manner as upgrades or changes occur.

To help with the transition, government should engage expertise to develop a set of mandatory design and building features that future-proof Malta's building stock against the impacts of climate change. This involves blue-green solutions with a focus on rainwater harvesting and cisterns, domestic water recycling systems, renewable energy sources, energy-efficient water piping, design for increased weather extremes, passive design features to protect against solar irradiation, passive cooling designs and the incorporation of reconstituted or recycled building materials.

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<sup>21</sup> [https://www.europarl.europa.eu/RegData/etudes/ATAG/2023/739377/EPRS\\_ATA\(2023\)739377\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2023/739377/EPRS_ATA(2023)739377_EN.pdf)

### New Builds

- a) **Advantageous loans.**
- b) **Fiscal incentives** specifically designed to support green products/services.
- c) Innovative financing options such as **Energy Performance Contracting**.

### Scheduled Property

**Tailormade fiscal incentives for private owners of scheduled properties which go beyond the current limits of “Irrestawra Darek”** to help them in the upkeep and maintenance of these buildings based on a clear set of criteria which also take into account the transition to more energy efficiency to the extent possible.

### Zones Identified for Urban Regeneration

Increase the **fund allocation gathered from planning applications to assist residents** in renovating facades based on a clear set of criteria which also include measures that take into account the transition to more energy efficiency.

### Other Incentives

- a) **Reduced or zero tax rate on profits reinvested** into environmentally sustainable systems within businesses.
- b) **Lower tax rate** for lessors renting buildings having an energy performance higher than the minimum required.
- c) **Higher support and no stamp duty for first time buyers** buying property having an energy performance higher than the minimum required.
- d) Reduction in capital gains / final withholding for developers using **sustainable construction materials**.
- e) Deep renovation **schemes targeting less efficient buildings having the potential to achieve a good energy efficiency rating**, which differently from “Irrestawra Darek”, should support also measures for space heating and cooling, water heating and lighting.
- f) Introduction of a **building logbook reflecting the structural and fabric history of the building as well as its certification relative to its construction and post commissioning**, noting the obligation of the owner to maintain the building in a good state of repair, thereby anticipating and preparing for the introduction by the EU of renovation passports.
- g) Preference to Design-and-Build Contracts which include **Quality Provisions** (Assurance and Control).
- h) Implementation by the Planning Authority of a **system with a minimal passing score for planning applications** which include clear criteria on energy efficiency in the mandatory design framework, without which applications cannot be processed further.
- i) A 25% **reduction on Planning Authority fees upon proven commitment** to specific green building standards – if the commitment is not honoured, an amount equivalent to double the reduced amount will be imposed on the defaulter.
- j) Incentives for consumers to **replace appliances that are inefficient**
  - o Reduce VAT on purchases in a tiered approach where the highest energy rating receives the highest VAT reduction (e.g., A = full refund, B = 10% refund, C = 5% refund).
- k) Promoting more solar PV takeup by means of a **zero % VAT rate on PV systems**.

## F2: Carbon Emission Targets & Reporting

Legislators, both locally and at EU level, must adopt a practical approach to reporting. Businesses are constantly being burdened with new reporting obligations which go little beyond a mere box ticking exercise. Carbon emission reporting is no exception.

Carbon accounting can help identify inefficiencies. Voluntary carbon offsets can help offset emissions with high-quality, local projects. However, addressing potential abuse, misrepresentation, and fraud is crucial to establish trust in these programmes.

### Proposals:

1. In relation to the EU's Carbon Border Adjustment Mechanism ensure that there are enough available **verifiers to certify carbon levels** and issue respective certificates for the processing of the importation of iron, steel, aluminium and fertilizers from third countries.
2. **Educate business with respect to their individual actions** which if supplemented with awareness raising and supported by financial and expertise resources can make sustainable quantum leaps. It is therefore recommended to:
  - Allocate funds to be specifically used towards wide-spread Carbon Literacy Training, GHG accounting and Sustainable Development courses in businesses.
  - Deliver programmes by educators (incentivise through untaxed additional income) or university students with a verification badge or certificate to prove participation.
3. Set up a **carbon fund based on rigorous and V.A.L.I.D. criteria**: Valid & Verifiable (through rigorous auditing), Additional (to a BAU scenario), Leakage (prevent driving an increase in emissions elsewhere), Impermanence (must guarantee GHG mitigation over the state time period) and Double counting (carbon reductions must only be claimed once).

## F3: Waste Management

The Malta Chamber acknowledges the positive intentions earmarked by the government for waste management purposes to mitigate the risk of Malta meeting its 2025 targets. Nevertheless, the current situation will not be sufficient to meet these targets unless all actors including individuals, businesses and government contribute towards this goal. The present set-up, in which WasteServ competes with private industry and monopolise the most profitable waste streams, does not allow for private enterprise to provide the essential services that could contribute towards optimal and efficient operations and valorisation of waste.

There is a large and yet untapped potential for industrial symbiosis to take place in Malta. Collaboration and exchange of resources, materials and energy between different industries and entities can result in mutual benefits. Improved environmental performance through resource efficiency, waste reduction and sustainable economic growth poses a great opportunity for the country if the current lethargic mindset across the community is overturned.

### Proposals:

1. **Introduce fees for waste collection aimed at highlighting the true cost of waste and encourage responsible behaviours.** This system can be structured into two parts: (a) a fixed rate per residence, incorporated into the energy bill, and (b) a variable fee, depending on the



volume of the bag, through a 'pay-per-bag' approach for mixed waste. The recycling waste bag and the organic waste bag should be included too so as to incentivise less use of plastic and food wastage respectively. Income generated should be reinvested into circularity projects.

2. Enforce **mandatory garbage collection solutions for all new developments with multiple units including garbage rooms** proportional to projected occupancy and use.
3. Implement a **Garbage Bag Barcode system** to regularizes households in sorting their garbage correctly.
4. **Incentivize homeowners who offer designated space within their front gardens or other designated areas within their premises** to third parties to deposit their waste collection bags there instead of on sidewalks.
5. Impose a **charge for plastic delicatessen containers and plastic bags, while government subsidises a portion of the cost of reusable fruit and vegetable bags through a voucher system.**
6. Provision of potable **water fountains in public spaces** to further discourage single use plastic purchases.
7. **Address the current distortionary market effect on battery waste fees in Malta** by differentiating between industrial and smaller consumer batteries through improved pricing tiers.
8. Pass on the operation and management of both the **Material Recycling Facility (MRF)<sup>22</sup> and Ecohive complexes to private industry to increase efficiency and effective management of recycling processes.**
9. Implement a **New Regulatory Framework for construction and demolition waste** to facilitate transition to a more circular economy and the development of secondary markets for end-of-life resources, including (i) the establishment of a minimum percentage of construction material, verified through an audit function, that should be made up of reused material or materials recycled locally with a possibility of further reuse or recycling at the building's end of life and (ii) proper waste classification and source separation with the goal of identifying the construction and demolition waste being generated to ensure the proper deconstruction of buildings ultimately improving the quality of waste for reuse, recycling and recovery. This should be supported by **incentivising:**
  - a) **Dismantling** instead of demolition
  - b) **investment in recycling facilities and depots** for construction waste
  - c) The **use of recycled materials in the construction of new buildings** by facilitating their take-up over traditional building material
  - d) **Research and Development**, and respective **CE Marking** and **patenting.**
10. **Funding schemes** allocated for initiatives aimed at supporting specialised and comprehensive **upskilling and training programmes** which disseminate best practices and knowledge on the benefits and ROI of sustainable waste management.
11. **Establish a nationwide platform or database for industry** to share knowledge, information, and partnership outreach requests.

#### F4: Water

Malta faces increasing water demand due to climate change and limited freshwater supply. Groundwater extraction is causing aquifer depletion, affecting soil productivity, biodiversity, ecosystems, and food security. Improved management is needed to secure adequate water, energy and food supply. Water scarcity and degradation have been a reality for centuries, and international

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<sup>22</sup> This facility should have the capability to receive and process co-mingled material as well as material from segregated sources, allowing for recycling of waste that would have previously been sent to landfill.

water management is crucial. Public awareness campaigns and a mix of supply and demand instruments are needed to combat wasteful water consumption and improve circular practices.

Proposals:

1. **Map out Malta's industrial production processes** to identify resource flows, including potentially hidden resources, that can be extracted before mixing with other flows.
2. Incentivize **rainwater harvesting in both businesses and households** through the mandatory implementation of cisterns in new buildings and subsidised rates for renovations. Adequate **incentive schemes** should target:
  - a) Storage and use of rainwater in industrial estates.
  - b) Treatment and reuse of grey water in the hotel industry.
  - c) Investments in technology to improve irrigation efficiency in agriculture, public and private landscaping.
  - d) Rainwater harvesting from domestic structures for use as secondary water.
  - e) Reduction of water use through consumer behavioural changes.
3. Turning **public spaces and roundabouts into 'biodiversity hotspots'** that require minimal care and watering - this would save human resources, reduce water use and increase pollination.
4. Place a **restriction on lawns**, where size is determined by the volume of the water reservoir or property footprint.
5. Place a restriction on the **volume of swimming pools based on property footprint and water reservoir**, and **apply pool licensing fees according to the volume of the swimming pool**.

**F5: Agriculture & Food Production**

Malta's agricultural sector faces challenges due to climate change, limited land area, water resources, urbanization, and global imports. Food security concerns are intertwined with energy, water, and sustainable practices. Investments should focus on resilience, minimizing resource exploitation, and promoting biodiversity. The sector is one of the largest water consumers in Malta and requires dedicated disbursement of funds towards smart technologies, research and innovation projects and reskilling the workforce towards sustainable farming practices. This shift holds the potential to conserve water resources and therefore also energy, as well as protecting soil quality and quantity, together with its biodiversity, apart from food security.

Proposals:

1. **Incentivize and train farmers in sustainable and organic farming practices** to meet increasing consumer demand and improve crop output.
2. **Develop a local production action plan promoting premium or niche agricultural products** around which an agritourism sector can be developed.
3. **Collaborate with other Mediterranean countries** to create cooperatives in which farmers can voluntarily pool resources, share risks and engage in collective activities for their mutual benefit.
4. **Support the local wine industry** through investments in **automation, human capital development and niche marketing**.
5. **Invest in the proper treatment of manure from all livestock** due to its high potential for future uses in fertilization, waste to energy and greywater treatment.
6. Promote and incentivize **vertical farming and aquaponics initiatives** that maximize production within a closed loop or limited space, encouraging both residential and larger-

scale, ideally with a **rebate or cash grant, in line with green technology initiatives at a level of 30%.**

#### **F6: Healthy Lifestyles**

The Malta Chamber believes that promotion of healthier lifestyles, such as more walking or the take-up of a sport by adults for fun (as opposed to competition) can be more effective than focused exercise programmes of which the majority drop out after a short stint. However, any promotion of physical activity needs to be also accompanied by facilities that people can use to walk, run or play sports for leisure.

On the same lines, taxing sugar is not really a viable standalone option since it is present in many food items, to varying degrees. Furthermore, The Malta Chamber cautions against taxing local products which have a high sugar content since parallel importation tends to slip in undeclared and would render the prices of local manufacturers of these products uncompetitive<sup>23</sup>.

#### Proposals:

1. **Educate and incentivise the use of indigenous or endemic plants and trees that are resistant to Mediterranean climate** by placing a higher tax on non-indigenous, decorative species that require heavy irrigation, whilst offering a lower tax on indigenous vegetation that also contributes towards carbon sequestration, improved air quality and other ecosystem services.
2. Ban products with high sugar and salt content and junk food, from school canteens, sports nurseries and kiosks in children's playgrounds and instead promote **fruit and salad bars where children can get served into their own reusable containers.**
3. More physical education opportunities should be included as part of the educational curriculum, with children leaving school having mastered basics such as swimming, riding a bike and running properly. The **FunFit5** initiative was a good start but the childhood obesity scenario in Malta calls for more action. **All public colleges at Year 3 onwards should offer mandatory, daily physical activity of at least an hour, involving different disciplines.**
4. Some liberal arts programmes at universities abroad (such as the US) require sports credits as essential parts of the curriculum. A similar system can be introduced at **tertiary level in Malta, as a follow up on sports education during compulsory schooling.**

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<sup>23</sup> TMC consultation feedback - A review of the implementation of SDG 2: Malta's efforts at reducing the prevalence of obesity – October 2022



THE MALTA CHAMBER

## CHAPTER G

# Sectors





## G. SECTORS

Last June, Prime Minister Abela said that we must look at sectors that we have supported in previous years and provide them with the appropriate conditions to facilitate their transitions while they continue to thrive through greater collaboration with our social partners and business leaders<sup>24</sup>. The Malta Chamber agrees with this approach and calls for a collaboration coupled with (a) strong policymaking and (b) political goodwill. Both together are essential for our island to become a leader in specific areas, including manufacturing, aviation, yachting and the service-based industries.

### G1: Manufacturing

The manufacturing industry has good potential for value-added and growth. The industry is now at a stage which requires focused action on 2 salient points:

- a) how to retain and improve on its competitiveness<sup>25</sup>
- b) how to improve our manufacturing base in the light of Pillar 2 corporate taxation overhaul at a global level
- c) identifying the specific areas of potential specialisation within the industry.

#### Proposals:

1. Improve uptake of **energy audits** by:
2. **Increasing the funding and raising more awareness** on the cost saving potential **Incentivising energy audit courses** to increase the supply of qualified professionals<sup>26</sup>.
3. Issue of **energy bills at regular and consistent intervals** to facilitate accurate comparison, planning and forecasting.
4. Currently there is no option to purchase renewable energy from the national utility supplier, a practice which is commonplace in other European countries. **Implementing a premium tariff for renewable energy generation would incentivise investors, while those tracking their carbon footprint can purchase 'clean' energy from these third parties when they cannot generate their own, or not sufficient, renewable energy.** This accounting mechanism would provide a more accurate measure and greater accountability for Malta's progress towards Net Zero.
5. Invest in the **upgrading of the grid to allow for bi-directional energy transfer** between companies, particularly in industrial estates, to capture and put to good use energy generated by business in excess of their business' requirement.
6. **Remove rental charges for the installation of PVs on INDIS roof space.** Companies which opt not to invest in PVs on their industrial roofs should be charged. The practice can be extended to parking areas which can use space more efficiently.
7. **Revisit the night energy tariffs for industrial use** (i) to include small companies (ii) by lowering the current energy consumption threshold, and (iii) by lowering the night tariff.

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<sup>24</sup> <https://timesofmalta.com/articles/view/opinion-the-next-phase-prosperity-robert-abela.1036700>

<sup>25</sup> The energy price stability that was provided by government in the last couple of years helped the local manufacturing industry retain competitiveness by compensating for higher transport costs through relatively lower energy costs. However, with energy costs in Europe gradually falling and with subsidies tapering off, concern on the manufacturing industry's competitiveness is mounting.

<sup>26</sup> Having enough energy auditors will see sustainable energy projects being implemented within shorter timeframes, as a result of which companies start benefitting from energy savings at earlier date.



## G2: Tourism

Tourism is a key sector of our economy, with a considerable multiplier effect. The sector provides countless jobs and supports local businesses and communities. Our country offers a Unique Service Proposition (USP) in terms of our history, culture and character – we need to protect it and nurture it – it is what will ensure quality experiences to visitors and what will help us remain competitive against other competing Mediterranean countries.

Government's priority should focus on ensuring quality in all elements of the supply chain. oversupply, a proposal which is now being echoed by other stakeholders.

The Malta Chamber's Renewed Vision for Tourism – Rediscover published in 2021 provides a series of recommendations, including placing a moratorium on applications for tourism accommodation to prevent oversupply.

### Proposals:

1. Increase investment in **infrastructure, upkeep and maintenance** to address mobility frustrations and the waste management sprawl encountered by visitors, to ensure proper utility supply and to address the shabbiness of highly frequented tourist localities.
2. Revisit and redesign MTA's **marketing efforts towards more quality tourism that respects our history, culture and character**.
3. Attract well **established quality international symposiums/exhibitions to Malta during off peak months on an annual basis** to position Malta as the place-to-go to for these events, thereby creating a niche that is currently underexploited.
4. Support, possibly through subsidization, **operators in the tourism industry providing cultural and historical training to their TCNs**.
5. Incentivise the industry to **subsidise language courses provided by warranted English-Language Schools to send their employees to learn basic English**. A similar incentive should also be available for industry's employee to **learn basic Maltese**. This will also support integration which will decrease turnover.
6. Grant **provisional licenses to individuals with a qualification higher than the guiding MQF Level 5 diploma in related areas such as tourism, culture, and history** given the increasing demand for tourist guides and the insufficient number of licensed guides.<sup>27</sup>
7. **Attract US carriers to operate direct flights to Malta** to tap into the growing US market.<sup>28</sup>
8. The English Language Teaching industry in Malta is in desperate need of a specific licence for **Houses in Multiple Occupation (HMO's)** to provide adequate quality budget accommodation. This licence category would allow school-managed accommodation properties to house students, making Malta a preferred long-term study destination.
9. **Waive the eco tax contribution for local host families** to attract families to make available beds which are currently underutilised and **introduce proper regulation for Air B&Bs immediately** to ensure a level playing field amongst the various players in the industry.
10. Invest back in **every locality's product development a % of the VAT generated by that particular locality** – this will help to mitigate the significant disparity in the allocation of

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<sup>27</sup> This initiative aims to address the immediate need for more tourist guides by utilising the skills and knowledge of individuals in related fields. This initiative would involve a simplified application process and a basic training course to ensure that all provisional licensees understand the role and responsibilities of a tourist guide.

<sup>28</sup> Malta has reached close to saturation from several European markets although efforts are still needed to improve connectivity from UK, Germany and the Nordic markets.

funds within MTA where there is a disproportionate emphasis on marketing endeavours rather than investment in product development.

11. Incentivize tourism operators to obtain sustainability certification by subsidizing **50% of the costs of said certification.**
12. The way the Government is implementing the **Tour Operator Margin Scheme (TOMS) Directive** is putting local DMCs at a disadvantage with its European competitors. This means that a Maltese DMC is charging 18% VAT for an ancillary service but if an ancillary company offers the same product to a foreign company this can be charged using the reverse charge mechanism (essentially not paying VAT in Malta), putting the Maltese DMC at a disadvantage. Other jurisdictions such as Spain and Sweden have argued that B2B transactions of this nature are not to be in scope of the implementation of this directive. While we are aware that this is going to be reviewed at EU level in the coming years, a **short-term measure such as having B2B transactions for meeting conferences and exhibitions considered out of scope of the scheme, as the aforementioned countries are doing, as Malta is losing significant ground in this niche market.**

### **G3: Yachting**

The outcome of the first Malta Superyacht Symposium organised by The Malta Chamber in July 2022 reaffirms that the yachting sector should be recognised as an integral, yet distinct, part of Malta's tourism offering. By implementing the below measures Malta can capitalize on the growth potential of yachting tourism, attract more visitors, and stimulate economic activity in the sector – this also bolsters local marinas and stimulates yachting-related economic activities.

The success of the yachting industry hinges on the importance of having a robust infrastructure tailored to the industry's needs with the intent of attracting investment and improving infrastructure and ancillary services. As the industry worldwide embarks on a remarkable endeavour by constructing yachts and superyachts that prioritise the incorporation of green technologies, aiming to create vessels that are not only more efficient but having eco-friendly technologies, such as hybrid or electric propulsion systems, Malta must ensure that it remains at the forefront as a jurisdiction in terms of attractiveness. Therefore, The Malta Chamber believes that the government should strengthen the industry by going beyond the flag by collaborating with industry through strategic incentives that will elevate the island's capabilities by unlocking a combined commercial and sustainable potential.

#### Proposals:

1. Conduct a comprehensive **economic impact assessment** of the yachting industry to understand its significance and identify areas for improvement bearing in mind a long-term vision and plan.
2. **Subject berthing and visiting yachts in Malta's marinas to 7% VAT** instead of 18% for berthing services, agency fees, provisioning and expenses relating to the preparation of yachts embarking on charters.
3. Make Malta's registration fee structure more competitive by **offering discounted registration fees for green yachts.**
4. Adapt **loan policies** to cater to the maritime industry including longer repayment periods and interest rates, recognizing the extended return on investment in this sector.
5. Amend **highly qualified rules in respect of the Key Employment Initiative to extend the 15% tax benefit to officers on board yachts**, incentivizing crew members to become tax residents in Malta.

6. Invest in facilities and infrastructure that support the creation of a **“crew island”** close to refit yards including office spaces, shops, high-end facilities and hospitality amenities for crew.
7. Devise a scheme to attract FDIs to (a) support 2nd hand superyacht owners subject to undertake a refit project in Malta flying the Maltese flag through **tax rebates** (b) familiarisation trips to Malta and (c) foster partnerships with leading superyacht refit companies and yacht builders, encouraging their presence and collaboration in Malta.
8. Grants designed specifically to support the **modernization and operation of refit yards and to encourage the use of greener technologies**, more specifically, building a technical cluster of contractors that can install or retrofit the machinery required for yachts to become compliant with **TIER III compliance for engines and emissions**.

#### **G4: Aviation**

The Malta Chamber welcomes the fact that matters raised with the Government Aviation Advisory Committee were addressed in the Aviation Strategic Policy published in January 2023. Government now needs to move on to the implementation phase, taking into account the challenges faced by the industry and ensuring that the proper legislative framework and a sound infrastructure (including specialised personnel) are in place.

Unfortunately, Malta lacks alignment on matters concerning human capital, including the productive deployment of former Air Malta employees within the sector. Furthermore, the impact of the Fit-for-55 package on the industry is disproportionately burdensome for a peripheral island nation, a topic which was tackled in a previous chapter.

##### Proposals:

1. An **Aviation Action Plan with timeframes and responsibilities based on resource-requirement as a follow-up to the Aviation Strategy**. The right environment for business needs to be created to operate and grow, supported by a higher budget to the regulator and a supporting eco-system with ancillary services.
2. A niche focus on **aircraft leasing** after an analysis of other jurisdictions for a long-term strategic approach.
3. Improve legislation which creates obstacles to airlines operating to, from and in Malta.

#### **G5: Virtual Assets**

Malta firmly positioned itself as a leader in the prominent & emerging industry of crypto assets back in 2018 with the promulgation of the Virtual Financial Assets (VFAs) framework. The VFA framework remains the benchmark in national regulatory frameworks covering the provision of services and issuance of crypto-assets, testament to which is the fact that the European Markets in Crypto Assets Regulation (MiCA) has largely emulated the VFA framework, signaling a strong vote of confidence by the EU legislators in Malta’s capability as a pioneering and foreseeing jurisdiction.

With Malta housing some of the largest and most-renowned crypto-asset service providers in the world, it is optimally placed to not only retain its favourable position, but essentially assert itself as a global leader in an industry that currently enjoys a market cap of €1.08 trillion, having peaked at over €2.25 trillion last year. Notably, the EU has taken significant steps on crypto industry to comprehensively regulate it and major credit and financial institutions worldwide have enthusiastically adopted it, gearing up to provide related services.

It is imperative that Malta's attractive to this sector remains one based on sound governance and ethical standards.

Proposals:

1. Extend the **Highly Qualified Persons tax regime to persons employed & involved in the VFA industry.**
2. Extend the **VAT grouping rules to cover VFA-licensed service providers.**
3. Re-ignite discussions with local credit institutions to **extend banking facilities to VFA-licensed service providers.**
4. Introduce further **incentives to attract talent to Malta**, of which there is a global shortage and would serve to further increase Malta's attractiveness to multinational service providers.

**G6: Care Homes**

Given that the **pricing structure in care homes** is significantly influenced by Government due to the social aspect of providing care for vulnerable individuals, commercial activities within these public-private partnerships (PPPs) are restricted by this social responsibility. Considering this, as well as the fact that the care home serves as the registered address for most of its residents, it is justifiable to offer **private operators residential rates for utilities rather than commercial rates.** This reduces additional financial burdens on these institutions, allowing them to allocate their resources to the well-being of their residents.

**G7: Retail**

The Malta Chamber believes that retailers need to reimagine their current business models to keep abreast with the fast changing customer demands and remain competitive. Support to help retailers make better use of tech, live data and AI is a must. Local retailers should be incentivised to sell online, both for the local market (ranked 26% according to latest DESI index) and the Single Market (ranked at 13% according to latest DESI index), although in both cases slightly higher than the EU average. One negative outcome of DESI 2022 was certainly the number of enterprises that use e-invoices in Malta, which is below the EU average (22% versus 32%)<sup>29</sup>.

Externalities like shabbiness in certain localities and mobility impairments need to be addressed too.

Proposals:

1. Implement measures to encourage retailers to **transition to e-invoicing** and promote the adoption of **non-cash electronic payment methods** that can be integrated with the electronic systems of other countries. Simultaneously, address the issue of **E-Receipts**, which currently necessitates retailers to provide both a conventional paper receipt and an electronic receipt. Additionally, ensure that **digital signatures** are recognised and accepted by Law Courts.

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<sup>29</sup> <https://digital-strategy.ec.europa.eu/en/policies/desi>

2. **Labour costs compensation for business disruptions caused by major public projects which are not completed within the original mandated timeframe** – compensation would be based on the number of days post the original mandated timeframe.
3. Implement Budget 2023 proposal that extends and increases the **rent subsidy whereby businesses can receive a maximum annual assistance of €50,000 for the initial 3 years, with proviso of extending period to 6 years**, an increase from the previous amount of €25,000<sup>30</sup>.
4. **Refrain from increasing excise duties**, which is an added cost to industry, amplifying the inflationary pricing pressures faced by producers and importers. In turn, this will circumvent the unavoidable partial increase onto retail and consumers.

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<sup>30</sup> [Budget Speech 2023 \(ENG version\)](#), page 59



## Conclusion

In summary, Budget 2024 must concentrate on transforming the current economic model into one that translates into a well-being economy which benefits the society at large.

With respect to the business community, Budget 2024 should be directed towards improving businesses' efficiency and productivity. Currently businesses are struggling with higher labour costs, higher financing costs and higher import costs. Supporting businesses to invest wisely in technology will reduce their dependency on manual labour and improve value added per employee. Budget 2024 should also seek to help businesses align with SDGs and integrate ESG metrics in their operations – this will help Malta to adapt to the evolving landscape, mitigate risks, and seize opportunities for long-term success while contributing to a more environmentally sustainable and responsible economic model. Budget 2024 should also support investments in alternative energy sources and energy efficiency measures as these will help businesses to be better placed to deal with increases in energy costs when energy subsidies are curtailed.

In order to get to this Government needs to **step-up and act now**, and address the structural challenges that are negatively impacting productivity, competitiveness, attractiveness and the overall well-being and quality of life for the people.

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